

# NOTICE OF MEETING

**Meeting:** AUDIT COMMITTEE

**Date and Time:** FRIDAY, 25 OCTOBER 2024, AT 9.30 AM

**Place:** COUNCIL CHAMBER - APPLETREE COURT, BEAULIEU ROAD, LYNDHURST, SO43 7PA

**Enquiries to:** E-mail: [andy.rogers@nfdc.gov.uk](mailto:andy.rogers@nfdc.gov.uk)  
Tel: 023 8028 5070

## **PUBLIC INFORMATION:**

This agenda can be viewed online (<https://democracy.newforest.gov.uk>). It can also be made available on audio tape, in Braille and large print.

Members of the public are welcome to attend this meeting. The seating capacity of our Council Chamber public gallery is limited under fire regulations to 22.

Members of the public can watch this meeting live, or the subsequent recording, on the [Council's website](#). Live-streaming and recording of meetings is not a statutory requirement and whilst every endeavour will be made to broadcast our meetings, this cannot be guaranteed. Recordings remain available to view for a minimum of 12 months.

## **PUBLIC PARTICIPATION:**

Members of the public may speak in accordance with the Council's [public participation scheme](#):

- (a) on items within the Audit Committee's terms of reference which are not on the public agenda; and/or
- (b) on individual items on the public agenda, when the Chairman calls that item. Speeches may not exceed three minutes.

Anyone wishing to attend the meeting, or speak in accordance with the Council's public participation scheme, should contact the name and number shown above no later than 12.00 noon on Tuesday, 22 October 2024.

**Kate Ryan**  
Chief Executive

Appletree Court, Lyndhurst, Hampshire. SO43 7PA  
[www.newforest.gov.uk](http://www.newforest.gov.uk)

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# AGENDA

## Apologies

### 1. APPOINTMENT OF VICE - CHAIRMAN

To appoint a Vice Chairman of the Committee for the remainder of the municipal year.

### 2. MINUTES

To confirm the minutes of the meeting held on 26 July 2024 as a correct record.

### 3. DECLARATIONS OF INTEREST

To note any declarations of interest made by members in connection with an agenda item. The nature of the interest must also be specified.

Members are asked to discuss any possible interests with Democratic Services prior to the meeting.

### 4. PUBLIC PARTICIPATION

To receive any public participation in accordance with the Council's public participation scheme.

### 5. EXTERNAL AUDIT BACKSTOP UPDATE (Pages 5 - 10)

To receive an update on the External Audit Backstop arrangements.

### 6. FINAL ANNUAL FINANCIAL REPORT 2022/23 (Pages 11 - 146)

To consider the Final Annual Financial Report for 2022/23.

### 7. INTERNAL AUDIT PROGRESS REPORT 2024/25 (Pages 147 - 162)

To receive the Internal Audit Progress Report for 2024/25.

### 8. TREASURY MANAGEMENT UPDATE 2024/25 (Pages 163 - 176)

To receive an update on Treasury Management activity for 2024/25.

### 9. AUDIT COMMITTEE WORK PLAN (Pages 177 - 180)

To consider the Audit Committee's Work Plan.

### 10. DATES OF FUTURE MEETINGS

To agree the following dates for meetings in 2025/26 (Fridays at 10 am (proposed change from 9.30am)):

#### 2025

30 May

25 July

31 October

#### 2026

23 January

27 March

**11. ANY OTHER ITEMS WHICH THE CHAIRMAN DECIDES ARE URGENT**

To:	<b>Councillors</b>	<b>Councillors</b>
	Alan Alvey (Chairman)	Caroline Rackham
	Kate Crisell	Janet Richards
	Jack Davies	John Sleep
	Jacqui England	Richard Young
	Alan O'Sullivan	

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## Audit Committee – 25 October 2024

### External Audit Backstop Update

Purpose	For Decision
Classification	Public
Executive Summary	This report provides an update regarding the council’s external audit progress following confirmation of the audit backstop dates as part of the government’s approach to clearing the backlog of local government audits.
<b>Recommendation(s)</b>	<b>That the Audit Committee note the content of the External Audit Backstop Update.</b>
Reasons for recommendation(s)	To ensure members understand the approach to clearing the backlog of outstanding audit opinions including the back stop dates for each financial period.
Ward(s)	All
Portfolio Holder(s)	Councillor Jeremy Heron – Finance and Corporate
Strategic Director(s)	Alan Bethune – Strategic Director Corporate Resources and Transformation (Section 151 Officer)
Officer Contact	Paul Whittles Assistant Director - Finance 02380 285766 paul.whittles@nfdc.gov.uk

### Introduction and background

1. This report provides an update to the Audit Committee regarding the government’s approach to clearing the backlog of local government external audits, which enables the publication of audited accounts, and in particular the impact to the council as a result of this approach.

2. The backlog in the publication of audited accounts peaked at over 900 in September 2023.
3. In September 2024 government laid statutory instruments to introduce backstop dates and require auditors to provide their opinion in time for local authorities to adhere to the backstop dates.
4. These new measures will clear the backlog but during this recovery period it is likely that many audit opinions will be classed as modified or disclaimed audit opinions due to the time limitations imposed by the introduction of the backstop dates.

### **Clearing the Local Audit Backlog**

5. To ensure the timely completion of audits for local authorities the government has instigated reset measures covering all audit opinions covering up to and including the financial year 2022/23, followed by a recovery period for future financial years.
6. To support clearing the backlog, the following backstop deadline dates have been set:

<b>Financial Year</b>	<b>Deadline</b>
Up to and including 2022/23	13 December 2024
2023/24	28 February 2025
2024/25	27 February 2026
2025/26	31 January 2027
2026/27	30 November 2027
2027/28	30 November 2028

7. The success of these backstop dates will be reliant on both the accounts preparers and auditors.
8. The council as accounts preparers will need to provide good quality and timely draft financial statements, underpinned by working papers and backed by robust evidence.
9. For financial years 2024/25 to 2027/28, the date by which the council should publish 'draft' (unaudited) accounts will change from 31 May to 30 June following the financial year to which they relate.

10. Due to the backstop deadlines a significant number of audits may only be concluded by including a modified audit opinion as opposed to the desired unmodified opinion.
11. A modified audit opinion may be classed as adverse or a disclaimer.
12. An adverse opinion means the auditor has determined the financial statements to be materially misstated.
13. A disclaimed audit opinion means the auditor is unable to determine whether or not the financial statements are materially misstated.
14. An unmodified opinion means the auditor has assured themselves that the council's financial statements are prepared according to accounting standards and are free from material misstatement.
15. Auditors will clearly communicate the reasons for their opinion in their auditor's report to the council, referencing the impact of the backstop dates as appropriate.
16. The council should not be unfairly judged for modified or disclaimed audit opinions beyond their control.
17. Due to the time required to rebuild assurance levels and return to normal acceptable practices, council's across the country are likely to received modified or disclaimed opinions for a number of years.
18. The government's aspiration is for disclaimed opinions driven by the backstop dates to be limited to the next two financial years up to and including the 2024/25 financial statements and the associated 27 February 2026 backstop date.

### **Corporate plan priorities**

19. The Annual Financial Report is a public facing document that sets out a number of key financial figures related to the Council's financial performance and sustainability.
20. The external auditor's report provides assurance to stakeholders as to the effectiveness of the Council's internal control environment and its efficiency in securing value for money in the use of public funds.
21. It provides assurance on the financial standing of the Council and ensures that commitments to corporate plan can be delivered with adequate and sustainable financing.
22. Ensuring the council is being financial responsible, as evidenced by timely independent external audits, underpins all of our corporate plan themes (People, Place and Prosperity).

### **Options appraisal**

23. No alternative options have been considered as this report sets out our statutory requirements.

### **Consultation undertaken**

24. Consultation between the council and our external auditors and advisors has been continuous throughout as the situation has developed.
25. Audit committee has been appraised of the progress to date at each opportunity.

### **Financial and resource implications**

26. Preparation of the financial statements is presently met from existing resources and there is no immediate plan to change this approach.

### **Legal implications**

27. There are no additional legal implications arising as a result of the recommendations in this report.

### **Risk assessment**

28. The risk of missing the backstop dates is considered minimal due to the statutory requirement to conclude the audits by the backstop date, and the focus and willingness of all stakeholders to achieve this.

### **Environmental / Climate and nature implications**

29. There are no environmental or climate and nature implications as a result of this report.

### **Equalities implications**

30. There are no equality matters arising as a result of this report.

### **Crime and disorder implications**

31. There are no crime and disorder matters arising as a result of this report.

### **Data protection / Information governance / ICT implications**

32. There are no data protection, information governance or ICT implications arising as a result of this report.



**Appendices:**

None

**Background Papers:**

None

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## Audit Committee – 25 October 2024

### Final Annual Financial Report 2022/23 including Final Annual Governance Statement

Purpose	For Decision
Classification	Public
Executive Summary	This report lays out the requirements and reasoning for the request for delegated authority to be given for the approval of the final 2022/23 Annual Financial Report and recommend that the final Annual Governance Statement 2022/23 be approved.
<b>Recommendation(s)</b>	<p><b>It is recommended that Audit Committee:</b></p> <ol style="list-style-type: none"> <li><b>1. Agree that the Strategic Director Corporate Resources and Transformation (Section 151 Officer), in consultation with the Chairman of the Audit Committee, be given delegated authority to review and consider the 2022/23 Audit Completion Report from the Council’s external auditor.</b></li> <li><b>2. Agree that further to the review, the Strategic Director Corporate Resources and Transformation (Section 151 Officer), in consultation with the Chairman of the Audit Committee, be given delegated authority to approve:</b> <ol style="list-style-type: none"> <li><b>a. the Annual Financial Report for 2022/23 and</b></li> <li><b>b. the 2022/23 letter of representation</b></li> </ol> </li> <li><b>3. Agree the Final Annual Governance Statement 2022/23 be approved by the Chief Executive and Leader of the Council.</b></li> </ol>

Reasons for recommendation(s)	<p>The Council is required to prepare, and have externally audited, an Annual Financial Report for each year and to prepare an Annual Governance Statement.</p> <p>This report seeks delegated authority for the Strategic Director Corporate Resources and Transformation (Section 151 Officer) to approve the final Annual Financial Report for 2022/23 and the associated letter of representation, and additionally explains the reasons for the approach taken for this financial year's audit.</p> <p>It also provides a brief update on plans for the 2023/24 audit of the accounts.</p> <p>It is a requirement for the Final Annual Governance Statement to be approved.</p>
Ward(s)	All
Portfolio Holder(s)	Councillor Jeremy Heron – Finance and Corporate
Strategic Director(s)	Alan Bethune – Strategic Director Corporate Resources and Transformation (Section 151 Officer)
Officer Contact	<p>Paul Whittles</p> <p>Assistant Director – Finance</p> <p>02380 285766</p> <p>paul.whittles@nfdc.gov.uk</p>

## **Introduction and background**

1. This report provides an update to the Audit Committee on the audit of the 2022/23 Annual Financial Report and set out recommendations for the conclusion of the audit process.
2. It sets out the context for why a full audit has not been undertaken and the implications related to the recommended course of action.
3. It also provides a brief update on the plans for the audit of the 2023/24 Annual Financial Report.

4. Previous reports to the Audit Committee have set out the background to the national backlog of local authority audits, related to the 2022/23 and prior financial years.
5. For New Forest District Council, all Annual Financial Reports up to and including the 2021/22 financial year, have been audited and approved.
6. Prior to the General Election in July 2024, it was expected that measures would be put in place to resolve all outstanding local authority audits by 30 September 2024. With the dissolution of Parliament, that was no longer possible.
7. The new government is committed to resolving the backlog together with a refresh of the way local authority audits are undertaken and seeking to review the capacity of the audit sector for this type of work.
8. The Minister of State for Housing, Communities & Local Government, Jim McMahon OBE, wrote to all local authorities and audit partners on 30 July to set out plans for new backstop dates by which time all audit opinions must be issued. This is either as a result of a completed audit with a full audit report or a disclaimed opinion following a limited audit engagement.
9. The new backstop date for 2022/23 audit reports to be issued is 13 December 2024. The backstop date for 2023/24 audits will be 28 February 2025. This report focuses on the 2022/23 Annual Financial Report.
10. There is insufficient time to undertake an audit of the 2022/23 Annual Financial Report and for a full opinion to be given on it. Even if there were capacity, it is questionable whether any meaningful results would be received so long after the year-end. It is inevitable that a disclaimed opinion will be required for this Annual Financial Report – and that is an eventuality that will be encountered by hundreds of councils across the country. A disclaimed opinion is not an assessment of weaknesses in controls or that the accounts contain material mis-statements.
11. The issuing of a disclaimed opinion in this context is new to both local authorities as well as our external auditors. Full details of exactly how the process will be resolved remain to be confirmed; however, there are certain actions that must be taken.
12. These steps include:
  - a. Approval of the Annual Financial Report for audit by the s151 Officer, this was completed on 31 May 2023.

- b. Publishing the Annual Financial Report, this was completed on 31 May 2023.
  - c. Holding a minimum 30-day public inspection period for the Annual Financial Report, this was undertaken between 1 June and 12 July 2023.
  - d. Providing updated assurances related to the year in question, this information has been sought from the Chairman of the Audit Committee, s151 Officer, Monitoring Officer and Internal Audit Manager. No issues were identified that require reporting.
  - e. Reviewing and providing comments on the external auditor's Audit Completion Report – this is required to be done prior to the approval of the accounts and by 29 November 2024 at the latest.
  - f. Approving a final Annual Financial Report, this is required by 29 November 2024 at the latest and is the subject of this report.
  - g. Considering the need to update and approve any open Annual Governance Statements in line with CIPFA Bulletin 16.
  - h. Signing a Letter of Representation, normal practice is to complete this at the time the audit is finalised. This will be signed by the Chairman of the Audit Committee and s151 Officer.
  - i. Publishing the final auditor's report and completion report with the final approved Annual Financial Report for 2022/23, this is required to be done by 13 December 2024.
13. To meet the expected backstop date, it is recommended that delegated authority be given to the Section 151 Officer, in consultation with the Chairman of the Audit Committee, to approve the Annual Financial Report for 2022/23 following receipt and review of the Audit Completion Report from Ernst & Young and to recommend that the Annual Governance Statement be signed by the Chief Executive and Leader of the Council.
14. Copies of the unaudited Annual Financial Report and Annual Governance Statement are attached as annexes to this report. Ernst & Young have confirmed that they are anticipating their opinion will be issued on the accounts as they are currently presented.
15. The substantive audit work in respect of the 2023/24 Annual Financial Report commenced in late August. At this stage, it is

anticipated that a full audit will be undertaken and concluded by the February 2025 deadline. Ernst & Young will present an update on the progress of this audit to the January 2025 Audit Committee meeting.

### **Corporate plan priorities**

16. The Annual Financial Report is a public facing document that sets out a number of key financial figures related to the Council's financial performance and sustainability.
17. The external auditor's report provides assurance to stakeholders as to the effectiveness of the Council's internal control environment and its efficiency in securing value for money in the use of public funds.
18. It provides assurance on the financial standing of the Council and ensures that commitments to corporate plan can be delivered with adequate and sustainable financing.
19. Ensuring the council is being financial responsible, as evidenced by independent external audits, underpins all of our corporate plan themes (People, Place and Prosperity).

### **Options**

20. The options in this report are:
21. Option 1: to give delegated authority to the Strategic Director Corporate Resources and Transformation (Section 151 Officer), in consultation with the Chairman of the Audit Committee, to review and consider the 2022/23 Audit Completion Report and to approve the 2022/23 Annual Financial Report and associated letter of representation; and for the Annual Governance Statement 2022/23 be approved by the Chief Executive and Leader of the Council in order to meet the statutory deadlines.
22. Option 2: to call an additional audit committee meeting in line with the backstop date, with the risk that matters would remain unresolved at this time thereby requiring either delegation to be approved or further committee meetings to be scheduled.
23. Option 3: not to give the delegated authority to the Strategic Director Corporate Resources and Transformation (Section 151 Officer), in consultation with the Chairman of the Audit Committee, to review and consider the 2022/23 Audit Completion Report and not to approve the 2022/23 Annual Financial Report and associated letter of representation, and not to approve the signing of the

Annual Governance Statement, which could lead to the council not complying with its statutory duties by the deadline.

### **Options appraisal**

24. The Annual Financial Report was prepared in accordance with CIPFA guidance and the Accounting Policies that were approved by the Audit Committee. The processes used were the same as those that have produced robust accounts in previous years.
25. The lack of a thorough external audit inspection of the 2022/23 Annual Financial Report does increase the risk that a material misstatement may exist and has not been identified. However, officers are not aware of any changes that are needed and no changes have been requested by Ernst & Young from the work that they have undertaken, since the publication of the Annual Financial Report 2022/23 in July 2023 there have however been some changes as a result of the conclusion of the audit of the Annual Financial Report for 2021/22.
26. The government is putting in place plans that will require auditors to issue opinions for financial years 2022/23 and earlier by 13 December 2024. To be able to issue their disclaimed opinion, Ernst & Young require that the Council approves an Annual Financial Report on which that opinion can be made.
27. No substantive changes have been made to the Annual Governance Statement since it was presented on 31 May 2023.
28. The next meeting of the audit committee is not until after that deadline and Ernst & Young have confirmed that no further work on the 2022/23 figures will be undertaken.
29. Therefore, Option 1, to give delegated authority to the Strategic Director Corporate Resources and Transformation (Section 151 Officer), in consultation with the Chairman of the Audit Committee, to review and consider the 2022/23 Audit Completion Report and to approve the 2022/23 Annual Financial Report and associated letter of representation, and for approval of the Annual Governance Statement by the Chief Executive and Leader of the Council is the recommended option.
30. Any changes to the accounts undertaken using this authority, together with the issued opinion for the 2022/23 Annual Financial Report will be reported to the next meeting of the Committee.



### **Consultation undertaken**

31. Consultation between the council and our external auditors and advisors has been continuous throughout as the situation has developed.
32. Audit committee has been appraised of the progress to date at each opportunity.

### **Financial and resource implications**

33. The Annual Financial Report has been prepared by officers using existing resources.
34. It is anticipated that there will be a saving on the budgeted audit fee for the 2022/23 year as significantly less work was undertaken by Ernst & Young than was expected. This will be subject to a third party review by Public Sector Audit Appointments Ltd once all matters related to the accounts have been closed.

### **Legal implications**

35. There are no legal implications arising as a result of the recommendations in this report.

### **Risk assessment**

36. An evaluation of the risks indicates that the existing controls in place mean that no significant risks that been identified at this time.

### **Environmental / Climate and nature implications**

37. There are no environmental or climate and nature implications as a result of this report.

### **Equalities implications**

38. There are no equality matters arising as a result of this report.

### **Crime and disorder implications**

39. There are no crime and disorder matters arising as a result of this report.

### **Data protection / Information governance / ICT implications**

40. There are no data protection, information governance or ICT implications arising as a result of this report.

## **New Forest National Park / Cranborne Chase National Landscape implications**

41. There are no matters which could affect the New Forest National Park or Cranbourne Chase National Landscape as a result of this report.

### **Conclusion**

42. There has been a lot of publicity related to a national backlog in the completion of local authority audits for 2022/23 and prior financial years.
43. The recommendations of this report are to give delegated authority to the Strategic Director Corporate Resources and Transformation (Section 151 Officer), in consultation with the Chairman of the Audit Committee, to approve the Annual Financial Report for 2022/23 and associated letter of representation so that the Council's external auditors can complete their obligations to that year's Annual Financial Report by the backstop date by which time all audit opinions must be completed and for approval be given for the Annual Governance Statement 2022/23 to be signed by Chief Executive and Leader of the Council.
44. The situation will be monitored in respect of anticipated work on the 2023/24 Annual Financial Report. Officers will work closely with Ernst & Young to deliver the most effective audit possible with the resources that are available.

### **Appendices:**

- 1) Annual Financial Report 2022/23 including Annual Governance Statement 2022/23
- 2) 2022/23 Letter of Representation

### **Background Papers:**

None



# Annual Financial Report **2022/2023**



NEW FOREST DISTRICT COUNCIL  
ANNUAL FINANCIAL REPORT - YEAR ENDED 31 MARCH 2023

**CHAIRMAN OF THE COUNCIL**  
Councillor N Penman

**LEADER OF THE COUNCIL**  
Councillor J Cleary

**CHIEF EXECUTIVE** Mrs K Ryan

**CHIEF FINANCE OFFICER (s151)** Mr A Bethune

**CONTENTS**

	<b>Page No</b>
<b>Statement of Responsibilities</b>	<b>3</b>
<b>Narrative Statement</b> - an explanation of the Council's main achievements and financial position	<b>4</b>
<b>Statement of Accounts:</b>	
<b>Comprehensive Income and Expenditure Statement</b> - the Council's main revenue account covering income and expenditure on all Services	<b>15</b>
<b>Expenditure and Funding Analysis</b> <b>(supporting note to the Comprehensive Income and Expenditure Statement)</b> - shows how expenditure is used and funded from resources in comparison to those resources consumed or earned	<b>16</b>
<b>Movement in Reserves Statement</b>	<b>17</b>
<b>Balance Sheet</b> - which sets out the financial position of the Council as at 31 March	<b>18</b>
<b>Cash Flow Statement</b> - which summarises the total movement of the Council's funds	<b>19</b>
<b>Notes to the Accounts</b> - index overleaf	<b>20</b>
<b>Housing Revenue Account Income and Expenditure Statement</b> - which shows income and expenditure on council housing	<b>91</b>
<b>Collection Fund</b> - the account showing the collection and distribution of council tax and non-domestic rates	<b>97</b>
<b>Group Accounts</b>	<b>102</b>
<b>Glossary of Terms</b>	<b>112</b>
<b>Annual Governance Statement</b>	<b>114</b>

<b>Notes to the Accounts (index)</b>	<b>Page</b>
1 Accounting Policies	20
2 Accounting Standards that have been issued but not yet adopted	34
3 Judgements Made in Applying Accounting Policies	34
4 Uncertainties Relating to Assumptions and Estimates Used	35
5 Notes to the Expenditure and Funding Analysis	38
6 Events after the Reporting Period	41
7 Adjustments between Accounting Basis and Funding Basis Under Regulations	41
8 Earmarked Reserves	48
9 Property, Plant and Equipment Assets and Impairments	49
10 Investment Properties	53
11 Long-Term Investments	54
12 Long-Term Debtors	54
13 Short-Term Investments	54
14 Short-Term Debtors	55
15 Cash and Cash Equivalents	56
16 Borrowing	56
17 Short-Term Creditors	57
18 Provisions	58
19 Capital Receipts Reserve	59
20 Capital Grants Unapplied	59
21 Developers' Contributions / Community Infrastructure Levy Unapplied	60
22 Revaluation Reserve	60
23 Capital Adjustment Account	61
24 Financial Instruments Revaluation Reserve	62
25 Deferred Capital Receipts Reserve	62
26 Pensions Reserve	63
27 Collection Fund Adjustment Account	63
28 Cash Flow Statement – Operating Activities	64
29 Cash Flow Statement – Investing Activities	65
30 Cash Flow Statement – Financing Activities	65
31 Agency Services	65
32 Contingent Assets	65
33 Contingent Liabilities	66
34 Capital Expenditure and Capital Financing	66
35 Defined Benefit Pension Scheme	68
36 External Audit Costs	73
37 Grants Income	73
38 Leases	75
39 Members' Allowances	76
40 Significant Interest	76
41 Nature and Extent of Risks Arising from Financial Instruments	76
42 Officers' Remuneration	86
43 Termination Benefits	88
44 Assets Held For Sale	88
45 Related Parties	89
46 Going Concern	90

## STATEMENT OF RESPONSIBILITIES

### 1. The Authority's Responsibilities

The Authority 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. In this authority, that officer is the Responsible Financial (s151) Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the statement of accounts.

***I confirm that these accounts were approved by Members of the Audit Committee at the meeting held on 31 May 2023 with formal approval by the Chairman on TBC.***

**Cllr A Alvey  
Chairman of the Audit Committee**

**Date TBC**

### 2. The Responsible Financial (s151) Officer's Responsibilities

The Responsible Financial (s151) 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 of Practice').

In preparing this statement of accounts, the Responsible Financial (s151) Officer has:

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

The Responsible Financial (s151) Officer has also:

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

***I certify that the statement of accounts presents a true and fair view of the financial position of New Forest District Council at 31 March 2023 and the income and expenditure for that year ended.***

**Mr A Bethune FCCA  
Chief Finance Officer (s151)**

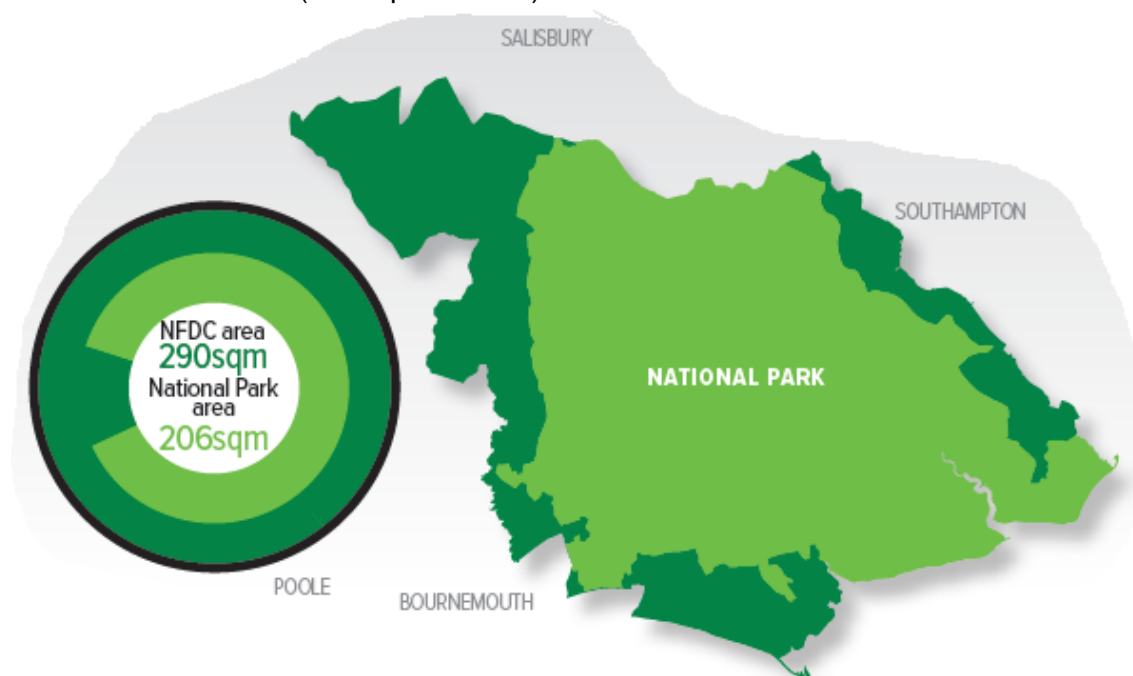
**Date TBC**

## NARRATIVE STATEMENT

### 1. Foreword from the Council's Responsible Financial Officer

#### The New Forest

The local government administrative area of New Forest District Council (290 square miles) includes the New Forest National Park (206 square miles).



Within the district there are 145 square miles of Crown land, managed by the Forestry Commission. The district is one of the most populated in England (circa 180,000) not to be a unitary authority and within its boundaries there are 37 active Town and Parish Councils. Hampshire County Council is responsible for upper tier services.

The New Forest is home to the fourth largest economy in the Hampshire County Council. In 2020, the New Forest economy generated some £4.4 billion in GVA. The New Forest has 9,110 businesses, 13% of all businesses in Hampshire. 89% of these businesses are micro in size employing fewer than 10 people. Just over two thirds of the New Forest's businesses (68%) are broadly located in urban areas and close to one third in rural areas (32%). Leisure, tourism and marine along with their associated supply chains are significant employment and economic sectors within the district. The concentration of manufacturing in the New Forest is above the national average with the construction sector also significant across the district.

Average earnings for New Forest residents are lower than the median for the South East. This, and the high average house price, results in significant cross commuting between those who work in the forest but cannot afford to live there, and those who can afford to live within the district but work elsewhere. The district council is located between the two major conurbations of Southampton and Bournemouth.

Housing, and particularly affordable housing, for local people is a particular issue in the district. The District Council manages its own housing stock (over 5,000 properties) and the Council's allocation policy manages the waiting list to ensure those in the greatest need have the best chance of securing a Council owned property.

## NARRATIVE STATEMENT

### Corporate Plan and Council Priorities

The Council is led by 48 Councillors and elections took place in May 2023. The current Political make-up of the Council is: 26 Conservative, 14 Liberal Democrats, a new Independent group of 4, a Green Group of 3 and a single Labour councillor.

Community Matters, the Council's Corporate Plan for 2020-2024, focuses on the challenges faced and the plans to address them. It recognises the ongoing financial constraints, whilst building on the strong financial position created and sets priorities that matter to the people of the district to deliver a prosperous New Forest and put the community first.

The plan's vision is to secure a vibrant and prosperous New Forest, guided by the people we serve and working in partnership with others to enhance the quality of lives for all by:

- Understanding local needs and creating a balanced, healthy community who feel safe, supported and have access to services;
- Protecting the special character of the New Forest and responding pro-actively to environmental challenges; and
- Working with others to maintain a vibrant local economy that brings opportunities to the area.

Key achievements realised during 2022/23 against the Portfolios are outlined in the Annual Performance Report, reported to Cabinet in July 2023.

### Future Financial Outlook

The Council continues to deliver essential front-line services to the circa 180,000 residents of the New Forest, despite significant funding reductions from Central Government since austerity measures were introduced, now over 14 years ago. Significant efficiencies have been realised over the period and income generation has increased. This Council has an excellent track record of delivering the same, or in some instances improved services, at a lower overall cost.

The Council is also working on the delivery of an adopted Housing Strategy, in which the Council has targeted the ownership of 600 additional homes by 2026 and is prepared to spend circa £100 million over this period in delivering this target. The Council has a well-established Housing Revenue Account, which is well placed to support and manage additional stock numbers. As the largest registered provider of social housing in the district, the Council recognises it has an important role to play in the delivery of new affordable homes to those wanting to work and live in the New Forest.

The latest Medium Term Financial Plan, that accompanied the setting of the 2023/24 budget, highlighted the likely impact that the Fair Funding Review and the potential that a 'hard' Business Rates reset will have on the Council's finances. Despite this, the plan outlined options to address the funding gap and demonstrate the ability to set a balanced budget through to 2025/26. Options include efficiency savings (to be borne from the Council's emerging Transformation Framework), income growth through yield, the generation of new additional income through the Commercial and Residential Property Strategies and Council Tax increases.



## **NARRATIVE STATEMENT**

### **COVID-19**

The impact of Covid-19 pandemic to 2022/23 was relatively minor, although income to the Council's 5 contracted-out Leisure Centres hasn't yet recovered back to pre-pandemic levels. The Government provided Retail, Hospitality and Leisure Rate Relief during 2022/23, and the Council administered the COVID Additional Relief Fund during 2022 (relating to business rate bills applicable to 2021/22).

### **Group Accounts**

The Council prepares Group Accounts reflecting the Wholly Owned Group of 'Appletree Property' companies. It consists of Appletree Holdings Limited and two subsidiaries. Appletree Property Lettings Ltd concerns itself with the acquisition and letting of open market properties, and is an activity aligned to the Council's General Fund as opposed to the Housing Revenue Account. The activity aims to support the private rented sector; and enables the Council to provide rental properties at all tenures, considering affordable and social rents are also offered through the Housing Revenue Account. Appletree Residential Developments Limited is a dormant company. An annual report is presented to the Council's Resources and Transformation Overview and Scrutiny Panel on the activity of the Group of Companies.

### **Climate and Nature Emergency**

During 2021/22, the Council declared a Climate and Nature Emergency. A Climate Action Manager was recruited in 2022, and subsequently an initial action plan drawn up and adopted. The Council's budget includes £750,000 over 3 years to promote activity in this area.

### **Utility and Cost of Living Crisis**

Utility price increases and a high rate of inflation put the Council's finances under pressure during 2022/23. The impacts were reported through the Council's regular Financial Monitoring cycle. Mitigating actions were identified and the General Fund managed to offset this expenditure and bring the financial outturn back in line with the original budget. Fortunately, an increased base rate supported investment earnings in part mitigation of the increased costs.

Discussions are ongoing with Freedom Leisure as to what level of financial support will be made as a result of the significant and unforeseeable increases in utility costs effecting the Leisure Sector.

Amongst other grant and support schemes, the Council administered the Governments' £150 Energy Rebate scheme totalling £8,044,650 to 53,631 eligible households. Payments were only made after completing pre-payment checks, including the use of Spotlight (DWP system), checking for duplicate bank account details and ensuring an active council tax account.

## NARRATIVE STATEMENT

### 2. The Statement of Accounts

The accounts for 2022/23 comprise the following statements:

- **Comprehensive Income and Expenditure Statement**

This statement shows the accounting cost in the year of providing General Fund and Housing Revenue Account services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation and housing rents. The Council raises taxation and rents to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation and rents position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

**Expenditure and Funding Analysis  
(supporting note to the Comprehensive Income and Expenditure Statement)**

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

- **Movement in Reserves Statement**

This statement shows the movement from the start of the year to the end 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 that 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 and Housing Revenue Account Balance movements in the year following those adjustments.

- **Balance Sheet**

This statement shows the value, as at the Balance Sheet date, of the Council's recognised assets and liabilities. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category is usable reserves, i.e. those reserves that the Council may use to provide services, subject to any statutory limitations and the need to maintain prudent reserve levels. The second category is reserves that the Council cannot use to provide services. This category includes reserves that hold unrealised gains and losses (e.g. 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".

## NARRATIVE STATEMENT

- **Cash Flow 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 the 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.

- **Housing Revenue Account (HRA) Income and Expenditure Statement**

This statement shows the economic cost in the year of providing Council Housing services in accordance with generally accepted accounting practices rather than the amount to be funded from rents. The Council charges rents to cover net expenditure incurred in accordance with regulations, which is different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the HRA section of the Movement in Reserves Statement.

- **Collection Fund**

This is an agent's statement that reflects the statutory obligation of the Council, as a billing Authority, to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection of council tax and non-domestic rates from taxpayers and the distribution of the income to local authorities and the Government. While there is only one Collection Fund, separate statements are shown for council tax and non-domestic rates, due to the complexity of non-domestic rates transactions under the Retention Scheme that was introduced in 2013/14.

### 3. **Financial Performance during the Year**

As at 31 March 2023 the Council had net assets of £450 million.

The majority of this net worth is within Council Dwellings, valued at £456 million, offset with a debt liability of £118 million. Operational Land and Buildings total £75 million, Investment Properties £31 million and other long-term assets and investments total £33 million. Cash and short-term investments total £19 million. The Council has a net pension liability of £21.162 million. This is explained in more detail in section 4 of this narrative statement.

Usable reserves total £53 million (a reduction of £9 million from 2021/22), with £4 million of the total being earmarked to support the visible delivery of the General Fund (£3 million) and Housing Revenue Account (£1 million).

## NARRATIVE STATEMENT

- **General Fund**

This section provides a summary of General Fund performance for the year in a simplified format that is consistent with the Council's published revenue budget and in a format used for operational budget monitoring throughout the year. All actual figures are included within the Comprehensive Income and Expenditure Statement.

The 2022/23 original net budget requirement for the General Fund was £20.674 million, an increase of £1.383 million from 2021/22. The Council's budget anticipated being funded £13.8 million from Council Tax (including a £5 increase) and £6.4 million from retained business rates.

Net income increases and expenditure savings in services during the year were £307,000 (£101,000 net overspend in services offset by direct transfers to reserves of £408,000). Adjustments of £163,000 made to capital financing and increased interest earnings of £893,000 supported £580,000 less (than original budget) income from retained business rates. These variations ultimately enabled £44,000 to be transferred to the Capital Programme Reserve, a reduction of £21,000 from the original budget.

	<b>Original Budget</b>	<b>Actual</b>	<b>Variation</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Net Service Expenditure	18,529	18,630	101
Revenue Financing of Capital	3,321	3,158	(163)
Interest Earnings (Net)	(772)	(1,665)	(893)
Other Unringfenced Government Grants	(365)	(375)	(10)
Net Budget Requirement	20,713	19,748	(965)
Transfer to/(from) Earmarked Revenue Reserves	(103)	305	408
Transfer to/(from) Capital Programme Reserve	65	44	(21)
Contributions to/(from) Reserves	(38)	349	387
<b>General Fund Budget</b>	<b>20,675</b>	<b>20,097</b>	<b>(578)</b>
Council Taxpayers	(13,585)	(13,585)	0
Council Tax Support Grants	(455)	(458)	(3)
Collection Fund from previous years - Council Tax	(253)	(253)	(0)
Non-Domestic Rates Redistribution	(6,183)	(8,194)	(2,011)
Collection Fund from previous years - Business Rates	(199)	6,970	7,169
Transfer to/(from) Business Rates Equalisation Reserve	0	(4,577)	(4,577)
<b>(Increase)/Decrease in General Fund Balance</b>	<b>(0)</b>	<b>0</b>	<b>0</b>

## NARRATIVE STATEMENT

### • Housing Revenue Account

The Housing Revenue account deficit for 2022/23 was £1.373 million compared with an originally budgeted deficit of £200,000. Income was £172,000 lower than originally budgeted and there were increased levels of expenditure on Repairs and Maintenance of £707,000, Supervision and Management costs of £334,000 and Other Expenditure £171,000, in the main due to increased provisions for rent arrears. These costs were offset by savings of £211,000 in capital financing costs due to lower internal borrowing on the capital programme. The balance on the account on 31 March 2023 was £1 million, after allowing for the transfer of £1.373 million from earmarked reserves. The budget for 2023/24 anticipates a break-even position, after allowing for the transfer of £150,000 from reserves to cover earmarked projects.

	Original Budget	Actual	Variation
	£000	£000	£000
Income	(30,225)	(30,053)	172
Expenditure:			
Repairs and Maintenance	4,836	5,543	707
Supervision and Management	7,684	8,018	334
Capital Financing Costs	8,554	8,343	(211)
Other Expenditure	231	402	171
	(8,920)	(7,747)	1,173
Revenue Financing of Capital	9,120	9,120	0
<b>(Surplus)/Deficit</b>	<b>200</b>	<b>1,373</b>	<b>1,173</b>
Transfer to/(from) Earmarked Revenue Reserves	(200)	(1,373)	(1,173)
<b>(Increase)/Decrease in Housing Revenue Account Balance</b>	<b>(0)</b>	<b>0</b>	<b>0</b>

### 4. Pension Liability

The Council's Balance Sheet shows a net pension liability of £21.162 million, a reduction of £63.410 million from 31 March 2022. The reduction has arisen following the triennial review in 2022, an increase in the discount factor and a reduction in CPI assumption used, all of which have reduced the liabilities significantly. Whilst the deficit has a substantial impact on the net worth of the Council, as recorded in the Balance Sheet, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy, as the deficit on the scheme will be made good by increased contributions over the working lives of employees.

## NARRATIVE STATEMENT

### 5. Long Term Asset Impairments/Revaluations

In 2022/23 net increases in asset values credited to the Income and Expenditure Statement were £9.668 million, but these were offset by capital expenditure not enhancing value of £16.866 million, to arrive at a net impairment of £7.198 million. This compares with a net impairment credit of £1.463 million in 2021/22. These items are reflected in the Net Cost of Services. In addition, a net £34.359 million was credited to the Revaluation Reserve (£37.137 million in 2021/22).

	2021/22	2022/23
	£000	£000
<b>Income and Expenditure Statement / Capital Adjustment Account</b>		
Revaluation Increases	(12,422)	(11,095)
Revaluation Decreases	112	1,427
Net Revaluation (Increases)/Decreases	(12,310)	(9,668)
Capital Expenditure not enhancing asset value	10,847	16,866
<b>Total Income and Expenditure Statement Impairments</b>	<b>(1,463)</b>	<b>7,198</b>
<b>Revaluation Reserve</b>		
Revaluation Increases	(37,986)	(35,498)
Revaluation Decreases	849	1,139
<b>Total Revaluation Reserve</b>	<b>(37,137)</b>	<b>(34,359)</b>
<b>Total Impairments/Revaluations</b>	<b>(38,600)</b>	<b>(27,161)</b>

## NARRATIVE STATEMENT

### 6. Capital Expenditure

The level of approved capital expenditure is reviewed regularly throughout the year, to ensure that it is achievable within the estimated resources available. The original Capital Programme for 2022/23 (including the gross value of the Coastal Regional Monitoring Programme) was £42.074 million. This was initially supplemented by rephasings of £3.075 million from 2021/22. A review of the programme during the year, as reported through Financial Monitoring, reduced the approved budget to £41.599 million. Actual expenditure of £43.719 million was £2.120 million more than the last approved budget.

	Original Budget	Expenditure	Variance
	£000	£000	£000
<b>Housing Revenue Account</b>			
Major Repairs	9,500	8,067	(1,433)
Public Sector Disabled Adaptations	1,000	1,141	141
Acquisition and Development Programme	14,200	12,651	(1,549)
Environmental Enhancements	200	216	16
	24,900	22,075	(2,825)
<b>Environment and Coastal Services</b>			
Coast Protection*	2,418	1,995	(423)
Sustainability Fund	500	226	(274)
	2,918	2,221	(697)
<b>Finance, Investment and Corporate Services</b>			
Depots	4,000	207	(3,793)
Commercial Property Investment	4,995	12,761	7,766
Residential Property Investment	0	442	442
Information Technology	0	47	47
Vehicles, Plant and Equipment	3,081	1,739	(1,342)
	12,076	15,196	3,120
<b>Housing and Homelessness Services</b>			
Private Sector Disabled Adaptations/Home Repair Loans	1,200	863	(337)
	1,200	863	(337)
<b>Partnering and Wellbeing</b>			
Health and Leisure Centres	0	1,709	1,709
	0	1,709	1,709
<b>People and Places</b>			
Public Conveniences	300	292	(8)
	300	292	(8)
<b>Planning and Infrastructure</b>			
Open Space	200	765	565
Transportation	0	103	103
Mitigation Schemes	480	495	15
	680	1,363	683
	42,074	43,719	1,645
Less:			
Coastal Regional Monitoring Programme*	(1,803)	(1,758)	45
	40,271	41,961	1,691

## NARRATIVE STATEMENT

The actual expenditure was financed by:

	£000	%
Capital Reserve	3,640	8.67
Revenue Contributions to Capital	2,123	5.06
Loan - General	17,855	42.55
Capital Receipts	3,977	9.48
Grant	3,181	7.58
Developers' Contributions	1,363	3.25
Other (HRA Repairs and Maintenance)	9,822	23.41
	<b>41,961</b>	<b>100.00</b>

### 7. Funding of Future Capital Expenditure

The level of capital expenditure is reviewed and approved annually through the Capital Strategy, in accordance with the estimated resources available.

As at 31 March 2023 the Council had useable reserves/receipts of £39.856 million for capital expenditure purposes (Housing Acquisitions and Development Reserve £8.278 million, Capital Programme Reserve £9.808 million, Developers' Contributions and Community Infrastructure Levy £12.640 million, Capital Grants Unapplied £2.944 million and Capital Receipts Reserve £6.186 million). These reserves may be supplemented by loans raised under Prudential Borrowing, grants, new capital receipts and contributions from the revenue accounts.

The approved original capital expenditure budget for 2023/24 is £42.641 million, including £27.610 million of schemes to be funded from Housing Revenue Account resources. The estimated total resources for 2023/24 will be sufficient to finance the Council's planned expenditure.

In February 2017, the Council approved a strategy to invest in commercial property. The strategy set out a £30 million fund and an intention to invest within the District for the purpose of economic redevelopment, support and regeneration, and income generation. Following a number of successful acquisitions and the development of the Platinum Jubilee Business Park, the level of approved investment was increased by £20 million, to £50 million, in December 2022. The timing of prospective purchases is not known and so the original budgets currently allow for expenditure on committed schemes. In December 2017, the Council also approved a strategy to invest up to £10 million in residential property, giving it the opportunity to become a private sector landlord with the benefit of a proven track record in rental property management. The financing of the future capital expenditure in relation to the roll-out of both investment strategies will be an appropriate mix of use of capital reserves, internal and prudential borrowing.



## NARRATIVE STATEMENT

### 8. Current Economic Climate / Future Service Delivery

The Council's General Fund balance reserve as shown within these 2022/23 accounts and as included in the setting of the 2023/24 budget is £3 million and is available to support the budget and delivery of services in any given year. Other General Fund earmarked reserves total £18.652 million. The Housing Acquisitions and Development Reserve balance is £8.278 million and the Housing Revenue Account balance is £1 million. In addition, the Housing Revenue Account ICT reserve is £185,000 as at 31 March 2023.

The Council's Medium Term Financial Plan as adopted in February 2023 included a forecast on the latest expectations with regards to Retained Business Rate income, pay and price expenditure pressures, and laid out areas of work underway that would make a significant contribution towards achieving a balanced budget over the Medium Term.

Pay award pressures will continue into 2023/24 as the National Joint Council's current offer exceeds the Council's budgeted pay award allowance. As it did in 2022/23, the Council will need to cover the cost of the pay award in an updated budget forecast and will reflect on future uplift levels in an updated Medium Term Financial Plan.

In February 2021, the Council made a decision to contract a partner to operate and maintain the District Council's five Leisure Centres to commence on 1 July 2021 for a 11 year period with an option to extend for a further 4 years.

### 9. National Non-Domestic Rates (Business Rates)

During 2022/23 the Government granted business rates relief to retail, hospitality and leisure services and compensated Councils for these reliefs with additional Section 31 grant. The legislation that governs Collection Fund accounting means that these reliefs result in a deficit in the Collection Fund in the year, which will not be charged to the Council's General Fund until 2023/24 but the additional S31 grant is credited to the Council's General Fund in 2022/23, resulting in an inflated year end General Fund position. The reliefs are shown as a deficit within the Collection Fund Adjustment Account and £1.750 million has been transferred to the Business Rates Reserve to be drawn down in 2023/24 to offset the charge from the Collection Fund in that year.

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2021/22				2022/23			
Gross Expend £000	Gross Income £000	Net Expend £000		Note	Gross Expend £000	Gross Income £000	Net Expend £000
342	(3)	339	Business, Tourism and High Streets		379	(2)	377
10,414	(6,108)	4,306	Environment and Coastal Services		11,965	(6,896)	5,069
34,679	(31,562)	3,117	Finance, Investment and Corporate Services		35,592	(30,437)	5,155
7,857	(5,296)	2,561	Housing and Homelessness Services		10,138	(6,354)	3,784
482	(5)	477	Leader		698	(135)	563
8,886	(2,171)	6,715	Partnering and Wellbeing		8,692	(1,827)	6,865
8,520	(4,914)	3,606	People and Places		7,567	(1,804)	5,763
5,172	(2,043)	3,129	Planning, Regeneration and Infrastructure		5,744	(1,996)	3,748
76,352	(52,102)	24,250	General Fund		80,775	(49,451)	31,324
21,037	(28,742)	(7,705)	Housing Revenue Account		29,402	(29,863)	(461)
<b>97,389</b>	<b>(80,844)</b>	<b>16,545</b>	<b>Cost of Services</b>		<b>110,177</b>	<b>(79,314)</b>	<b>30,863</b>
			<b>Other Operating Expenditure</b>				
6,667			Town and Parish Council Precepts		6,987		
575			Payments to the Government Housing Capital Receipts Pool		0		
	(2,723)		(Gains)/Losses on the disposal of Non-Current Assets			(2,078)	
		<b>4,519</b>	<b>Total Other Operating Expenditure</b>				<b>4,909</b>
			<b>Financing and Investment Income and Expenditure</b>				
			Interest Payable and Similar Charges:				
14			- General Fund		10		
4,158			- HRA		4,099		
	(1)		Expected Credit (Gain)/Loss on Investments			(3)	
152	(1,628)		Changes in the fair value of Investments		1,768		
	(768)		Other Investment Income			(1,867)	
2,407			Net interest on the net defined benefit liability/(asset)	35	2,221		
	(937)		Income, expenditure and changes in the fair value of Investment Properties	10		(413)	
		<b>3,397</b>	<b>Total Financing and Investment Income and Expenditure</b>				<b>5,815</b>
			<b>Taxation and Non-Specific Grant Income</b>				
	(20,036)		Council Tax Income (incl. Parish precepts)			(20,678)	
	(5,095)		Non-Domestic Rates Income and Expenditure	37		(5,802)	
	(1,619)		Unringfenced Government Grants	37		(833)	
	(4,104)		Capital Grants and Contributions	37		(5,765)	
		<b>(30,854)</b>	<b>Total Taxation and Non-Specific Grant Income</b>				<b>(33,078)</b>
111,362	(117,755)	<b>(6,393)</b>	<b>(Surplus)/Deficit on the Provision of Services</b>	5	125,262	(116,753)	<b>8,509</b>
	(37,137)		(Surplus)/Deficit arising from the revaluation of Property, Plant and Equipment Assets			(34,358)	
	(40,575)		Re-measurement of the defined benefit liability/(asset)	35		(73,466)	
		<b>(77,712)</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>(107,824)</b>
		<b>(84,105)</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>(99,315)</b>

Total Comprehensive Income and Expenditure has moved by £15.210 million between 2021/22 and 2022/23.

Mr A Bethune FCCA – Chief Finance Officer (S151)

Date TBC

**EXPENDITURE AND FUNDING ANALYSIS**  
(supporting note to the Comprehensive Income and Expenditure Statement)

	Income and Expenditure chargeable to the General Fund and HRA	Adjustments between the Funding and Accounting Basis	Net Expenditure for the equivalent amounts in the Comprehensive Income and Expenditure Statement
	£000	£000	£000
<b>2022/23:</b>			
Business, Tourism and High Streets	297	80	377
Environment and Coastal Services	4,207	862	5,069
Finance, Investment and Corporate Services	3,860	1,295	5,155
Housing and Homelessness Services	3,045	739	3,784
Leader	460	103	563
Partnering and Wellbeing	2,975	3,890	6,865
People and Places	3,868	1,895	5,763
Planning, Regeneration and Infrastructure	2,402	1,346	3,748
General Fund	21,114	10,210	31,324
Housing Revenue Account	(6,048)	5,587	(461)
<b>Cost of Services</b>	<b>15,066</b>	<b>15,797</b>	<b>30,863</b>
Total Other Operating Expenditure	6,987	(2,078)	4,909
Total Financing and Investment Income and Expenditure	1,287	4,528	5,815
Total Taxation and Non-Specific Grant Income	(27,314)	(5,764)	(33,078)
<b>(Surplus)/Deficit on the Provision of Services</b>	<b>(3,974)</b>	<b>12,483</b>	<b>8,509</b>
Other Comprehensive Income and Expenditure	14,365	(122,187)	(107,824)
<b>Total Comprehensive Income and Expenditure</b>	<b>10,391</b>	<b>(109,704)</b>	<b>(99,315)</b>
Opening General Fund and HRA Balances	(4,000)		
Less Deficit/(Surplus) on General Fund and HRA in Year	10,391		
Transfer to/ (from) Earmarked Reserves	(10,391)		
<b>Closing General Fund and HRA Balances</b>	<b>(4,000)</b>		
<b>2021/22:</b>			
Business, Tourism and High Streets	276	63	339
Environment and Coastal Services	3,578	728	4,306
Finance, Investment and Corporate Services	2,384	733	3,117
Housing and Homelessness Services	2,001	560	2,561
Leader	401	76	477
Partnering and Wellbeing	5,757	958	6,715
People and Places	3,116	490	3,606
Planning, Regeneration and Infrastructure	2,084	1,045	3,129
General Fund	19,597	4,653	24,250
Housing Revenue Account	(7,841)	136	(7,705)
<b>Cost of Services</b>	<b>11,756</b>	<b>4,789</b>	<b>16,545</b>
Total Other Operating Expenditure	6,667	(2,148)	4,519
Total Financing and Investment Income and Expenditure	2,750	647	3,397
Total Taxation and Non-Specific Grant Income	(26,750)	(4,104)	(30,854)
<b>(Surplus)/Deficit on the Provision of Services</b>	<b>(5,577)</b>	<b>(816)</b>	<b>(6,393)</b>
Other Comprehensive Income and Expenditure	12,338	(90,050)	(77,712)
<b>Total Comprehensive Income and Expenditure</b>	<b>6,761</b>	<b>(90,866)</b>	<b>(84,105)</b>
Opening General Fund and HRA Balances	(4,000)		
Less Deficit/(Surplus) on General Fund and HRA in Year	6,761		
Transfer to/ (from) Earmarked Reserves	(6,761)		
<b>Closing General Fund and HRA Balances</b>	<b>(4,000)</b>		

See Note 5 for further analysis.

## MOVEMENT IN RESERVES STATEMENT

	General Fund Balance	Earmarked General Fund / HRA Reserves	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Community Infrastructure Levy Unapplied	Developers' Contributions Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000		£000	£000		£000
<b>Balance at 31 March 2021</b>	<b>(3,000)</b>	<b>(43,829)</b>	<b>(1,000)</b>	<b>(3,571)</b>	<b>0</b>	<b>(5,998)</b>	<b>(4,608)</b>	<b>(62,006)</b>	<b>(204,853)</b>	<b>(266,859)</b>
<b>Movement in reserves during 2021/22</b>										
(Surplus)/deficit on the provision of services	170	0	(6,563)	0	0	0	0	(6,393)	0	(6,393)
Other comprehensive income and expenditure	0	0	0	0	0	0	0	0	(77,712)	(77,712)
<b>Total Comprehensive Income and Expenditure</b>	<b>170</b>	<b>0</b>	<b>(6,563)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(6,393)</b>	<b>(77,712)</b>	<b>(84,105)</b>
Adjustments between accounting basis and funding basis under regulations (note 7)	5,200	0	7,954	(2,324)	(2,001)	(1,025)	(182)	7,622	(7,622)	0
<b>Net (Increase)/Decrease Before Transfers to Earmarked Reserves</b>	<b>5,370</b>	<b>0</b>	<b>1,391</b>	<b>(2,324)</b>	<b>(2,001)</b>	<b>(1,025)</b>	<b>(182)</b>	<b>1,229</b>	<b>(85,334)</b>	<b>(84,105)</b>
Transfers to/(from) earmarked reserves (note 8)	(5,370)	6,761	(1,391)	0	0	0	0	0	0	0
<b>(Increase) / Decrease in Year</b>	<b>0</b>	<b>6,761</b>	<b>0</b>	<b>(2,324)</b>	<b>(2,001)</b>	<b>(1,025)</b>	<b>(182)</b>	<b>1,229</b>	<b>(85,334)</b>	<b>(84,105)</b>
<b>Balance at 31 March 2022</b>	<b>(3,000)</b>	<b>(37,068)</b>	<b>(1,000)</b>	<b>(5,895)</b>	<b>(2,001)</b>	<b>(7,023)</b>	<b>(4,790)</b>	<b>(60,777)</b>	<b>(290,187)</b>	<b>(350,964)</b>
<b>Movement in reserves during 2022/23</b>										
(Surplus)/deficit on the provision of services	9,033	0	(524)	0	0	0	0	8,509	0	8,509
Other comprehensive income and expenditure	0	0	0	0	0	0	0	0	(107,824)	(107,824)
<b>Total Comprehensive Income and Expenditure</b>	<b>9,033</b>	<b>0</b>	<b>(524)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8,509</b>	<b>(107,824)</b>	<b>(99,315)</b>
Adjustments between accounting basis and funding basis under regulations (note 7)	(2,117)	0	3,999	(291)	(943)	(1,447)	547	(252)	252	0
<b>Net (Increase)/Decrease Before Transfers to Earmarked Reserves</b>	<b>6,916</b>	<b>0</b>	<b>3,475</b>	<b>(291)</b>	<b>(943)</b>	<b>(1,447)</b>	<b>547</b>	<b>8,257</b>	<b>(107,572)</b>	<b>(99,315)</b>
Transfers to/(from) earmarked reserves (note 8)	(6,916)	9,953	(3,475)	0	0	438	0	0	0	0
<b>(Increase) / Decrease in Year</b>	<b>0</b>	<b>9,953</b>	<b>0</b>	<b>(291)</b>	<b>(943)</b>	<b>(1,009)</b>	<b>547</b>	<b>8,257</b>	<b>(107,572)</b>	<b>(99,315)</b>
<b>Balance at 31 March 2023</b>	<b>(3,000)</b>	<b>(27,115)</b>	<b>(1,000)</b>	<b>(6,186)</b>	<b>(2,944)</b>	<b>(8,032)</b>	<b>(4,243)</b>	<b>(52,520)</b>	<b>(397,759)</b>	<b>(450,279)</b>

## BALANCE SHEET AS AT 31 MARCH

2021/22			Notes	2022/23	
£000	£000			£000	£000
		<b>Long-Term Assets</b>			
		Property, Plant and Equipment:			
418,832		Council Dwellings	9	455,835	
73,495		Other Land and Buildings	9	74,822	
4,509		Vehicles, Plant and Equipment	9	5,286	
2,771		Infrastructure	9	2,509	
537		Community Assets	9	537	
3,986	504,130	Assets Under Construction	9	6,030	545,019
	18,463	Investment Property	10		30,685
	16,922	Long-Term Investments	11		14,608
	3,449	Long-Term Debtors	12		4,615
	<u>542,964</u>	<b>Total Long-Term Assets</b>			<u>594,927</u>
		<b>Current Assets</b>			
46,530		Short-Term Investments	13	2,988	
282		Inventories		353	
11,165		Short-Term Debtors	14	12,214	
(2,718)		Bad Debt Provision	14	(2,866)	
24,572		Cash and Cash Equivalents	15	15,645	
	<u>79,831</u>	<b>Total Current Assets</b>			<u>28,334</u>
	<b>622,795</b>	<b>Total Assets</b>			<b>623,261</b>
		<b>Current Liabilities</b>			
(4,345)		Short-Term Borrowing	16	(4,345)	
(60,025)		Short-Term Creditors	17	(28,580)	
	(64,370)	<b>Total Current Liabilities</b>			(32,925)
		<b>Long-Term Liabilities</b>			
(118,304)		Long-Term Borrowing	16	(114,003)	
(4,020)		Provisions	18	(4,527)	
(565)		Developers' Contributions - Receipts in Advance		(365)	
(84,572)		Net Pensions Liability	35	(21,162)	
	(207,461)	<b>Total Long-Term Liabilities</b>			(140,057)
	<b>350,964</b>	<b>Net Assets</b>			<b>450,279</b>
		<b>Usable Reserves</b>			
3,000		General Fund Balance		3,000	
37,068		Earmarked Reserves	8	27,115	
1,000		Housing Revenue Account Balance		1,000	
5,895		Capital Receipts Reserve	19	6,186	
2,001		Capital Grants Unapplied	20	2,944	
7,023		Community Infrastructure Levy Unapplied	21	8,032	
4,790	60,777	Developers' Contributions Unapplied	21	4,243	52,520
		<b>Unusable Reserves</b>			
83,282		Revaluation Reserve	22	117,425	
296,045		Capital Adjustment Account	23	303,314	
1,386		Financial Instruments Revaluation Reserve	24	(378)	
476		Deferred Capital Receipts Reserve	25	503	
(84,572)		Pensions Reserve	26	(21,162)	
(5,906)		Collection Fund Adjustment Account	27	(1,475)	
(524)	290,187	Accumulating Absences Adjustment Account		(468)	397,759
	<b>350,964</b>	<b>Total Reserves</b>			<b>450,279</b>

Mr A Bethune FCCA – Chief Finance Officer (S151)

Date TBC

## CASH FLOW STATEMENT

2021/22		Notes	2022/23
£000			£000
(6,393)	Net (surplus) or deficit on the provision of services		8,509
(28,880)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	28	(13,588)
5,580	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	28	4,053
(29,693)	Net cash flows from Operating Activities		(1,026)
32,014	Investing Activities	29	(12,388)
(18,015)	Financing Activities	30	22,341
(15,694)	Net (increase) or decrease in cash and cash equivalents		8,927
(8,878)	Cash and cash equivalents at the beginning of the reporting period		(24,572)
(24,572)	<b>Cash and cash equivalents at the end of the reporting period</b>	15	(15,645)

## NOTES TO THE ACCOUNTS

### 1. ACCOUNTING POLICIES

#### i) General Principles

The Statement of Accounts summarises the Council's transactions for the 2022/23 financial year and its position at the year end of 31 March 2023. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015. These Regulations require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and the Service Reporting Code of Practice 2022/23 supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

#### ii) Accruals of Income and Expenditure (Debtors and Creditors)

The accounts of the Council are prepared on an accruals basis. This means that the sums due to or from the Council during the year are included in the accounts, whether or not the cash has actually been received or paid in the year in question. In particular:

- Income from fees, charges and rents is recognised when the Council provides the relevant goods or services.
- Supplies and services expenditure is recorded as expenditure when the supplies or services 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.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income or expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Accruals have been made for all known material revenue and capital debtors and creditors for goods and services supplied by and to the Council during the year.

Exceptions to this policy are housing benefit payments, housing rents, utility costs and similar quarterly payments that are not apportioned when the period of charge does not coincide exactly with the end of the financial year. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts.

## NOTES TO THE ACCOUNTS

### iii) 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 or can be called within 24 hours and that are readily convertible to known amounts of cash with insignificant risk of change in value.

The Council will treat the following as cash and cash equivalents:

- Instant Access Call Accounts
- Instant Access Money Market Funds
- Deposits with one day to maturity

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

### iv) Changes in Accounting Policies, Material Errors and Changes in Accounting Estimates

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error.

**Changes in accounting policies** are only made when required by proper accounting practices or where the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

**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.

### v) Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed 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 fixed assets attributable to the service

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. Charges are therefore mitigated by way of an adjusting transaction with the Capital Adjustment Account via the Movement in Reserves Statement. The Council is however required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement. This is calculated on a prudent basis determined by the Council in accordance with statutory guidance.



## NOTES TO THE ACCOUNTS

### vi) Contingent Assets

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

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

### vii) Contingent Liabilities

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

### viii) Employee Benefits

#### Benefits Payable During Employment

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

#### Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. They are charged to services on an accruals basis in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid or payable to the pension fund and pensioners.

## NOTES TO THE ACCOUNTS

### Post Employment Benefits

Most employees of the Council are members of the Local Government Pensions Scheme, administered by Hampshire County Council.

Detailed regulations govern rates of contribution and scales of benefits, the latter normally being in the form of a lump sum and annual pension.

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

- \* The liabilities of the Hampshire pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- \* Liabilities are discounted to their value at current prices, using a calculated discount rate based on a series of calculations for high quality corporate bonds over a range of periods.
- \* The assets of Hampshire pension fund attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value.
- \* The change in the net pension liability is analysed into the following components:
- \* **Service cost comprising**
  - **Current service cost** – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
  - **Past service cost** – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.
  - **Net interest on the net defined benefit liability (asset)** – 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. It 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.

## NOTES TO THE ACCOUNTS

### Re-measurements comprising

- **Return on plan assets** – excluding amounts included in net interest on the net defined benefit liability (asset), charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- **Actuarial Gains and Losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- **Contributions paid to the Hampshire pension fund** – cash paid as employer's contributions to the pension fund in settlement of liabilities - not accounted for as an expense.

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

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

### ix) Events after the Balance Sheet Date

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

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

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

### x) 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, depending on how significant the items are to an understanding of the Council's financial performance.

## NOTES TO THE ACCOUNTS

### xi) Financial Instruments

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

**Financial liabilities** are obligations to transfer economic benefits controlled by the Council and can be represented by contractual obligations to deliver cash or financial assets or obligations to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.

The Council's financial liabilities held during the year are measured at amortised cost.

**Financial Assets** are rights to future economic benefits controlled by the Council that are represented by cash, equity instruments or contractual rights to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council. The financial assets held by the Council are accounted for under the following classifications:

**Amortised Cost** – where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flows

**Fair value through other comprehensive income** – where cash flows are solely payments of principal and interest and the Council's business model is to both collect those cash flows and sell the instrument and equity investments that the Council has elected into this category

**Fair value through profit and loss** – all other financial assets

### xii) Foreign Currency Translation

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end they are reconverted at the exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

### xiii) Government Grants and Contributions

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

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

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

## NOTES TO THE ACCOUNTS

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.

### **xiv) Heritage Assets**

The Council has concluded that obtaining valuations for currently held Heritage Assets would involve a disproportionate cost in comparison to the benefits to the users of Council's financial statements and therefore has not recognised the assets on the Balance Sheet. Should the Council obtain any additional Heritage Assets in the future each asset would be considered for inclusion at the time.

### **xv) Intangible Assets**

The Council accounts for expenditure on Intangible Assets, such as software licences and website development, as revenue expenditure and therefore there is no asset recognition on the Balance Sheet.

### **xvi) Inventories**

Stocks are recorded in the Balance Sheet and charged to services at actual cost and stores items at average cost. This is not materially different from the recommended practice of carrying them at the lower of cost or net realisable value. Care is taken to write out any obsolescent stocks.

### **xvii) Investment Property**

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. 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.

Investment properties under construction are measured at fair value once it is possible to measure reliably the fair value of the investment property and at cost before that date.

## NOTES TO THE ACCOUNTS

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 the Capital Receipts Reserve.

### **xviii) Leases**

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

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

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

#### **The Council as Lessee**

##### Finance Leases

Where the Council leases a material asset under a finance lease it would be recognised in the accounts as if it were the Council's asset and then treated in the same way as any other Property, Plant and Equipment asset, other than depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period). The Council currently has no such Finance Leases.

##### Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment.

#### **The Council as Lessor**

##### Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. The rentals receivable are treated partly as capital receipts (for the principal element) and partly as revenue interest income. If not paid in full the balance due is held as a Long-Term Debtor in the Balance Sheet and is written down when payments are received.

##### Operating Leases

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 relevant service area in the Comprehensive Income and Expenditure Statement.

## NOTES TO THE ACCOUNTS

### xix) Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2022/23 (SeRCOP). 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.

### xx) Property, Plant and Equipment

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

#### Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council over a number of years and the cost of the item can be measured reliably. This determination will be made by the Responsible Financial Officer based upon a reasonable and prudent judgement. Leisure and ICT equipment will generally not be capitalised. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

A de minimis level is set for operational assets below which expenditure is not capitalised.

<u>Category of Property, Plant and Equipment Assets</u>	<u>De minimis level</u>
Council dwellings	£25,000
Other land and buildings	£10,000
Vehicles, plant and equipment	£10,000
Infrastructure assets	£10,000

#### Measurement

Assets are initially measured at cost, comprising:

- the purchase price.
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

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

## NOTES TO THE ACCOUNTS

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

- Infrastructure, Vehicles, Plant and Equipment, Community Assets and Assets Under Construction – depreciated historical cost.
- Dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH).
- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

Assets included in the Balance Sheet at fair value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains or exceptionally to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

### 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.

Where impairment losses are identified, they are accounted for:

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



## NOTES TO THE ACCOUNTS

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) 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.

### 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 where the useful life is in excess of 50 years or where assets are without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- \* Non-HRA dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer.
- \* HRA Dwellings – componentisation applied and depreciated according to the average remaining useful life expectancies.
- \* vehicles, plant and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer.
- \* infrastructure – coast protection - straight-line allocation over 20 years.  
land drainage and public lighting - straight-line allocation over 40 years.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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 applied in the year in which the asset is acquired and is charged using the straight-line method.

### The Remaining Useful Life of the Council's Non-Current Assets

The Council's Property, Plant and Equipment are depreciated over the remaining useful life of the asset as determined by the Council's valuers. Any land owned by the Council is not deemed to have a finite life and is not depreciated.

Investment assets are not depreciated and have a remaining life of 50 years or more.

The following table indicates the estimated remaining useful life of each type of non-current asset owned by the Council. Each category of asset consists of different assets with varying remaining lives, therefore the table shows the range of asset lives within each category.

## NOTES TO THE ACCOUNTS

Type of Asset	Remaining Useful Asset Life at 31 March 2023
Council Dwellings	Up to 60 years
Council Garages	60 years
Depots	60 years
Public Conveniences	Between 1 and 50 years
Offices	60 years
Cemeteries	Indefinite
Health and Leisure Centres	60 years
Equipment	Up to 19 years
Coastal Protection Works	Up to 11 years
Land Drainage Works	Up to 23 years
Public Lighting Works	Up to 21 years
Residential Dwellings	An average of 46 years
Investment Properties	50+ years

### **xxi) Disposals and Non-Current Assets Held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. 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 (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal are categorised as capital receipts. For Council Dwellings sold under the Right to Buy Scheme a proportion of the receipts, net of statutory deductions and allowances) are payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

## NOTES TO THE ACCOUNTS

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

### **xxii) Private Finance Initiative (PFI) and Similar Contracts**

The Council has not entered into any PFI schemes or similar contracts.

### **xxiii) Provisions**

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

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

### **xxiv) 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 that year to show 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 that there is no net charge against council tax for the expenditure.

Certain reserves are kept in order to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant notes.

## NOTES TO THE ACCOUNTS

### **xxv) Revenue Expenditure Funded from Capital Under Statute**

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

### **xxvi) Value Added Tax (VAT)**

Income and expenditure in the Statement of Accounts excludes any amounts related to VAT other than any irrecoverable VAT which is charged to the service to which the supply related.

### **xxvii) Fair Value Measurements**

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 that 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.

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

## NOTES TO THE ACCOUNTS

### 2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT NOT YET ADOPTED

The Code of Practice of Local Authority Accounting in the United Kingdom requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified. In addition, disclosure is required for 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.

The standards that may be relevant for additional disclosures that will be required in future financial statements in respect of accounting changes that are introduced in the 2022/23 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 relating 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.

The impact of these accounting standards has not yet been assessed, however is not likely to be material.

### 3. JUDGEMENTS MADE IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in this document the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements that have the most significant effect on the amounts in the financial statements are:

**Asset reclassifications** – the Council has made judgements on whether assets are classified as Investment Property or Property, Plant and Equipment. 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 the asset is being held solely for capital appreciation or rental income, 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 has made judgements on whether its lease arrangements are operating leases or finance leases. These judgements are based on a series of tests designed to assess whether the risks and rewards of ownership have been transferred from the lessor to the lessee. The results of the tests are taken “in the round” and a decision has been made. The accounting treatment for operating and finance leases is significantly different (see accounting policy on Leases) and could have a significant effect on the accounts.

## NOTES TO THE ACCOUNTS

**Contractual arrangements** – the Council has made judgements on whether its contractual arrangements contain embedded leases (i.e. arrangements that are not legally leases but take the form of payments in return for the use of specific assets).

**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 pending legal actions.

**Doubtful debts allowances** – the Council has made judgements about the level of doubtful debts allowances that it needs to provide for. These judgements are based on historical experience of debtor defaults adjusted for the current economic climate.

#### 4. UNCERTAINTIES RELATING TO ASSUMPTIONS AND ESTIMATES USED

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The key judgements and estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions/Estimates
Doubtful Debt Allowances	The Council has made allowances for doubtful debts of £2.866 million in 2022/23 (£2.718 million in 2021/22) based on what it believes to be a prudent but realistic level. The allowances are based on: Council Tax and Non-domestic rate payers – ranges from 5% of debts at bill stage to 50% of debts at Liability Order stage. Sundry Debtors including Overpaid Housing Benefits -100% of debts over 1 year. Housing Rents - Former tenants 95%, current tenants, various percentages ranging from 0% on debts up to £100 and 95% on debts over £1,000.	If debt collection rates were to deteriorate or improve, a 5% change in the allowances would require an adjustment of £143,000 (£136,000 in 2021/22).

## NOTES TO THE ACCOUNTS

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if Actual Results Differ from Assumptions/Estimates</b>
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions' liability of changes in individual assumptions are detailed in Note 35. During 2022/23, the Council's actuaries advised that the net pension liability had increased by £23.839 million due to estimates being corrected, as a result of experience and reduced by £117.239 million due to updating of the assumptions used in the calculations.
Accumulating Absences	The calculated figure is comprised of annual leave entitlement and flexi/lieu time. The carried forward leave on the system has been used to calculate the accrual for annual leave. The number of days taken in flexi leave/lieu time has been used as the base for calculating the accrual at the end of the relevant year.	The accumulated absences amount recorded for 2022/23 is £468,000. A 5% increase in the accrual would amount to £23,400. This would not impact on the usable reserves of the Council.
Business Rates Appeals Provision	The provision of £4.077 million made by the Council is its 40% share of an overall provision of £10.192 million provision made in the Collection Fund. The overall figure is based on estimated appeals numbers supplied by a national business rates consultancy and adjusted by officer local knowledge.	The Council would be impacted by circa 20% of any under or over provision, but any loss would be restricted to a reduction in resources of £2.863 million before Safety Net Grant arrangements apply.

## NOTES TO THE ACCOUNTS

Item	Uncertainties	Effect if Actual Results Differ from Assumptions/Estimates
Housing Stock Valuation	<p>The Council adopts the Beacon methodology to annually revalue the Housing stock owned by the Council. The method adopted divides Towns and Parishes across the District into 5 pools, with a single pool being used to inform the Beacon indices each year on a cyclical basis. The pools include Towns and Parishes across the District, rather than being heavily weighted to a specific geographical area. Each year, it is recognised that the Beacon indices may well result in differing valuations when making a comparison against the national house price benchmark.</p>	<p>Over the 5 year period of valuation, the methodology does result in a fair market average valuation being carried in the Council's balance sheet. In any one year however, depending on the pool used to inform the Beacon indices, a variation can occur against the Land Registry house price benchmark. In 2022/23, the NFDC Beacon indices totaled 8.2%, whereas the South East benchmark totaled -0.4%. The resultant difference in these figures equates to circa £42.3 million.</p>
Property, Plant and Equipment	<p>The Council carries out a rolling programme of valuations for PPE and £506 million of assets were valued in 2022/23</p> <p>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.</p>	<p>A 1% change to the PPE valuations made for the year would change the reported value of PPE by £5.06 million.</p> <p>If the useful life of assets is reduced, depreciation increases and the carrying value of the asset falls. It is estimated that the annual depreciation charge for PPE would increase by £200,000 if the useful lives were reduced by one year.</p>
Investment Properties	<p>The Council values its investment properties annually and the fair value at 31 March 2023 was £30.7 million.</p>	<p>A 1% change in the valuation of investment properties would change the reported value by £307,000.</p>



## NOTES TO THE ACCOUNTS

### 5. NOTES TO THE EXPENDITURE AND FUNDING ANALYSIS

This note provides a reconciliation of the main adjustments to Net Expenditure Chargeable to the General Fund and Housing Revenue Account balances to arrive at the amounts in the Comprehensive Income and Expenditure Statement. The relevant transfers between reserves are explained in the Movement in Reserves Statement.

#### **Adjustments for Capital Purposes**

- Depreciation, impairment and revaluation gains/losses on Property, Plant and Equipment and Investment Properties.
- Gains/losses on the Disposal of Non-Current Assets.
- Payments to the Government Housing Capital Receipts Pool.
- Capital grants, income and contributions.
- Provision for the financing of Capital Investment.
- Capital expenditure charged against the General Fund and Housing Revenue Account balances.

#### **Net Change for Pensions Adjustments**

- Replacement of employer pension contributions allowed by statute with current and past service costs.
- Net interest on the net defined benefit liability/(asset).
- Re-measurement of the defined benefit liability/(asset).

#### **Other Differences**

- Amount by which council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from the amount calculated for the year in accordance with statutory requirements.
- Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from the amount chargeable in the year in accordance with statutory requirements.

## NOTES TO THE ACCOUNTS

### Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Amounts:

Adjustment between Funding and Accounting Basis				
	Adjustment for Capital Purposes	Net Change for the Pension Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000
<b>2022/23:</b>				
Business, Tourism and High Streets	0	80	0	80
Environment and Coastal Services	0	861	1	862
Finance, Investment and Corporate Services	492	806	(3)	1,295
Housing and Homelessness Services	0	739	0	739
Leader	0	103	0	103
Partnering and Wellbeing	2,242	1,708	(60)	3,890
People and Places	1,503	393	(1)	1,895
Planning, Regeneration and Infrastructure	0	1,349	(3)	1,346
<b>General Fund</b>	<b>4,237</b>	<b>6,039</b>	<b>(66)</b>	<b>10,210</b>
<b>Housing Revenue Account</b>	<b>3,785</b>	<b>1,793</b>	<b>9</b>	<b>5,587</b>
<b>Net Cost of Services</b>	<b>8,022</b>	<b>7,832</b>	<b>(57)</b>	<b>15,797</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	(51,594)	(71,243)	(2,666)	(125,503)
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(43,572)</b>	<b>(63,411)</b>	<b>(2,723)</b>	<b>(109,706)</b>
<b>2021/22:</b>				
Business, Tourism and High Streets	0	63	0	63
Environment and Coastal Services	104	633	(9)	728
Finance, Investment and Corporate Services	111	635	(13)	733
Housing and Homelessness Services	1	559	0	560
Leader	0	79	(3)	76
Partnering and Wellbeing	(426)	1,410	(26)	958
People and Places	191	298	1	490
Planning, Regeneration and Infrastructure	0	1,052	(7)	1,045
<b>General Fund</b>	<b>(19)</b>	<b>4,729</b>	<b>(57)</b>	<b>4,653</b>
<b>Housing Revenue Account</b>	<b>(1,158)</b>	<b>1,306</b>	<b>(12)</b>	<b>136</b>
<b>Net Cost of Services</b>	<b>(1,177)</b>	<b>6,035</b>	<b>(69)</b>	<b>4,789</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	(50,637)	(38,166)	(6,852)	(95,655)
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(51,814)</b>	<b>(32,131)</b>	<b>(6,921)</b>	<b>(90,866)</b>

## NOTES TO THE ACCOUNTS

### Expenditure and Income Analysed by Nature:

2021/22		2022/23
<b>£000</b>	<b>Expenditure</b>	<b>£000</b>
31,107	Employee benefits expenses	34,034
55,090	Other services expenses	56,747
2,476	Support Service recharges	3,139
8,868	Depreciation, amortisation and impairment	18,028
6,579	Interest Payments	6,327
6,667	Precepts and Levies	6,987
575	Payments to Housing Capital Receipts Pool	0
<b>111,362</b>	<b>Total Expenditure</b>	<b>125,262</b>
	<b>Income</b>	
(43,657)	Fees, charges and other service income	(48,463)
(2,723)	Gain on the disposal of assets	(2,078)
(3,333)	Interest and investment income	(2,283)
(20,036)	Income from council tax	(20,679)
(48,006)	Government grants and contributions	(43,250)
<b>(117,755)</b>	<b>Total Income</b>	<b>(116,753)</b>
<b>(6,393)</b>	<b>(Surplus) or Deficit on the Provision of Services</b>	<b>8,509</b>

### Segmental Income:

	Government Grant and Other Income	Fees, Charges and Other Service Income	Total
	£000	£000	£000
<b>2022/23:</b>			
Business, Tourism and High Streets	0	(2)	(2)
Environment and Coastal Services	(620)	(6,276)	(6,896)
Finance, Investment and Corporate Services	(27,536)	(2,901)	(30,437)
Housing and Homelessness Services	(1,915)	(4,439)	(6,354)
Leader	(127)	(8)	(135)
Partnering and Wellbeing	(58)	(1,769)	(1,827)
People and Places	(404)	(1,400)	(1,804)
Planning, Regeneration and Infrastructure	(174)	(1,822)	(1,996)
<b>General Fund</b>	<b>(30,834)</b>	<b>(18,617)</b>	<b>(49,451)</b>
<b>Housing Revenue Account</b>	<b>(16)</b>	<b>(29,847)</b>	<b>(29,863)</b>
	<b>(30,850)</b>	<b>(48,464)</b>	<b>(79,314)</b>
<b>2021/22:</b>			
Business, Tourism and High Streets	0	(3)	(3)
Environment and Coastal Services	(588)	(5,520)	(6,108)
Finance, Investment and Corporate Services	(29,545)	(2,017)	(31,562)
Housing and Homelessness Services	(2,274)	(3,022)	(5,296)
Leader	(2)	(3)	(5)
Partnering and Wellbeing	(274)	(1,897)	(2,171)
People and Places	(4,325)	(589)	(4,914)
Planning, Regeneration and Infrastructure	(179)	(1,864)	(2,043)
<b>General Fund</b>	<b>(37,187)</b>	<b>(14,915)</b>	<b>(52,102)</b>
<b>Housing Revenue Account</b>	<b>0</b>	<b>(28,742)</b>	<b>(28,742)</b>
	<b>(37,187)</b>	<b>(43,657)</b>	<b>(80,844)</b>

## **NOTES TO THE ACCOUNTS**

### **6. EVENTS AFTER THE REPORTING PERIOD**

The draft key Accounting Statements were presented to the Audit Committee on 31 May 2023, and subsequently authorised for publication by the Chief Finance Officer s151.

Events taking place after the date the statements were presented to the Audit Committee are not reflected in the financial statements or notes. 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 financial statements and notes have not been adjusted for any events which took place after 31 March 2023.

### **7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS**

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

## NOTES TO THE ACCOUNTS

2022/23	Usable Reserves							Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	Community Infrastructure Levy	Developers' Contributions Unapplied	
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>								
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>								
Charges for depreciation and impairment of non-current assets	(1,544)	(3)	0	0	(9,822)	0	0	11,369
Revaluation Gains / (Losses) on Property, Plant and Equipment	(522)	10,289	0	0	0	0	0	(9,767)
Capital Expenditure not enhancing value	(2,792)	(14,074)	0	0	0	0	0	16,866
Movements in the market value of Investment Properties	(98)	0	0	0	0	0	0	98
Expected Credit Loss on Investments	3	0	0	0	0	0	0	(3)
Movement in the Fair Value of Investments	(1,768)	0	0	0	0	0	0	1,768
Capital grants and contributions applied	1,311	2,084	0	0	0	0	0	(3,395)
Revenue expenditure funded from capital under statute	(2,226)	0	0	0	0	0	0	2,226
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	(1,975)	0	0	0	0	0	1,975
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>								
Provision for the financing of capital investment	1,483	4,232	0	0	0	0	0	(5,715)
Capital expenditure charged against the General Fund and HRA balances	4,363	1,400	0	0	0	0	0	(5,763)
<b>Adjustments primarily involving the Capital Grants / Developers' Contributions Unapplied Account:</b>								
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	2,746	246	0	(943)	0	(1,447)	(602)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	0	0	1,149	(1,149)

## NOTES TO THE ACCOUNTS

2022/23	Usable Reserves							Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	Community Infrastructure Levy	Developers' Contributions Unapplied	
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>								
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement (net of administration costs of disposal)	109	3,944	(4,053)	0	0	0	0	0
Transfer of cash proceeds from non PPE assets	22	193	(215)	0	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	3,977	0	0	0	0	(3,977)
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>								
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	27	0	0	0	0	0	(27)
<b>Adjustments primarily involving the Major Repairs Reserve:</b>								
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	0	9,822	0	0	(9,822)
<b>Adjustments primarily involving the Pension Reserve:</b>								
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(11,356)	(3,413)	0	0	0	0	0	14,769
Employer's pensions contributions and direct payments to pensioners payable in the year	3,260	1,058	0	0	0	0	0	(4,318)
Health and Leisure Contractor Payment to Fund	395	0	0	0	0	0	0	(395)

## NOTES TO THE ACCOUNTS

2022/23	Usable Reserves							Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	Community Infrastructure Levy	Developers' Contributions Unapplied	
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>								
Amount by which council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	4,431	0	0	0	0	0	0	(4,431)
<b>Adjustments primarily involving the Accumulating Absences Adjustment Account:</b>								
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	66	(9)	0	0	0	0	0	(57)
<b>Total Adjustments</b>	<b>(2,117)</b>	<b>3,999</b>	<b>(291)</b>	<b>(943)</b>	<b>0</b>	<b>(1,447)</b>	<b>547</b>	<b>252</b>

## NOTES TO THE ACCOUNTS

2021/22 Comparative Figures	Usable Reserves							Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	Community Infrastructure Levy	Developers' Contributions Unapplied	
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>								
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>								
Charges for depreciation and impairment of non-current assets	(1,342)	(3)	0	0	(8,701)	0	0	10,046
Revaluation Gains / (Losses) on Property, Plant and Equipment	817	11,036	0	0	0	0	0	(11,853)
Capital Expenditure not enhancing value	(968)	(9,879)	0	0	0	0	0	10,847
Movements in the market value of Investment Properties	460	(4)	0	0	0	0	0	(456)
Expected Credit Loss on Investments	1	0	0	0	0	0	0	(1)
Movement in the Fair Value of Investments	1,476	0	0	0	0	0	0	(1,476)
Capital grants and contributions applied	1,101	576	0	0	0	0	0	(1,677)
Revenue expenditure funded from capital under statute	(1,147)	0	0	0	0	0	0	1,147
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(63)	(2,795)	0	0	0	0	0	2,858
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>								
Provision for the financing of capital investment	1,085	4,182	0	0	0	0	0	(5,267)
Capital expenditure charged against the General Fund and HRA balances	2,109	932	0	0	0	0	0	(3,041)
<b>Adjustments primarily involving the Capital Grants / Developers' Contributions Unapplied Account:</b>								
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	3,127	315	0	(2,001)	0	(1,025)	(416)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	0	0	234	(234)



## NOTES TO THE ACCOUNTS

2021/22 Comparative Figures	Usable Reserves							Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	Community Infrastructure Levy	Developers' Contributions Unapplied	
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>								
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement (net of administration costs of disposal)	261	5,319	(5,580)	0	0	0	0	0
Transfer of cash proceeds from non PPE assets	41	56	(97)	0	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	2,779	0	0	0	0	(2,779)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(575)	0	575	0	0	0	0	0
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>								
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	34	(1)	0	0	0	0	(33)
<b>Adjustments primarily involving the Major Repairs Reserve:</b>								
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	0	8,701	0	0	(8,701)
debt repayment	0	0	0	0	0	0	0	0
<b>Adjustments primarily involving the Pension Reserve:</b>								
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(10,447)	(2,692)	0	0	0	0	0	13,139
Employer's pensions contributions and direct payments to pensioners payable in the year	3,459	865	0	0	0	0	0	(4,324)
Health and Leisure Contractor Payment to Fund	371	0	0	0	0	0	0	(371)

## NOTES TO THE ACCOUNTS

2021/22 Comparative Figures	Usable Reserves							Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	Community Infrastructure Levy	Developers' Contributions Unapplied	
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>								
Amount by which council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	5,376	0	0	0	0	0	0	(5,376)
<b>Adjustments primarily involving the Accumulating Absences Adjustment Account:</b>								
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	58	12	0	0	0	0	0	(70)
<b>Total Adjustments</b>	<b>5,200</b>	<b>7,954</b>	<b>(2,324)</b>	<b>(2,001)</b>	<b>0</b>	<b>(1,025)</b>	<b>(182)</b>	<b>(7,622)</b>

## NOTES TO THE ACCOUNTS

### 8. EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund and HRA balances to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure.

	Balance 1 April 2021 £000	Transfers Out 2021/22 £000	Transfers In 2021/22 £000	Balance 31 March 2022 £000	Transfers Out 2022/23 £000	Transfers In 2022/23 £000	Balance 31 March 2023 £000
Building Control Surplus	(171)	0	(87)	(258)	77	0	(181)
Business Rates Equalisation	(2,837)	138	0	(2,699)	0	0	(2,699)
Business Rates Reserve	(11,357)	11,357	(6,327)	(6,327)	6,327	(1,750)	(1,750)
Committed Schemes	(593)	593	(963)	(963)	963	(969)	(969)
Community Housing Fund	(882)	5	0	(877)	45	0	(832)
Contain Outbreak Management F	(103)	0	(160)	(263)	49	0	(214)
Council Tax Hardship Reserve	(162)	37	0	(125)	67	0	(58)
Historic Buildings	(7)	0	0	(7)	0	0	(7)
Homes for Ukraine Reserve	0	0	0	0	0	(269)	(269)
Household Support Fund	0	0	(41)	(41)	0	0	(41)
Housing Needs Survey	(108)	0	0	(108)	0	0	(108)
Insurance Reserve	0	0	0	0	0	(40)	(40)
Leisure Development	(834)	386	0	(448)	448	0	0
Local Development Framework	(370)	0	0	(370)	0	0	(370)
Lymington Synthetic Turf Pitch	(207)	207	0	0	0	(24)	(24)
Open Space Maintenance	(474)	56	(6)	(424)	56	(47)	(415)
Planning - Monitoring and Inspect	0	0	0	0	0	(121)	(121)
Private Housing Stock Condition Survey	(59)	0	0	(59)	0	0	(59)
Quadrennial Election	(44)	0	(44)	(88)	0	(44)	(132)
Recreation Mitigation Maintenan	0	0	0	0	7	(438)	(431)
Treasury Management	(38)	0	0	(38)	0	0	(38)
UK Shared Prosperity Fund	0	0	0	0	0	(86)	(86)
Capital Programme Reserve	(12,143)	2,305	(2,166)	(12,004)	2,261	(65)	(9,808)
<b>General Fund</b>	<b>(30,389)</b>	<b>15,084</b>	<b>(9,794)</b>	<b>(25,099)</b>	<b>10,300</b>	<b>(3,853)</b>	<b>(18,652)</b>
HRA ICT	(351)	111	0	(240)	55	0	(185)
Housing Acquisitions and Development	(13,089)	1,360	0	(11,729)	3,451	0	(8,278)
<b>Total Reserves</b>	<b>(43,829)</b>	<b>16,555</b>	<b>(9,794)</b>	<b>(37,068)</b>	<b>13,806</b>	<b>(3,853)</b>	<b>(27,115)</b>

## NOTES TO THE ACCOUNTS

### 9. PROPERTY, PLANT AND EQUIPMENT ASSETS AND IMPAIRMENTS

#### Valuation of Property, Plant and Equipment

The Council operates a rolling programme of property revaluations, which are carried out over a 5-year period. In 2022/23 this work was carried out by the Council's valuer P. Marston, MRICS, Registered Valuer. The revaluation programme for 2022/23 principally comprised the majority of the Council's land and buildings, as well as 20% of dwellings using the Beacon method of valuation. The remainder of dwellings' values were uplifted in line with the resultant Beacon indices.

#### a) Analysis of Assets

The following list gives an indication of the range and number of assets owned/leased by the Council.

2021/22		2022/23
5,162	Council Dwellings	5,194
2	Main Office Blocks	2
2	Other Offices	2
5	Depots and Administrative Buildings	5
5	Health and Leisure Centres	5
52	Car Parks	52
9	Cemeteries	9
23	Public Conveniences	23
218	Vehicles	219
1,755	Garages	1,755

#### b) Valuation of Property, Plant and Equipment Assets carried at current value

The following statement shows the progress of the Council's rolling programme for the revaluation of non-current assets. The basis for valuation is set out in the Statement of Accounting Policies.

	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Infra- structure	Community Assets	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000
<b>Carried at Historic Cost (Net of Depreciation)</b>			5,286	2,509		6,030	<b>13,825</b>
<b>Valued at Fair Value as at:</b>							
2022/23	455,515	50,353					<b>505,868</b>
2021/22		20,058					<b>20,058</b>
2020/21		2,491					<b>2,491</b>
2019/20	320	112			537		<b>969</b>
2018/19		1,808					<b>1,808</b>
<b>Total Cost or Valuation</b>	<b>455,835</b>	<b>74,822</b>	<b>5,286</b>	<b>2,509</b>	<b>537</b>	<b>6,030</b>	<b>545,019</b>

These valuations show the net current value after depreciation is applied.

## NOTES TO THE ACCOUNTS

### c) Movement on Property, Plant and Equipment Assets

Purchases and disposals during the year were as follows:

<b>Movements in 2022/23:</b>	<b>Council Dwellings</b>	<b>Other Land and Buildings</b>	<b>Vehicles, Plant and Equipment</b>	<b>Infrastructure</b>	<b>Community Assets</b>	<b>Assets Under Construction</b>	<b>Total Property, Plant and Equipment</b>
<b>Cost or Valuation</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 April 2022	418,832	73,592	12,018	19,839	537	3,986	<b>528,804</b>
Additions	18,415	2,208	1,963	238	0	3,662	<b>26,486</b>
Revaluation increases / (decreases) recognised in the Revaluation Reserve	32,553	1,805	0	0	0	0	<b>34,358</b>
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	934	(534)	0	0	0	(468)	<b>(68)</b>
Capital Expenditure not enhancing value recognised in the Surplus / Deficit on the Provision of Services	(14,074)	(2,067)	0	(238)	0	0	<b>(16,379)</b>
Derecognition - disposals	(1,975)	0	(1,814)	0	0	0	<b>(3,789)</b>
Other movements in cost or valuation	1,150	0	0	0	0	(1,150)	<b>0</b>
<b>At 31 March 2023</b>	<b>455,835</b>	<b>75,004</b>	<b>12,167</b>	<b>19,839</b>	<b>537</b>	<b>6,030</b>	<b>569,412</b>
<b>Accumulated Depreciation and Impairment</b>							
At 1 April 2022	0	(97)	(7,509)	(17,068)	0	0	<b>(24,674)</b>
Depreciation charge	(9,822)	(97)	(1,186)	(262)	0	0	<b>(11,367)</b>
Depreciation written out to the Surplus / Deficit on the Provision of Services	9,822	12	0	0	0	0	<b>9,834</b>
Derecognition - disposals	0	0	1,814	0	0	0	<b>1,814</b>
<b>At 31 March 2023</b>	<b>0</b>	<b>(182)</b>	<b>(6,881)</b>	<b>(17,330)</b>	<b>0</b>	<b>0</b>	<b>(24,393)</b>
<b>Net Book Value</b>							
<b>at 31 March 2023</b>	<b>455,835</b>	<b>74,822</b>	<b>5,286</b>	<b>2,509</b>	<b>537</b>	<b>6,030</b>	<b>545,019</b>
<b>at 31 March 2022</b>	<b>418,832</b>	<b>73,495</b>	<b>4,509</b>	<b>2,771</b>	<b>537</b>	<b>3,986</b>	<b>504,130</b>

## NOTES TO THE ACCOUNTS

<b>Comparative Movements in 2021/22:</b>	<b>Council Dwellings</b>	<b>Other Land and Buildings</b>	<b>Vehicles, Plant and Equipment</b>	<b>Infrastructure</b>	<b>Community Assets</b>	<b>Assets Under Construction</b>	<b>Total Property, Plant and Equipment</b>
<b>Cost or Valuation</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 April 2021	384,811	67,843	10,525	19,839	537	3,286	<b>486,841</b>
Additions	11,794	535	3,086	167	0	1,067	<b>16,649</b>
Revaluation increases / (decreases) recognised in the Revaluation Reserve	31,959	5,171	0	0	0	0	<b>37,130</b>
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	2,335	817	0	0	0	0	<b>3,152</b>
Capital Expenditure not enhancing value recognised in the Surplus / Deficit on the Provision of Services	(9,879)	(535)	0	(167)	0	0	<b>(10,581)</b>
Derecognition - disposals	(2,794)	0	(1,593)	0	0	0	<b>(4,387)</b>
Other movements in cost or valuation	606	(239)	0	0	0	(367)	<b>0</b>
<b>At 31 March 2022</b>	<b>418,832</b>	<b>73,592</b>	<b>12,018</b>	<b>19,839</b>	<b>537</b>	<b>3,986</b>	<b>528,804</b>
<b>Accumulated Depreciation and Impairment</b>							
At 1 April 2021	0	(1)	(8,088)	(16,775)	0	0	<b>(24,864)</b>
Depreciation charge	(8,701)	(102)	(950)	(293)	0	0	<b>(10,046)</b>
Depreciation written out to the Revaluation Reserve	0	6	0	0	0	0	<b>6</b>
Depreciation written out to the Surplus / Deficit on the Provision of Services	8,701	0	0	0	0	0	<b>8,701</b>
Derecognition - disposals	0	0	1,529	0	0	0	<b>1,529</b>
<b>At 31 March 2022</b>	<b>0</b>	<b>(97)</b>	<b>(7,509)</b>	<b>(17,068)</b>	<b>0</b>	<b>0</b>	<b>(24,674)</b>
<b>Net Book Value</b>							
<b>at 31 March 2022</b>	<b>418,832</b>	<b>73,495</b>	<b>4,509</b>	<b>2,771</b>	<b>537</b>	<b>3,986</b>	<b>504,130</b>
<b>at 31 March 2021</b>	<b>384,811</b>	<b>67,842</b>	<b>2,437</b>	<b>3,064</b>	<b>537</b>	<b>3,286</b>	<b>461,977</b>

## NOTES TO THE ACCOUNTS

### d) Impairments

Valuation reductions of Property, Plant and Equipment Assets in 2022/23 were £2.566 million (Council Dwellings £468,000, Council Garages £231,000 and General Fund Assets £1.867 million), but valuation increases were £46.593 million (Council Dwellings £43.541 million and General Fund Assets £3.052 million).

Offsetting the net valuation increases was non-enhancing capital expenditure of £14.074 million on Council Dwellings, and £2.792 million on General Fund Assets, which was impaired via the Comprehensive Income and Expenditure Statement in the year.

Net valuation impairments of Investment Properties in 2022/23 were £98,000.

### e) Capital Expenditure Contract Commitments

As at 31 March 2023, the Council was committed through contracts to future capital expenditure in respect of the following major schemes:

	Period of investment	£000
<b>Environment and Coastal Services</b>		
Aerial Photography	2023/24	35
Geodata	2023/24	80
Geodata	2024/25	43
Geodata	2025/26	42
Geodata	2026/27	42
Hydrodynamics	2023/24	345
Hydrodynamics	2024/25	219
Hydrodynamics	2025/26	219
Hydrodynamics	2026/27	219
<b>Housing and Homelessness Services</b>		
Testwood, Totton	2023/24	1,619
Burgate	2023/24	1,411
<b>Total</b>		<b>4,274</b>

## NOTES TO THE ACCOUNTS

### 10. INVESTMENT PROPERTIES

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure section of the Comprehensive Income and Expenditure Statement:

2021/22		2022/23
£000		£000
(690)	Rental income from investment property	(1,012)
38	Direct operating expenses arising from investment property	60
171	Capital expenditure not enhancing value	441
(456)	Net (gains)/losses from fair value adjustments	98
<b>(937)</b>	<b>Net (gain)/loss</b>	<b>(413)</b>

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

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

2021/22		2022/23
£000		£000
<b>12,384</b>	<b>Balance at start of the year</b>	<b>18,463</b>
	Additions:	
3,266	Purchases	7,747
2,528	Construction	5,014
(171)	Capital expenditure not enhancing value	(441)
456	Net gains/(losses) from fair value adjustments	(98)
<b>18,463</b>	<b>Balance at end of the year</b>	<b>30,685</b>

The balance includes an asset under construction valued at historical cost of £9.552 million, this was valued at £4.538 million at the end of 2021/22.

Under IFRS13 a level 2 fair value measurement has been carried out for all investment properties using a market comparable approach by the internal valuers.



## NOTES TO THE ACCOUNTS

### 11. LONG-TERM INVESTMENTS

The Council is permitted to invest and lend a proportion of its funds for more than 364 days. At 31 March 2023 the Council had 7 loans which had a remaining maturity term of more than one year.

2021/22		2022/23
£000		£000
17,120	<b>Opening Balance</b>	16,922
333	Purchases	442
1,630	Revaluations Gains	8
(122)	Revaluations Losses	(1,753)
(1)	Repayments	(2)
(2,038)	Transfers to Short-Term Investments	(1,009)
<b>16,922</b>	<b>Closing Balance</b>	<b>14,608</b>

### 12. LONG-TERM DEBTORS

Long-term debtors includes deferred capital receipts for house purchases, loans to local trusts/organisations, loans to Appletree Property Holdings and staff car loans.

31 March 2022		31 March 2023
£000		£000
2	Car Loans	2
301	Lymington Harbour Commissioners - Principal	100
0	New Forest Enterprise Centre	300
473	Rent to Mortgages House Purchases	500
2,673	Appletree Property Holdings	3,713
<b>3,449</b>	<b>Total</b>	<b>4,615</b>

### 13. SHORT-TERM INVESTMENTS

Short-term investments include all deposits with a term of less than one year other than Cash and Cash Equivalents.

2021/22		2022/23
£000		£000
25,053	<b>Opening Balance</b>	46,530
100,970	Purchases	39,290
16	Revaluations Gains	0
(30)	Revaluations Losses	(45)
(29)	Movement in Accrued Interest	(22)
(81,488)	Repayments	(83,776)
0	Expected Credit Loss	2
2,038	Transfers from Long-Term Investments	1,009
<b>46,530</b>	<b>Closing Balance</b>	<b>2,988</b>

## NOTES TO THE ACCOUNTS

### 14. SHORT-TERM DEBTORS

An analysis of the Council's debtors and payments in advance as at 31 March is shown below:

31 March 2022		31 March 2023
£000		£000
975	Central Government Bodies (a)	1,689
	Local Authorities:	
1,605	Hampshire County Council (b)	767
29	Police and Crime Commissioner for Hampshire	8
73	Hampshire and Isle of Wight Fire and Rescue Service	7
20	New Forest National Park Authority	28
68	Other Local Authorities	57
102	Public Corporations and Trading Funds	193
	Other Entities and Individuals:	
656	Council Tax Payers	733
541	Business Rate Payers	478
1,082	Housing Tenants' Rents	1,232
6,014	Other Debtors and Payments in Advance (c)	7,022
<b>11,165</b>	<b>Total</b>	<b>12,214</b>

Short-term debtors were higher at the 31 March 2023 by £1.049 million when compared to 31 March 2022, the main contributing factors to this were:

- (a) Central Government Bodies debtors increased by £618,000. This was principally due to an accrual for a Homes England grant.
- (b) Hampshire County Council has decreased as National Non-Domestic Rates was a debtor of £656,000 at 31 March 2022 then was a creditor at the end of 2022/23 and Accounts Receivable invoices owing were lower by £262,000.
- (c) Other Debtors and Payments in Advance has increased in the main due to an increase in the value of outstanding Accounts Receivable invoice balances.

The bad debts provision is shown below:

31 March 2022		31 March 2023
£000		£000
(265)	Council Tax Payers	(305)
(118)	Business Rate Payers	(147)
(772)	Housing Tenants' Rents	(885)
(1,563)	Other Debtors	(1,529)
<b>(2,718)</b>	<b>Total</b>	<b>(2,866)</b>

## NOTES TO THE ACCOUNTS

### 15. CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2022		31 March 2023
£000		£000
6	Cash held by the Council	1
493	Bank current accounts	745
24,073	Short-Term deposits with building societies/banks and other financial institutions	14,899
<b>24,572</b>	<b>Total</b>	<b>15,645</b>

### 16. BORROWING

Short-term borrowing refers to loans that are repayable over a period of less than 12 months and long-term borrowing refers to loans that are repayable over a period in excess of 12 months.

In 2012/13 the Council borrowed £142.7 million for the Housing Revenue Account financing settlement. At 31 March 2023, £118.104 million of this amount is outstanding, of which a £4.1 million annual repayment instalment is due within 12 months.

In March 2014 the Council borrowed £2.007 million to finance an equivalent loan made to the Lymington Harbour Commissioners. This borrowing is repayable in 10 equal instalments of £200,700. At 31 March 2023, the balance outstanding was £200,700, all of which is due within 12 months.

In addition, total accrued interest of £43,498 on short-term and long-term borrowing is also payable within 12 months and is included in this category.

2021/22			2022/23	
Short-Term	Long-Term		Short-Term	Long-Term
£000	£000		£000	£000
(4,346)	(122,605)	<b>Balance at 1 April</b>	(4,345)	(118,304)
0	0	Loans Raised	(12,500)	0
4,301	0	Loans Repaid	16,801	0
(4,301)	4,301	Transferred between Long-Term and Short-Term	(4,301)	4,301
1	0	Movement in accrued interest on all Borrowing	0	0
<b>(4,345)</b>	<b>(118,304)</b>	<b>Balance at 31 March</b>	<b>(4,345)</b>	<b>(114,003)</b>

## NOTES TO THE ACCOUNTS

### 17. SHORT-TERM CREDITORS

An analysis of the Council's creditors and receipts in advance as at 31 March is shown below:

31 March 2022		31 March 2023
£000		£000
(44,849)	Central Government Bodies (a)	(12,440)
	Local Authorities:	
(2,238)	Hampshire County Council	(2,680)
(336)	Police and Crime Commissioner for Hampshire	(236)
(98)	Hampshire and Isle of Wight Fire and Rescue Service	(158)
(31)	New Forest National Park Authority	(54)
(163)	Developers' Contributions Open Space Maintenance	(149)
(3,191)	Other Local Authorities	(3,049)
0	NHS Bodies	(30)
(29)	Public Corporations and Trading Funds	(62)
	Other Entities:	
(349)	Council Tax Payers	(424)
(447)	Business Rate Payers (b)	(1,463)
(8,294)	Other Creditors and Receipts in Advance (c)	(7,835)
<b>(60,025)</b>	<b>Total</b>	<b>(28,580)</b>

Short term creditors have decreased by £31.445 million from 2021/22 to 2022/23:

- (a) The Central Government Bodies balance is £32.409 million lower principally due to £18.915 million regarding National Non-Domestic Rates (Business Rates) and grants received in advance for the Council Tax Energy Rebate scheme of £8.206 million and Covid for £8.326 in 2021/22.
- (b) Business Rate Payers has increased by £1.017 million.
- (c) Other Creditors and Receipts in Advance have decreased by £0.428 million. This was due, in the main, to an increase in Sundry Creditors outstanding invoice amounts of £640,000.

## NOTES TO THE ACCOUNTS

### 18. PROVISIONS

The Council maintains provisions to cover liabilities or losses that are anticipated to arise, but which cannot be quantified with certainty.

	Balance 1 April 2021	Additional Provisions Made 2021/22	Amounts Used 2021/22	Unused Amounts Reversed 2021/22	Balance 31 March 2022	Additional Provisions Made 2022/23	Amounts Used 2022/23	Unused Amounts Reversed 2022/23	Balance 31 March 2023
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Business Rates	(2,896)	(1,990)	1,486	0	<b>(3,400)</b>	(1,539)	862	0	<b>(4,077)</b>
Health and Leisure Centres	0	(539)	0	0	<b>(539)</b>	(400)	539	0	<b>(400)</b>
Private Sector Leasing Dilapidations	(50)	0	0	0	<b>(50)</b>	0	0	0	<b>(50)</b>
Redundancy	(22)	(32)	23	0	<b>(31)</b>	0	31	0	<b>0</b>
<b>Total Provisions</b>	<b>(2,968)</b>	<b>(2,561)</b>	<b>1,509</b>	<b>0</b>	<b>(4,020)</b>	<b>(1,939)</b>	<b>1,432</b>	<b>0</b>	<b>(4,527)</b>

#### Business Rates

On 1 April 2013 the Government introduced the Business Rates Retention Scheme, which required the Council to make a provision in the Collection Fund for successful appeals against rating valuations. The total provision made at 31 March 2023 was £10.192 million, of which £4.077 million relates to this Council's share of anticipated refunds.

#### Health and Leisure Centres

The Health and Leisure Centre management contract includes a net income adjustment arrangement which allows the Council to make additional payments to the contractor. Due to the current economic climate and recovery from COVID being slower than anticipated an additional contract payment is expected. Based on performance to the end of March 2023, provision has been made for an additional payment of £400,000.

#### Private Sector Leasing Dilapidations

The Council is responsible for ensuring the repair of private sector houses that are leased. The Council had possible obligations on 118 properties at 31 March 2023. A revenue budget of £185,000 exists in 2023/24 for void repairs and dilapidation costs but a provision of £50,000 is also held to cover the potential for additional costs should a large number of dilapidations occur in any particular year.

#### Redundancy

The Redundancy provision is put in place once approval for the termination of employment has been agreed by the Council.

## NOTES TO THE ACCOUNTS

### 19. CAPITAL RECEIPTS RESERVE

The Capital Receipts Reserve principally reflects the proceeds from the disposal of Property, Plant and Equipment assets that have yet to be utilised on new capital expenditure.

2021/22				2022/23		
General Fund	Housing Revenue Account	Total		General Fund	Housing Revenue Account	Total
£000	£000	£000		£000	£000	£000
(2,343)	(1,228)	(3,571)	Balance at 1 April	(2,478)	(3,417)	(5,895)
(261)	(5,417)	(5,678)	New Receipts (including interest)	(109)	(4,158)	(4,267)
0	575	575	Transfers to Government	0	0	0
126	2,653	2,779	Financing of Capital Expenditure	206	3,770	3,976
<b>(2,478)</b>	<b>(3,417)</b>	<b>(5,895)</b>	<b>Balance at 31 March</b>	<b>(2,381)</b>	<b>(3,805)</b>	<b>(6,186)</b>

### 20. CAPITAL GRANTS UNAPPLIED

Capital Grants Unapplied reflects contributions which have no conditions attached to them and have not been utilised and therefore have been credited to Reserves via the Comprehensive Income and Expenditure Account.

2021/22				2022/23		
Government Grants	Other Grants/Contributions	Total		Government Grants	Other Grants/Contributions	Total
£000	£000	£000		£000	£000	£000
0	0	0	Balance at 1 April	(2,001)	0	(2,001)
(2,239)	(27)	(2,266)	New Receipts	(4,062)	(62)	(4,124)
1,639	27	1,666	Financing of Capital Expenditure	3,119	62	3,181
(1,401)	0	(1,401)	Transfer from Capital Grants Receipts in Advance	0	0	0
<b>(2,001)</b>	<b>0</b>	<b>(2,001)</b>	<b>Balance at 31 March</b>	<b>(2,944)</b>	<b>0</b>	<b>(2,944)</b>

## NOTES TO THE ACCOUNTS

### 21. DEVELOPERS' CONTRIBUTIONS / COMMUNITY INFRASTRUCTURE LEVY UNAPPLIED

The Developers' Contributions (DCs) and Community Infrastructure Levy (CIL) Unapplied accounts reflect contributions which have no conditions attached to them and have therefore been credited to the Reserves via the Comprehensive Income and Expenditure Account.

2021/22			2022/23	
CIL	DCs		CIL	DCs
£000	£000		£000	£000
(5,998)	(4,608)	<b>Balance at 1 April</b>	<b>(7,023)</b>	<b>(4,790)</b>
(1,317)	(585)	New Receipts	(1,730)	(749)
0	234	Financing of Capital Expenditure	0	1,149
74	169	Financing of Revenue Expenditure	96	147
218	0	Payments to Town and Parish Councils	187	0
0	0	Transfers to Other Earmarked Reserves	438	0
<b>(7,023)</b>	<b>(4,790)</b>	<b>Balance at 31 March</b>	<b>(8,032)</b>	<b>(4,243)</b>

### 22. REVALUATION RESERVE

This Reserve records the increase in the valuation of assets since 1 April 2007, under the system of capital accounting.

The Reserve is written down by any accumulated revaluation surplus of non-current assets as they are disposed of and debited or credited with deficits or surpluses arising on the year's revaluations.

2021/22				2022/23		
General Fund	Housing Revenue Account	Total		General Fund	Housing Revenue Account	Total
£000	£000	£000		£000	£000	£000
(20,138)	(26,457)	(46,595)	<b>Balance at 1 April</b>	<b>(25,315)</b>	<b>(57,967)</b>	<b>(83,282)</b>
(5,852)	(32,134)	(37,986)	Upward revaluation of assets	(2,624)	(32,874)	(35,498)
675	174	849	Downward revaluation of assets and impairment losses not charged to Surplus/Deficit on the Provision of Services	908	231	1,139
(5,177)	(31,960)	(37,137)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(1,716)	(32,643)	(34,359)
0	450	450	Accumulated gains on assets sold or scrapped	0	216	216
<b>(25,315)</b>	<b>(57,967)</b>	<b>(83,282)</b>	<b>Balance at 31 March</b>	<b>(27,031)</b>	<b>(90,394)</b>	<b>(117,425)</b>

## NOTES TO THE ACCOUNTS

### 23. CAPITAL ADJUSTMENT ACCOUNT

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for the consumption of non-current assets and for financing their acquisition or enhancement under statutory provisions. The account is debited with the costs of depreciation, impairment and amortisations as assets are consumed and credited with the amounts set aside by the Council for the financing of capital expenditure.

The account contains accumulated gains and losses on Investment Properties and gains on Property, Plant and Equipment assets arising before 1 April 2007.

The balance on the Capital Adjustment Account is matched by non-current assets within the Balance Sheet and does not represent actual funds available to the Council.

2021/22			2022/23	
£000	£000		£000	£000
	(286,484)	<b>Balance at 1 April</b>		(296,045)
		<b>Reversal of items relating to capital expenditure or credited to the Comprehensive Income and Expenditure Statement:</b>		
10,046		Charges for depreciation and impairment of non-current assets	11,369	
(11,854)		Revaluation (Gains) / Losses on Property, Plant and Equip.	(9,766)	
10,847		Capital Expenditure not enhancing value	16,866	
1,147		Revenue expenditure funded from capital under statute	2,226	
2,408		Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,759	
	12,594	Net written out amount of the cost on non-current assets consumed in the year		22,454
		<b>Capital financing applied in the year:</b>		
(2,779)		Use of the Capital Receipts Reserve to finance new capital expenditure	(3,977)	
(8,701)		Use of the Major Repairs Reserve to finance new capital expenditure	(9,822)	
(1,677)		Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(3,395)	
(234)		Application of grants / contributions to capital financing from the Capital Grant / Developers' Contributions Unapplied Accounts	(1,149)	
(1,167)		Provision for the financing of capital investment charged against the General Fund balance	(1,615)	
(4,100)		Provision for the financing of capital investment charged against the HRA balance	(4,100)	
(3,041)		Capital expenditure charged against the General Fund and HRA balances	(5,763)	
	(21,699)			(29,821)
	(456)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		98
	<b>(296,045)</b>	<b>Balance at 31 March</b>		<b>(303,314)</b>



## NOTES TO THE ACCOUNTS

### 24. FINANCIAL INSTRUMENTS REVALUATION RESERVE

The Financial Instruments Revaluation Reserve contains the movements made by the Council arising from changes in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments.

2021/22		2022/23
£000		£000
90	<b>Balance at 1 April</b>	<b>(1,386)</b>
(1,627)	Upward revaluation of investments	0
152	Downward revaluation of investments	1,767
(1)	Expected credit loss on investments	(3)
(1,476)	(Surplus) or deficit on revaluation of investments	1,764
<b>(1,386)</b>	<b>Balance at 31 March</b>	<b>378</b>

### 25. DEFERRED CAPITAL RECEIPTS RESERVE

The Deferred Capital Receipts Reserve represents the amount of capital receipts owed to the Council that have not yet been received. 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 takes place, amounts are transferred to the Capital Receipts Reserve.

2021/22		2022/23
£000		£000
(444)	<b>Balance at 1 April</b>	<b>(476)</b>
(33)	New Receipts/Revaluations	(27)
1	Transfer to the Capital Receipts Reserve upon receipt of cash	0
<b>(476)</b>	<b>Balance at 31 March</b>	<b>(503)</b>

## NOTES TO THE ACCOUNTS

### 26. PENSIONS RESERVE

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The debit balance on the Pensions Reserve therefore shows a shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid. Full details of the Pension Scheme are set out in Note 35.

2021/22		2022/23
£000		£000
116,704	<b>Balance at 1 April</b>	84,572
(40,575)	Remeasurement of the net defined liability / (asset)	(73,466)
13,138	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	14,769
(4,324)	Employer's pensions contributions and direct payments to pensioners payable in the year	(4,318)
(371)	Health and Leisure Contractor Payment into Fund	(395)
<b>84,572</b>	<b>Balance at 31 March</b>	<b>21,162</b>

### 27. COLLECTION FUND ADJUSTMENT ACCOUNT

The Collection Fund is a statutory fund in which the Council records transactions for council tax and business rates. The fund balance is allocated as follows:

31 March 2022				31 March 2023		
Business Rates	Council Tax	Total		Business Rates	Council Tax	Total
£000	£000	£000		£000	£000	£000
7,909	0	7,909	Central Government	2,187	0	2,187
1,424	(2,076)	(652)	Hampshire County Council	394	(1,350)	(956)
0	(354)	(354)	Police and Crime Commissioner for Hampshire	0	(232)	(232)
158	(110)	48	Hampshire Fire and Rescue Authority	44	(74)	(30)
9,491	(2,540)	6,951		2,625	(1,656)	969
6,327	(421)	5,906	New Forest District Council	1,750	(275)	1,475
<b>15,818</b>	<b>(2,961)</b>	<b>12,857</b>		<b>4,375</b>	<b>(1,931)</b>	<b>2,444</b>

The balances on each fund will be taken into account when calculating the council tax and business rates in future years.

## NOTES TO THE ACCOUNTS

### 28. CASH FLOW STATEMENT – OPERATING ACTIVITIES

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

2021/22		2022/23
£000		£000
(10,046)	Charges for depreciation and impairment	(11,369)
11,854	Revaluation Gains/(Losses) on Property, Plant and Equipment	9,766
35	Revaluation/Movement in Deferred Debtors	28
1,494	Revaluation Gains/(Losses) on Investments	(1,788)
(10,847)	Capital Expenditure not enhancing value	(16,866)
456	Movements in the value of Investment Properties	(98)
4,104	Capital grants applied to the financing of Capital Expenditure	5,765
(2,858)	Carrying amount of Non-Current Assets sold	(1,975)
15	Increase/(Decrease) in Inventories	71
(6,326)	Increase/(Decrease) in Debtors	1,049
(29)	Increase/(Decrease) in Investments Accrued Interest	(22)
269	(Increase)/Decrease in impairment for Provision for Bad Debts	(148)
(8,858)	(Increase)/Decrease in Creditors	13,607
1,353	Adjustment to Creditors re Capital Expenditure	(1,045)
(8,444)	Movement in Pension Liability	(10,056)
(1,052)	Other non-cash items charged to the net surplus or deficit on the provision of services	(507)
<b>(28,880)</b>	<b>Adjustment to Net Surplus or Deficit on the Provision of Services for Non-Cash Movements</b>	<b>(13,588)</b>

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
5,580	Proceeds adjustment from the sale of property, plant and equipment and investment property	4,053
<b>5,580</b>		<b>4,053</b>

The cash flows for operating activities include the following items:

2021/22		2022/23
£000		£000
(827)	Investment interest received	(1,620)
4,169	Loan interest paid	4,067
<b>3,342</b>		<b>2,447</b>

## NOTES TO THE ACCOUNTS

### 29. CASH FLOW STATEMENT - INVESTING ACTIVITIES

2021/22		2022/23
£000		£000
21,183	Purchase of property, plant and equipment, investment property and intangible assets	40,338
101,303	Purchase of short-term and long-term investments	39,732
909	Other payments for investing activities	1,593
(5,580)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(4,053)
(81,490)	Proceeds from short-term and long-term investments	(83,778)
(4,311)	Other receipts from investing activities	(6,220)
<b>32,014</b>	<b>Net cash flows from investing activities</b>	<b>(12,388)</b>

### 30. CASH FLOW STATEMENT - FINANCING ACTIVITIES

2021/22		2022/23
£000		£000
0	Cash receipts of short- and long-term borrowing	(12,500)
(22,316)	Other receipts from financing activities	0
4,301	Repayments of short and long-term borrowing	16,801
0	Other payments for financing activities	18,040
<b>(18,015)</b>	<b>Net cash flows from financing activities</b>	<b>22,341</b>

### 31. AGENCY SERVICES

The Council carried out grass cutting of adopted highway verges on an agency basis.

2021/22		2022/23		
Net Expenditure £000		Gross Expenditure £000	Income £000	Net Expenditure £000
0	Hampshire County Council - Highways	326	(326)	0
<b>0</b>	<b>Agency Expenditure</b>	<b>326</b>	<b>(326)</b>	<b>0</b>

### 32. CONTINGENT ASSETS

The Council is unaware of any Contingent Assets as at the Balance Sheet date.

## NOTES TO THE ACCOUNTS

### 33. CONTINGENT LIABILITIES

In April 2012 the Dibden Golf Course staff transferred to Mytime Active, who gained admitted body status to the Hampshire County Council Government Pension Scheme. New Forest District Council is the sponsoring body, acting as guarantor for any contributions to the Pension Fund should they not be paid by Mytime Active. As at 31 March 2023 no such guarantee has been exercised.

The Health and Leisure staff transferred to Freedom Leisure in July 2021 but remain in the Hampshire County Council Government Pension Scheme under a pooling arrangement with the Council. As such, assets and liabilities relating to those staff remain on the Council's balance sheet and Freedom Leisure operate with defined contributions. In addition, New Forest District Council act as guarantor for any contributions to the Pension Fund should they not be paid by Freedom Leisure. No such guarantee has been exercised as at 31 March 2023.

### 34. CAPITAL EXPENDITURE AND CAPITAL FINANCING

Capital expenditure is paid for (financed) in various ways including borrowing, the use of internal resources, the receipt of grant and directly from revenue income. Capital expenditure on behalf of other authorities is recharged directly to them.

The Capital Financing Requirement shows the overall indebtedness of the Council. This debt need not be external loans that have been raised, but it can be internal funds that the Council has used temporarily instead of raising debt. The expectation is that borrowing may be required in the future.

Where applicable the Council is required to set aside a revenue provision for the redemption of debt and for a future borrowing requirement if external debt has not actually been raised.

The Council has a choice in the method of calculating the provision and has chosen the one that represents the depreciation calculation of those assets financed by the debt. Therefore, when the value of the asset financed by debt has been fully depreciated the amount of the revenue provision that has been set aside will be sufficient to repay the loan for that asset.

## NOTES TO THE ACCOUNTS

New vehicles, plant and equipment, above a de minimis level of £10,000, are funded by a future borrowing requirement. In order to make a provision to repay this future requirement a revenue provision is made. This sum was £1.163 million in 2022/23 and was charged to the General Fund together with £257,000 in relation to investment property acquisitions and £63,000 in relation to expenditure at Health and Leisure Centres. In addition, £4.1 million for the next principal repayment was made regarding the Housing Revenue Account Self-Financing Settlement and £132,000 was charged to the Housing Revenue for future provision for loan repayment on the Acquisitions and Development Programme.

This table sets out the transactions required for the financing of capital expenditure and permitted adjustments for each year.

	2021/22		2022/23	
	£000	£000	£000	£000
<b>Opening Capital Financing Requirement</b>		141,896		144,212
<b>Capital Investment</b>				
Property, Plant and Equipment Assets	22,441		39,246	
Long-Term Investments	333		442	
Intangible Assets	95		47	
REFCUS	1,147	24,016	2,226	41,961
<b>Sources of Finance</b>				
Capital Receipts	(2,779)		(3,977)	
Government Grants	(1,666)		(3,180)	
Revenue Contributions	(3,041)		(5,763)	
Major Repairs Reserve	(8,701)		(9,822)	
Developers' Contributions	(246)	(16,433)	(1,363)	(24,105)
<b>Other Adjustments for the Repayment of Debt</b>				
Repayment of Loan Principal		(4,100)		(4,100)
Revenue Provision		(1,167)		(1,615)
<b>Closing Capital Financing Requirement</b>		<b>144,212</b>		<b>156,353</b>

Explanation of movements in Year	2021/22	2022/23
	£000	£000
Increase in underlying need to borrow (unsupported by Government financial assistance)	7,583	17,856
Reduction (-)/increase in need to borrow because of:		
- Repayment of Loan Principal	(4,100)	(4,100)
- Revenue Provision	(1,167)	(1,615)
	2,316	12,141

## NOTES TO THE ACCOUNTS

### 35. DEFINED BENEFIT PENSION SCHEME

#### a) Participation in Pension Scheme

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments for those benefits and to disclose them at the time that employees earn their future entitlement.

The Council participates in the Hampshire County Council Pension Scheme. This is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with the investment assets.

## NOTES TO THE ACCOUNTS

### b) Transactions Relating to Post-employment (Retirement) Benefits

The Council recognises the cost of retirement benefits in the Net Cost of Services when employees earn them, rather than when the benefits are eventually paid out as pensions. However, the charge required to be made against the General Fund is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Comprehensive Income and Expenditure Account via the Movement in Reserves Statement. The following transactions have been made during the year:

	2021/22	2022/23
	£ million	£ million
<b>Comprehensive Income and Expenditure Statement</b>		
<b>Cost of Services</b>		
<b>Service cost comprising:</b>		
Current service cost	10.511	12.548
Past service cost	0.220	0.000
<b>Financing and Investment Income and Expenditure</b>		
Net Interest expense	2.407	2.221
<b>Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services</b>	13.138	14.769
<b>Other Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>		
<b>Remeasurement of the net defined benefit liability comprising:</b>		
Return on plan assets (excluding the amount included in the net interest expense)	(11.732)	19.934
Actuarial (Gains) / Losses arising on changes in demographic assumptions	(5.466)	0.019
Actuarial (Gains) / Losses arising on changes in financial assumptions	(20.736)	(117.258)
Actuarial (Gains) / Losses due to liability experience	(2.641)	23.839
<b>Total Net Defined Benefit Liability Re-measured</b>	(40.575)	(73.466)
<b>Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>	(27.437)	(58.697)
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code	31.761	63.015
<b>Actual amount charged against the General Fund</b>		
<b>Balance for pensions in the year</b>		
Employer's contributions payable to scheme	<b>4.324</b>	<b>4.318</b>



## NOTES TO THE ACCOUNTS

### c) Pensions 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 as follows:

Assets and Liabilities	31 March 2022	31 March 2023
	£ million	£ million
Present value of the defined benefit obligation	(318.717)	(238.592)
Fair value of plan assets	234.145	217.430
<b>Net liability arising from defined benefit obligation</b>	<b>(84.572)</b>	<b>(21.162)</b>

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment retirement benefits. The total net liability of £21.162 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy, as the deficit on the scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

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

	2021/22	2022/23
	£ million	£ million
<b>Opening balance at 1 April</b>	(336.912)	(318.717)
Current Service Cost	(10.511)	(12.548)
Past Service Cost	(0.220)	0.000
Interest Cost	(7.002)	(8.502)
Contributions from scheme Participants	(1.514)	(1.461)
Remeasurement (Gains) and Losses:		
Actuarial Gains/(Losses) arising from changes in financial assumptions	20.736	117.258
Actuarial Gains/(Losses) due to liability experience	2.641	(23.839)
Actuarial Gains/(Losses) arising from changes in demographic assumptions	5.466	(0.019)
Benefits Paid	8.599	9.236
<b>Closing balance at 31 March</b>	<b>(318.717)</b>	<b>(238.592)</b>

## NOTES TO THE ACCOUNTS

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

	2021/22	2022/23
	£ million	£ million
<b>Opening fair value of scheme assets at 1 April</b>	220.208	234.145
Interest Income	4.595	6.281
<b>Remeasurement gain/(loss):</b>		
The return on plan assets, excluding the amount included in the net interest expense	11.732	(19.934)
Contributions from employer	4.324	4.318
Contributions from employees into the scheme	1.514	1.461
Contributions from Health and Leisure Contract Employer	0.371	0.395
Benefits paid	(8.599)	(9.236)
<b>Closing fair value of scheme assets at 31 March</b>	<b>234.145</b>	<b>217.430</b>

### d) Local Government Pension Scheme assets (fair value) comprised

31 March 2022		Assets	31 March 2023	
£ million	%		£ million	%
2.11	0.9	Cash and Cash Equivalents	2.39	1.1
133.23	56.9	Equity Investments	125.24	57.6
40.27	17.2	Government Bonds	35.88	16.5
16.16	6.9	Property	14.78	6.8
21.07	9.0	Multi Asset Credit	0.00	0.0
21.31	9.1	Other Assets	39.14	18.0
<b>234.15</b>	100.0	<b>Total Assets</b>	<b>217.43</b>	100.0

### e) Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The liabilities have been assessed by AON Solutions UK Limited, an independent firm of actuaries, estimates for the Fund being based on the latest full valuation of the scheme as at 31 March 2022

The main assumptions used in their calculations have been:

Financial Assumptions	31 March 2022	31 March 2023
	%	%
Rate of inflation - CPI	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 of discounting scheme liabilities	2.7	4.7

## NOTES TO THE ACCOUNTS

Mortality Assumptions	31 March 2022	31 March 2023
	Years	Years
Pensioner member aged 65 at accounting date		
Males	23.2	23.3
Females	25.6	25.7
Active member aged 45 at accounting date		
Males	23.7	23.8
Females	26.6	26.7

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has 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 assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and 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 actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Impact on the Defined Benefit Obligation in the scheme	Increase in Assumption	Decrease in Assumption
	£ million	£ million
Longevity (increase or decrease in 1 year)	6.09	(6.09)
Rate of inflation (increase or decrease by 0.1%)	3.74	(3.74)
Rate of increase in salaries (increase or decrease by 0.1%)	0.23	(0.23)
Rate of increase in pensions (increase or decrease by 0.1%)	3.75	(3.75)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(3.98)	3.98

### f) Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis.

The Council anticipates paying standard contributions of £4.196 million to the fund for the accounting period ending 31 March 2024. In addition, estimated Strain on Fund contributions will be £368,000.

The weighted average duration of the defined benefit obligation for scheme members is 17.2 years (20.3 years 2021/22).

Further information on the Pension Fund can be obtained from:

Pensions Services  
Hampshire County Council  
The Castle  
Winchester  
SO23 8UB Telephone: (01962) 845588

## NOTES TO THE ACCOUNTS

### 36. EXTERNAL AUDIT COSTS

The following fees payable relating to external audit and inspection were incurred:

2021/22		2022/23
£000		£000
43	External audit services carried out by the appointed auditor	52
25	Certification of grant claims and returns	25
<b>68</b>		<b>77</b>

### 37. GRANTS INCOME

Details of income credited to the Comprehensive Income and Expenditure Statement are as follows:

2021/22		2022/23
£000	<b>Service Specific Revenue Grants and Contributions (included in cost of services)</b>	£000
	<u>Department for Levelling Up, Housing and Communities</u>	
(144)	Council Tax Benefits Admin	(150)
(3,895)	Covid 19 Additional Restrictions Grant Discretionary Scheme	(43)
(1,025)	Covid 19 New Burdens/Compliance	(15)
(188)	Covid 19 Welcome Back Fund	(171)
(895)	Disabled Facilities Grants	(863)
0	Energy Hardship Fund	(321)
(88)	Family Annex Grant	(102)
(620)	Homelessness Prevention Grant	(732)
0	Local Government Cyber Security Resilience	(75)
(72)	Next Steps Accommodation	(72)
(276)	NNDR Collection	(279)
(93)	Protect and Vaccinate Programme	0
(460)	Rough Sleepers	(248)
(130)	Support to Vulnerable Renters	0
0	UK Shared Prosperity Fund	(96)
(82)	Other DLUHC	(284)
	<u>Department for Health and Social Care</u>	
(203)	Covid Marshalls/Contain Outbreak Management Fund	0
	<u>Department for Work and Pensions</u>	
(368)	Housing and Council Tax Benefit Administration	(366)
(27,290)	Housing Benefit Subsidy	(26,169)
(263)	Discretionary Housing Payments	(203)
(87)	Other DWP	(55)
	<u>Other Government Grants</u>	
(35)	Apprenticeship Levy	(34)
(19)	Other	(28)
<b>(36,233)</b>	<b>Total Government Grants</b>	<b>(30,306)</b>

## NOTES TO THE ACCOUNTS

2021/22		2022/23
<b>£000</b>	<u>Other Grants and Contributions</u>	<b>£000</b>
(588)	Project Integra - Recycling	(620)
(420)	Developers' Contributions	(185)
(5)	Disabled Facilities Grants	0
<b>(1,013)</b>	<b>Total Other Grants and Contributions</b>	<b>(805)</b>
<b>(37,246)</b>	<b>Total Service Revenue Grants and Contributions</b>	<b>(31,111)</b>
	<b>Non-Ringfenced Revenue Government Grants</b>	
	<u>Non Domestic Rates Income and Expenditure</u>	
24,802	Tariff	25,983
(17,095)	Retention Scheme Income	(18,550)
(3,077)	Surplus Business Rates Distributed from Pool	(3,668)
(9,725)	S31 Grant (New Forest District Council proportion)	(9,567)
<b>(5,095)</b>		<b>(5,802)</b>
	<u>Department for Levelling Up, Housing and Communities</u>	
0	Revenue Support Grant	(1)
(276)	New Homes Grant	(366)
0	Council Tax Freeze Grant	(8)
(209)	Council Tax Support Grant	0
(964)	Covid Income Loss Reimbursement Grant	0
(170)	Lower Tier Services Grant	(182)
0	Services Grant	(276)
<b>(1,619)</b>		<b>(833)</b>
<b>(6,714)</b>	<b>Total Non-Ringfenced Revenue Government Grants</b>	<b>(6,635)</b>
	<b>Capital Grants and Contributions</b>	
(664)	Coast Protection	(303)
(603)	Housing Acquisitions and Development	(1,770)
(288)	HRA Energy Efficiency Scheme	0
0	Local Authority Housing Fund	(561)
(1,189)	Private Sector Disabled Facilities Grants	(414)
0	Public Conveniences - Changing Places	(136)
(23)	Lymington Quay - Harbour Commissioners	(62)
0	UK Shared Prosperity Fund	(14)
(182)	Developers' Contributions	(816)
(1,025)	Community Infrastructure Levy	(1,447)
(130)	Capital Receipts	(242)
<b>(4,104)</b>	<b>Total Capital Grants and Contributions</b>	<b>(5,765)</b>
<b>(48,064)</b>	<b>Total Grants and Contributions Income</b>	<b>(43,511)</b>

The Council has received additional grant funding as part of the government's response to the COVID-19 pandemic and the ongoing economic position, some to cover the Council's own expenditure/income shortfalls and some for passing on to local businesses and individuals. The Council has made judgements about whether it is acting as principal or agent in relation to this funding. Where the Council is acting as principal the grant receipts have been recognised as income and associated payments as expenditure. Where the Council is acting as agent the grant receipts and corresponding payments are not included in the Comprehensive Income and Expenditure Statement, other than any element of the funding relating to administration costs. The table above excludes agent grants for 2022/23 from Central Government of £183,000 (2021/22 was £16 million) for business support grants where the Council is acting as an agent of the Government in administering the funds and £4.1 million of S31 Business Rate Reliefs grant (£13.6 million for 2021/22). The latter was paid to the Council so that it continues to pay relevant parties their share of business rates income as without suffering cash flow problems due to the award of significant additional reliefs to support particular business sectors during the pandemic.

## NOTES TO THE ACCOUNTS

### 38. LEASES

#### Finance Leases with the Council acting as Lessee

In 2022/23 there were no rental payments to lessors for Finance Leases.

#### Operating Leases with the Council acting as Lessee

The Council has acquired 20 properties by entering into operating leases. The assets are not owned by the Council and no asset is recorded in the Council's accounts.

Future minimum lease payments due under the non-cancellable leases in future years are:

	31 March 2022	31 March 2023
	£000	£000
Not later than one year	143	149
Later than one year but not later than 5 years	419	369
Later than 5 years	364	296
<b>Total Lease Rentals</b>	<b>926</b>	<b>814</b>

Expenditure of £143,419 was charged to the Comprehensive Income and Expenditure Statement during the year (£151,069 in 2021/22).

#### Operating Leases with the Council acting as Lessor

The Council leases out property and equipment under operating leases for the provision of community services and economic development.

The future minimum lease payments receivable under the material leases in future years are:

	31 March 2022	31 March 2023
	£000	£000
Not later than one year	1,135	1,678
Later than one year but not later than 5 years	3,008	4,906
Later than 5 years	28,501	29,522
<b>Total Lease Rentals</b>	<b>32,644</b>	<b>36,106</b>

The portion of the lease rental for Hythe Marina that is based on a profit share basis has not been included in this table. As the profit cannot be accurately projected over the 999-year term of the lease any estimate will be inaccurate and therefore has been omitted. The income for 2022/23 was £140,000 (2021/22 £137,568).

There are 5 leases that are not included in this table, that have little value or contain an immediate break clause.

## NOTES TO THE ACCOUNTS

### 39. MEMBERS' ALLOWANCES

During 2022/23, payments to Members of the Council amounted to £601,130. For 2021/22 the equivalent amount was £542,724.

### 40. SIGNIFICANT INTEREST

The Council has opted to take up its full member rights of three board members, out of seven, at the New Forest Enterprise Centre. This is classified as significant interest, but financial consolidation with the Council's accounts has not been applied, as the relationship does not meet the criteria of a Joint Venture, Associate or Subsidiary, nor is the turnover material.

### 41. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Financial Liabilities and Financial Assets disclosed in the Balance Sheet are analysed across the following categories:

#### Financial Liabilities

The financial liabilities held by the Council during the year were long-term loans from the Public Works Loan Board and are measured at amortised cost.

FINANCIAL LIABILITIES	Long-Term		Short-Term	
	31 March 2022	31 March 2023	31 March 2022	31 March 2023
	£000	£000	£000	£000
Loans at amortised cost:				
PWLB principal sum borrowed	118,304	114,004	4,301	4,301
Accrued Interest	0	0	44	43
<b>Total Borrowing</b>	<b>118,304</b>	<b>114,004</b>	<b>4,345</b>	<b>4,344</b>
Liabilities at amortised cost:				
Trade Creditors	0	0	8,426	8,901
<b>Total Financial Liabilities</b>	<b>118,304</b>	<b>114,004</b>	<b>12,771</b>	<b>13,245</b>

## NOTES TO THE ACCOUNTS

### Financial Assets

The financial assets held by the Council during the year are held under the following classifications:

Amortised cost (where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flows) comprising:

- Cash
- Bank current and notice accounts
- Fixed term deposits with banks and building societies
- Loans to other Local Authorities
- Loans to Housing Associations
- Certificates of deposit and covered bonds issued by banks and building societies
- Treasury Bills and Gilts issued by the Government
- Bonds issued by multilateral development banks

Fair value through profit and loss (all other financial assets) comprising:

- Managed money market funds
- Pooled bonds, equity and property funds
- Appletree Property Holdings

Financial assets held at amortised cost are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council.

FINANCIAL ASSETS	Long-Term		Short-Term	
	31 March 2022	31 March 2023	31 March 2022	31 March 2023
	£000	£000	£000	£000
At amortised cost:				
Principal	1,002	0	44,537	1,029
Accrued Interest	0	0	22	0
Credit Loss Allowance	0	0	(2)	0
At fair value through profit & loss:				
Fair value	15,920	14,609	1,973	1,959
<b>Total Investments</b>	<b>16,922</b>	<b>14,609</b>	<b>46,530</b>	<b>2,988</b>
At amortised cost				
Cash	0	0	499	746
Cash equivalents	0	0	3,910	7,980
Accrued interest	0	0	4	19
Loss Allowance	0	0	(1)	0
At fair value through profit & loss:				
Fair value	0	0	20,160	6,900
<b>Total Cash and Cash Equivalents</b>	<b>0</b>	<b>0</b>	<b>24,572</b>	<b>15,645</b>
Loans and receivables:				
Trade Debtors	0	0	6,709	8,184
<b>Total Financial Assets</b>	<b>16,922</b>	<b>14,609</b>	<b>77,811</b>	<b>26,817</b>

Accrued interest is already accounted for in the Comprehensive Income and Expenditure Account.



## NOTES TO THE ACCOUNTS

The gains and losses recognised in the Comprehensive Income and Expenditure Account in relation to financial instruments only are made up as follows:

	2021/22			2022/23			Total
	Financial Liabilities Amortised Cost	Financial Assets Amortised Cost	Fair Value through Profit and Loss	Financial Liabilities Amortised Cost	Financial Assets Amortised Cost	Fair Value through Profit and Loss	
	£000	£000	£000	£000	£000	£000	£000
Interest Expense	4,167	0	0	4,167	4,067	0	4,067
Losses from change in fair value	0	0	152	152	0	1,767	1,767
Impairment losses	0	2	0	2	0	0	0
<b>Interest payable and similar charges</b>	<b>4,167</b>	<b>2</b>	<b>152</b>	<b>4,321</b>	<b>4,067</b>	<b>1,767</b>	<b>5,834</b>
Interest Income	0	(64)	0	(64)	0	(325)	(325)
Dividend Income	0	0	(568)	(568)	0	(1,032)	(1,032)
Gains from changes in fair value	0	0	(1,628)	(1,628)	0	0	0
Impairment loss reversals	0	(3)	0	(3)	0	(2)	(2)
<b>Interest and Investment Income</b>	<b>0</b>	<b>(67)</b>	<b>(2,196)</b>	<b>(2,263)</b>	<b>0</b>	<b>(327)</b>	<b>(1,359)</b>
<b>Net Impact on surplus/deficit on provision of services</b>	<b>4,167</b>	<b>(65)</b>	<b>(2,044)</b>	<b>2,058</b>	<b>4,067</b>	<b>735</b>	<b>4,475</b>
<b>Impact on Other Comprehensive Income and Expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net (Gain)/Loss for the year</b>	<b>4,167</b>	<b>(65)</b>	<b>(2,044)</b>	<b>2,058</b>	<b>4,067</b>	<b>(327)</b>	<b>4,475</b>

### Financial Instruments Key Risks

The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in 2021.

In line with the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with Financial Instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Investment Strategy in compliance with the Ministry of Housing, Communities and Local Government guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

## NOTES TO THE ACCOUNTS

The main risks covered are:

- Credit Risk – the possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the Council.
- Liquidity Risk – the possibility that the Council might not have the cash available to make contracted payments on time.
- Market Risk – the possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rate movements or equity prices.

While the Council maintains responsibility for the Treasury Strategy a contract is held with the Hampshire County Council Treasury Team to administer the day-to-day Treasury function on behalf of the Council.

### Credit Risk - Investments

The Council manages credit risk by ensuring that treasury investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government, other local authorities and organisations without credit ratings upon which the Council has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap and equity prices when selecting commercial organisations for investment.

A limit of £10 million of the total portfolio is placed on the amount of money that can be invested with a single counterparty (other than the UK Government). For unsecured investments in banks, building societies, registered providers and companies, a smaller limit of £5 million applies. The Council also sets limits on investments in certain sectors. No more than £40 million in total can be invested for a longer period than one year. These limits were set and implemented for 2022/23 on 21 February 2022.

The credit quality of £1.009 million of the Council's investments is enhanced by collateral held in the form of covered bonds collateralised by residential mortgages. The collateral significantly reduces the likelihood of the Council suffering a credit loss on these investments.

The tables below summarise the credit risk exposures, including accrued interest, of the Council's investment portfolio by credit rating and remaining time to maturity.

Counterparty	Balance invested as at 31 March 2023					
	Call Accounts	Up to 1 month	> 1 month and < 6 months	> 6 months and < 12 months	> 12 months	Total
	£000	£000	£000	£000	£000	£000
Banks	4,999	0	20	0	0	5,019
Money Market Funds	6,900	0	0	0	0	6,900
Local Authorities/Housing Associations	0	0	0	0	0	0
Bonds	0	1,009	0	0	0	1,009
Certificates of Deposit	0	0	0	0	0	0
Treasury Bills	0	3,000	0	0	0	3,000
Pooled Funds	1,959	0	0	0	13,242	15,201
Appletree Property Holdings	0	0	0	0	1,367	1,367
<b>Total</b>	<b>13,858</b>	<b>4,009</b>	<b>20</b>	<b>0</b>	<b>14,609</b>	<b>32,496</b>

## NOTES TO THE ACCOUNTS

Bond Ratings	Long-term		Short-term	
	31 March 2022	31 March 2023	31 March 2022	31 March 2023
	£000	£000	£000	£000
AAA	1,002	0	25,774	1,009
AA-	0	0	6,432	7,971
A+	0	0	4,538	20
A	0	0	4,723	28
AAA Money Market Funds	0	0	20,160	6,900
Unrated local authorities	0	0	7,003	0
<b>Total</b>	<b>1,002</b>	<b>0</b>	<b>68,630</b>	<b>15,928</b>
Credit Rate Not Applicable	15,920	14,609	1,973	1,959
<b>Total Investments</b>	<b>16,922</b>	<b>14,609</b>	<b>70,603</b>	<b>17,887</b>

Credit risk is not applicable to share holdings and pooled funds when the Council has no contractual right to receive any sum of money.

Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies, multiplied by 112% (2022 67%) to adjust for current and forecast economic conditions. A two-year delay in cash flows is assumed to arise in the event of default. Investments are determined to have suffered a significant increase in credit risk where they have been downgraded by three or more credit rating notches or equivalent since initial recognition, unless they retain an investment grade credit rating. They are determined to be credit-impaired when awarded a "D" credit rating or equivalent.

At 31 March 2023, £0 (2022: £3,000) of loss allowances related to treasury investments.

The following analysis summarises the Council's maximum exposure to credit risk on other financial assets (Trade Debtors), based on experience of default, adjusted to reflect current market conditions. The Council also receives income and holds debts from Council Tax, Business Rates and for Housing Benefit overpayments. However, these are statutory debts and whilst the Council endeavours to collect this income, it cannot choose who its counterparties are in relation to these debts. Such statutory debts are not classified as financial instruments, and for this reason no reference to statutory debts is contained within the following tables.

Bond Ratings	Amount at 31 March 2023	Historical experience of default	Market Conditions at 31 March 2023	Estimated maximum exposure to default
	£000	%	%	£000
Trade Debtors	8,184	0.76%	1.07%	87
<b>Total</b>	<b>8,184</b>			<b>87</b>

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any counterparties in relation to deposits.

## NOTES TO THE ACCOUNTS

### Trade Debtors

The Council does not generally allow credit for its trade debtors. The amount that is past its due date can be analysed by age as follows:

	<b>31 March 2022</b>	<b>31 March 2023</b>
	<b>£000</b>	<b>£000</b>
Less than three months	3,248	4,009
Three months to one year	1,095	1,636
More than one year	2,366	2,539
<b>Total</b>	<b>6,709</b>	<b>8,184</b>

The Council initiates a legal charge on property where tenants have amounts due on a Council mortgage used for the purchase of their Council dwelling. The total collateral at 31 March 2023 was £3,115.

Sundry Debtors bad debt provisions are based upon service areas for invoices that are still unpaid one year after they fall due, then adjusted for known changes and experience. Housing Rents bad debt provisions are based on percentages of the value of arrears for current and former tenants.

### Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), also through cash flow management procedures required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

In the event of an unexpected cash requirement the Council has ready access to borrowings from the money markets to cover any day-to-day cash flow need, and the PWLB and money markets for access to longer-term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments.

The maturity analysis of financial assets excluding accrued interest and sums due from customers is as follows:

	<b>31 March 2022</b>	<b>31 March 2023</b>
	<b>£000</b>	<b>£000</b>
Less than one year	70,577	17,887
Between one and two years	1,002	0
Between two and three years	0	0
No fixed maturity date	15,920	14,609
<b>Total</b>	<b>87,499</b>	<b>32,496</b>

All trade and other payables (£8.184 million) are due to be paid in less than one year and are not shown in the table above.

## NOTES TO THE ACCOUNTS

### Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer-term financial liabilities and longer-term financial assets.

The Council has ready access to borrowing at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. It is however exposed to the risk that it may need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates. This risk is managed by maintaining a spread of fixed rate loans, limiting the amount of the Council's borrowing that matures in any one financial year.

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period as approved by Council in the Treasury Management Strategy:

	Approved maximum limits 2022/23		Actual 31 March 2022		Actual 31 March 2023	
	£m	%	£m	%	£m	%
Less than one year	54	25	4.3	4	4.3	4
Between one and two years	55	25	4.3	4	4.1	3
Between two and five years	54	25	12.3	10	12.3	10
Between five and ten years	55	25	20.5	17	20.5	17
Between ten and twenty years	219	100	41.0	33	41.0	35
Between twenty and forty years	219	100	40.2	32	36.1	31
Over forty years	219	100	0.0	0	0.0	0
<b>Total</b>			<b>122.6</b>	<b>100</b>	<b>118.3</b>	<b>100</b>

The minimum limits have been set at zero and the maximum limit for more than 10 years at 100%. This is to facilitate the premature repayment and replacement of all PWLB loans with a longer maturity profile should this be required. The 25% maximum limit on the other periods of less than 10 years is to ensure an even maturity profile of short and medium-term borrowing.

### Market Risk

**Interest rate 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. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates – the interest charged to the Comprehensive Income and Expenditure Statement will rise.
- Borrowings at fixed rates – the fair value of the liabilities will fall
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- Investments at fixed rates – the fair value of the assets will fall

## NOTES TO THE ACCOUNTS

Investments measured at amortised cost and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on 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. Movements in the fair value of fixed rate investments measured at fair value will be reflected in Other Comprehensive Income or the Surplus or Deficit on the Provision of Services as appropriate.

The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates. At 31 March 2023, all the £118.304 million (2022: £122.605 million) of principal borrowed was at fixed rates.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	2021/22	2022/23
	£000	£000
Increase in interest receivable on variable rate investments	(591)	(150)
Decrease in fair value of investments held at FVPL	84	84
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>(507)</b>	<b>(66)</b>
Decrease in fair value of investments held at FVOCI	0	0
<b>Impact on Comprehensive Income and Expenditure Account</b>	<b>(507)</b>	<b>(66)</b>
Decrease in fair value of loans and investments at amortised cost*	78	1
Decrease in fair value of fixed rate borrowing*	(13,879)	(9,165)

\* No impact on Comprehensive Income and Expenditure

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

**Price Risk** – The market prices of the Council's fixed rate bond investments and its units in pooled bond funds are governed by prevailing interest rates and the price risk associated with these instruments is managed alongside interest rate risk.

The Council's investments in pooled property funds are subject to the risk of falling commercial property prices. This risk is limited by the Council's investment strategy. A 5% fall in commercial property prices at 31 March 2023 would result in a £0.34 million (2022: £0.42 million) charge to the Surplus or Deficit on the Provision of Services which is then transferred to the Financial Instruments Revaluation Reserve.

The Council's investments in pooled equity funds are subject to the risk of falling share prices. This risk is limited by the Council's investment strategy. A 5% fall in share prices at 31 March 2023 would result in a £0.13 million (2022: £0.10 million) charge to the Surplus or Deficit on the Provision of Services which is then transferred to the Financial Instruments Revaluation Reserve.

**Foreign Exchange Risk** – The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

## NOTES TO THE ACCOUNTS

### Fair value of Assets and Liabilities carried at Amortised Cost

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For money market funds and pooled funds the fair value is taken from the market price.

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2023, using the following methods and assumptions:

- Loans from the PWLB have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term investments, including trade payables and receivables is assumed to approximate to the carrying amount given the low and stable interest rate environment.

The fair values are shown in the table below, 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, e.g. bond prices.
- 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.

	Fair Value Level	31 March 2022		31 March 2023	
		Balance Sheet £000	Fair value £000	Balance Sheet £000	Fair value £000
<b>Financial liabilities held at amortised cost:</b>					
Loans from PWLB	2	(122,649)	(131,405)	(118,348)	(100,028)
<b>Total</b>		<b>(122,649)</b>	<b>(131,405)</b>	<b>(118,348)</b>	<b>(100,028)</b>
<b>Total Financial Liabilities</b>		<b>(122,649)</b>		<b>(118,348)</b>	
Recorded on balance sheet as:					
Short-term borrowing		(4,345)		(4,344)	
Long-term borrowing		(118,304)		(114,004)	
<b>Total Financial Liabilities</b>		<b>(122,649)</b>		<b>(118,348)</b>	

## NOTES TO THE ACCOUNTS

The fair value of short-term financial liabilities held at amortised cost, is assumed to approximate to the carrying amount.

The fair value of financial liabilities held at amortised cost is lower than the carrying amount because the Council's portfolio of loans includes a number of loans where the interest rate payable is higher than the current rates available for similar loans as at the Balance Sheet date.

	Fair Value Level	31 March 2022		31 March 2023	
		Balance Sheet £000	Fair value £000	Balance Sheet £000	Fair value £000
<b>Financial assets held at fair value:</b>					
Money market funds	1	20,160	20,160	6,900	6,900
Bond, equity and multi-asset funds	1	8,272	8,272	7,930	7,930
Property Funds	2	8,696	8,696	7,270	7,270
Appletree Property Holdings	1	926	926	1,367	1,367
<b>Financial assets held at amortised cost:</b>					
Corporate, covered and government bonds	1	1,002	1,004	0	0
Long-term loans to local authorities, housing associations, harbour commissioner and Appletree Property Holdings	2	3,449	3,452	4,615	4,614
<b>Total</b>		<b>42,505</b>	<b>42,510</b>	<b>28,082</b>	<b>28,081</b>
Assets for which fair value is not disclosed*		55,677		17,958	
<b>Total Financial Assets</b>		<b>98,182</b>		<b>46,040</b>	
Recorded on balance sheet as:					
Long-term investments		16,922		14,608	
Long-term debtors		3,449		4,615	
Short-term investments		46,530		2,988	
Cash and cash equivalents		24,572		15,645	
Short-term trade debtors		6,709		8,184	
<b>Total Financial Assets</b>		<b>98,182</b>		<b>46,040</b>	

The fair value of financial assets held at amortised cost in aggregate is higher than their balance sheet carrying amount because the interest rate on similar investments is now lower than that obtained when the investment was originally made.

The fair value of short-term financial assets, including trade receivables, is assumed to approximate to the carrying amount.

The fair value adjustment is a note to the accounts only; no accounting entry is required.



## NOTES TO THE ACCOUNTS

### 42. OFFICERS' REMUNERATION

The senior employees whose salary exceeded £50,000 per annum for 2022/23 are shown in the table below.

2022/23	Notes	Salary (including fees and allowances)	Compensation for loss of office	Total Remuneration excluding pension contributions	Pension contributions	Total Remuneration including pension contributions
		£	£	£	£	£
Chief Executive		127,939	0	127,939	23,541	151,480
Strategic Director - Corporate Resources, S151 and Transformation	a	37,976	0	37,976	6,987	44,963
Strategic Director - Housing, Communities and Governance	b	39,069	0	39,069	7,189	46,258
Strategic Director - Place, Operations and Sustainability	c	3,300	0	3,300	607	3,907
Executive Head - Governance and Regulation	d	53,166	0	53,166	9,782	62,948
Executive Head - Resources	e	73,427	75,058	148,485	13,207	161,692
Chief Finance Officer (S151)	f	50,242	0	50,242	9,245	59,487
Chief Planning Officer	g	83,329	0	83,329	15,337	98,666
		<b>468,448</b>	<b>75,058</b>	<b>543,506</b>	<b>85,895</b>	<b>629,401</b>

The Employer's Pension Contributions were 18.40% for 2022/23 and 2021/22.  
There were no Bonuses or Benefits in Kind paid in 2022/23 or 2021/22.

- a) The Strategic Director Corporate Resource, S151 and Transformation was in post from 1 November 2022, the annualised salary for the post was £91,141.
- b) The Strategic Director Housing, Communities and Governance was in post from 1 November 2022 the annualised salary for the post was £93,767.
- c) The Strategic Director Places, Operations and Sustainability was in post from 20 March 2023, the annualised salary for the post was £102,283.
- d) The Executive Director Governance and Regulation was in post until 31 October 2022. The annualised salary for the post was £86,130.
- e) The Executive Head Resources left on 31 January 2023. The annualised salary for the post was £86,130.
- f) The Chief Finance Officer was in post until 31 October 2022. The annualised salary for the post was £86,130.
- g) The Chief Planning Officer left on 19 March 2023. The annualised salary for the post was £86,130.

## NOTES TO THE ACCOUNTS

The figures for 2021/22 were:

2021/22	Notes	Salary (including fees and allowances)	Compensation for loss of office	Total Remuneration excluding pension contributions	Pension contributions	Total Remuneration including pension contributions
		£	£	£	£	£
Former Chief Executive	h/i	47,021	0	47,021	8,470	55,491
Former Returning Officer	h/i	22,204	0	22,204	0	22,204
		69,225	0	69,225	8,470	77,695
Interim Chief Executive	i/j	40,504	0	40,504	6,823	47,327
Interim Returning Officer	h	567	0	567	0	567
		41,071	0	41,071	6,823	47,894
Current Chief Executive	h/k	39,408	0	39,408	7,251	46,659
Current Returning Officer	h	819	0	819	0	819
		40,227	0	40,227	7,251	47,478
Executive Head - Operations (Deputy Chief Executive)	l	28,635	0	28,635	103,803	132,438
Executive Head - Governance and Regulation		89,216	0	89,216	16,416	105,632
Executive Head - Resources		85,029	0	85,029	15,645	100,674
Chief Finance Officer (S151)		84,205	0	84,205	15,494	99,699
Chief Planning Officer		83,318	0	83,318	15,330	98,648
		<b>520,926</b>	<b>0</b>	<b>520,926</b>	<b>189,232</b>	<b>710,158</b>

- h) The Chief Executive undertook the Returning Officer role.
- i) The former Chief Executive left on 15 August 2021, the annualised salary for the post was £123,192.
- j) An interim Chief Executive was in post from 16 August to 10 December 2021, the annualised salary for the post was £115,921.
- k) The new Chief Executive commenced on 6 December 2021, the annualised salary for the post was £123,192.
- l) The Executive Head – Operations (Deputy Chief Executive) left on 4 July 2021, the annualised salary for the post was £90,205.

## NOTES TO THE ACCOUNTS

The other officers whose remuneration, including termination benefit costs but excluding pension contributions, was above £50,000 were:

Remuneration Band	Number of Employees			
	2021/22		2022/23	
	Left During Year	Total	Left During Year	Total
£ 50,000 - £ 54,999	1	16	2	30
£ 55,000 - £ 59,999	0	4	1	6
£ 60,000 - £ 64,999	1	4	0	1
£ 65,000 - £ 69,999	0	10	0	10
£ 70,000 - £ 74,999	0	1	0	2
£ 80,000 - £ 84,999	0	0	0	1
	2	35	3	50

### 43. TERMINATION BENEFITS

The Council terminated the contracts of 8 employees in 2022/23, incurring costs of £127,923 (14 employees, £222,997 in 2021/22). At the end of 2022/23 there was no redundancy provision made, at the end of 21/22 this £31,000.

Exit Package Cost Band (including special payments)	Number of Compulsory Redundancies	Number of Other Departures Agreed	Total Number of Exit Packages by Cost Band	Total Cost of Exit Packages in Each Band £
<b>2022/23</b>				
£0 - £20,000	0	6	6	15,896
£20,000-£100,000	2	0	2	112,027
<b>Total</b>	<b>2</b>	<b>6</b>	<b>8</b>	<b>127,923</b>
<b>2021/22</b>				
£0 - £20,000	0	10	10	24,718
£20,000-£100,000	2	2	4	198,279
<b>Total</b>	<b>2</b>	<b>12</b>	<b>14</b>	<b>222,997</b>

### 44. ASSETS HELD FOR SALE

There were no assets held for sale at 31 March 2023.

## NOTES TO THE ACCOUNTS

### 45. RELATED PARTIES

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 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 funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties. Details of transactions with government departments are set out in note 37.

The Council has a wholly owned group subsidiary consisting of an active holding company, Appletree Holdings Limited, that has two subsidiaries, Appletree Property Lettings Limited has been active since 2019/20 and Appletree Residential Developments Limited which is a dormant company. Each has the same Board of Directors comprised solely of Council members and officers. As 31 March 2023 the Council had a long-term debtor of £3.713 million (as at 31 March 2022, £2.673 million) and investment of £1.367 million (at 31 March 2022, this was £0.926 million).

During 2022/23 the Council provided office accommodation, financial services (including Internal Audit), human resources and ICT system support to the New Forest National Park Authority. The total income received, which included these services, for 2022/23 was £321,000 (£313,000 for 2021/22). Income due at 31 March 2023 amounted to £1,000 (£20,000 at 31 March 2022). The New Forest National Park Authority provided Ranger and Archaeology services and Land Charges reports to the Council which amounted to £55,200 for 2022/23 (in 2021/22 £56,300). £7,200 was owed to the New Forest National Park Authority at 31 March 2023 (£8,270 owed at 31 March 2022).

Members of the Council have direct control over the Council's financing and operating policies. The total of members' allowances paid is shown in note 39. During 2022/23 and 2021/22 no money was paid to companies in which members had an interest. In 2022/23 and 2021/22, no payments were paid to organisations in which members had an interest, but on which there is no Council representative. One member was employed by the Council's bank; this contract was tendered and commenced in December 2014. There were no material transactions with any chief officers during the year.

## NOTES TO THE ACCOUNTS

### 46. GOING CONCERN

These accounts have been prepared on a going concern basis 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 that a local authority's services will continue to operate for the foreseeable future.

The agreed balanced budget for 2023/24 and the Medium Term outlook to 2026/27 are supported by robust financial planning, estimates and assumptions. The Council has plans to address the forecast deficit over the period and as confirmed within the Section 25 statement of the Medium Term Financial Plan, adequate reserves will be maintained above minimum levels. The updated Treasury Management and Investment Strategies pick up on the forecast cashflow position, taking into account the Council's Capital Programme aspirations, covering the period to the end of April 2024. The Council will optimise the cash balances it has and has the option to prudentially borrow to support Capital Programme financing when required.

The Appletree Property Holdings group of companies depend upon the Council for ongoing financial support. The Council is committed to providing this support in the short to medium term as the companies assist with the provision of housing in the New Forest. Provision of expected loan drawdowns and other financial support has been incorporated into the Council's cash flow forecasts and medium-term financial plans.

## HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

2021/22		2022/23
£000		£000
	<b>Notes</b>	
	<b>Income</b>	
(26,993)	Dwelling rents	(28,084)
(659)	Non-dwelling rents	(645)
(695)	Charges for services and facilities	(764)
(395)	Contributions towards expenditure	(370)
<b>(28,742)</b>		<b>(29,863)</b>
	<b>Expenditure</b>	
5,426	Repairs and maintenance	5,542
7,690	Supervision and management	9,693
169	Rents, rates, taxes and other charges	142
7,544	Depreciation, impairment and revaluation of non-current assets	13,607
12	Debt Management Costs	12
50	Movement in the allowance for bad debts	260
<b>20,891</b>		<b>29,256</b>
<b>(7,851)</b>	<b>Net (Income) / Expenditure of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>	<b>(607)</b>
146	HRA services' share of Corporate and Democratic Core	146
<b>(7,705)</b>	<b>Net (Income) / Expenditure for HRA Services</b>	<b>(461)</b>
	<b>HRA share of the Operating Income and Expenditure included in the whole authority Comprehensive Income and Expenditure Statement</b>	
(2,525)	(Gain) / Loss on sale of HRA non-current assets	(1,969)
4,158	Interest payable and similar charges	4,100
(23)	Interest and investment income	(193)
521	Net interest on the net defined benefit liability / (asset)	563
(9)	Income and expenditure in relation to investment properties and changes in their fair value	(13)
(980)	Capital Grants and Contributions Receivable	(2,551)
<b>(6,563)</b>	<b>(Surplus) or Deficit for the year on HRA services</b>	<b>(524)</b>

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 1. HOUSING REVENUE ACCOUNT ASSETS

#### a) Categorised by type of accommodation

31 March 2023	Houses	Bungalows	Flats	Total
Bedsits	0	0	209	209
1 Bedroom	5	358	850	1,213
2 Bedrooms	738	497	443	1,678
3 Bedrooms	1,952	18	7	1,977
4+ Bedrooms	116	1	0	117
<b>Total</b>	<b>2,811</b>	<b>874</b>	<b>1,509</b>	<b>5,194</b>

31 March 2022	Houses	Bungalows	Flats	Total
Bedsits	0	0	197	197
1 Bedroom	6	361	840	1,207
2 Bedrooms	728	498	433	1,659
3 Bedrooms	1,931	18	6	1,955
4+ Bedrooms	143	1	0	144
<b>Total</b>	<b>2,808</b>	<b>878</b>	<b>1,476</b>	<b>5,162</b>

#### b) Vacant Possession Value of Dwellings

The following analysis shows the value of dwellings within the HRA if they were sold on the open market with vacant possession.

	1 April 2021 £000	1 April 2022 £000
<b>Council Housing Assets</b>		
Standard Dwellings	1,047,599	1,139,821
Restricted Housing	75,845	82,922
Special Housing	5,633	7,061
Garages	8,441	8,267
	<b>1,137,518</b>	<b>1,238,071</b>
<b>Other Assets</b>		
Investment Property	183	179
Land and Other Buildings	1,143	927
Community Centre	0	0
	<b>1,326</b>	<b>1,106</b>
	<b>1,138,844</b>	<b>1,239,177</b>

## NOTES TO THE HOUSING REVENUE ACCOUNT

### c) Gross Value and Number by Type of HRA Assets

This analysis shows the gross value and number by types of dwelling within the HRA. The Balance Sheet value differs from the open market value, reflecting the economic cost to government of providing council housing at less than open market rents.

	1 April 2022		31 March 2023	
	Number of Units	Value £000	Number of Units	Value £000
<b>Council Housing Assets</b>				
Standard Dwellings	4,569	376,140	4,564	406,956
Restricted Housing	540	27,364	553	29,549
Special Housing	53	7,061	77	11,295
Garages	1,755	8,267	1,755	8,035
	<b>6,917</b>	<b>418,832</b>	<b>6,949</b>	<b>455,835</b>
<b>Other Assets</b>				
Investment Property	1	179	1	179
Land and Other Buildings	12	927	12	1,018
Community Centre	0	0	0	0
	<b>13</b>	<b>1,106</b>	<b>13</b>	<b>1,197</b>
<b>Total</b>	<b>6,930</b>	<b>419,938</b>	<b>6,962</b>	<b>457,032</b>

### d) Capital Expenditure

Housing Revenue Account capital expenditure was applied to:

	2021/22	2022/23
	£000	£000
Major Repairs	5,115	8,067
Environmental Enhancements	49	216
Acquisition and Development Programme	6,817	12,651
Disabled Adaptations	880	1,141
<b>Total</b>	<b>12,861</b>	<b>22,075</b>

### e) Funding of HRA Capital Expenditure

	2021/22	2022/23
	£000	£000
Revenue Contributions	932	1,400
Major Repairs Reserve	8,701	9,822
Loan	0	5,000
Grant	576	2,084
Capital Receipts	2,652	3,769
<b>Total</b>	<b>12,861</b>	<b>22,075</b>



## NOTES TO THE HOUSING REVENUE ACCOUNT

### 2. RENT ARREARS

	31 March 2022	31 March 2023
	£000	£000
Rent Arrears	604	802
- current tenants	478	430
- former tenants	<b>1,082</b>	<b>1,232</b>
Less provision for bad debts	(772)	(885)
<b>Anticipated collectable arrears of rent</b>	<b>310</b>	<b>347</b>

### 3. HOUSING REPAIRS

The following table shows expenditure for the different categories of work undertaken on housing repairs:

	2021/22	2022/23
	£000	£000
Cyclical Maintenance	1,386	1,364
Reactive Maintenance	4,040	4,178
<b>Total</b>	<b>5,426</b>	<b>5,542</b>

The Council also undertook £5.115 million of housing works, which were treated as capital expenditure. The main categories of work were central heating, windows, doors and roof replacements and kitchen and bathroom modernisations.

### 4. HRA DEPRECIATION AND IMPAIRMENT OF FIXED ASSETS

#### a) Depreciation

The figures below show the depreciation charged to the Housing Revenue Account analysed over type of asset.

	2021/22	2022/23
	£000	£000
Standard Accommodation	7,992	8,998
Restricted Accommodation	579	655
Special Housing	130	169
	<b>8,701</b>	<b>9,822</b>
Other (included in Supervision and Management costs)	1	1
<b>Total</b>	<b>8,702</b>	<b>9,823</b>

## NOTES TO THE HOUSING REVENUE ACCOUNT

### b) Impairment

In 2022/23 there was a net increase in Housing asset values credited to the Housing Revenue Account of £10.289 million but these were offset by capital expenditure not enhancing value of £14.074 million to arrive at a net valuation impairment of £3.785 million. This compares to a net increase of £1.153 million in 2021/22. In 2022/23 other net Housing asset valuation increases credited to the Revaluation Reserve were £32.643 million (£31.960 million in 2021/22).

	2021/22	2022/23
	£000	£000
<b>Housing Revenue Account/Capital Adjustment Account</b>		
Revaluation Increases	(11,036)	(10,757)
Revaluation Decreases	4	468
Net Revaluation (Increases)/Decreases	(11,032)	(10,289)
Capital Expenditure not enhancing asset value	9,879	14,074
<b>Total Housing Revenue Account Impairment</b>	<b>(1,153)</b>	<b>3,785</b>
<b>Revaluation Reserve</b>		
Revaluation Increases	(32,134)	(32,874)
Revaluation Decreases	174	231
<b>Total Revaluation Reserve</b>	<b>(31,960)</b>	<b>(32,643)</b>
<b>Total HRA Impairments/Revaluations</b>	<b>(33,113)</b>	<b>(28,858)</b>

### 5. HRA CONTRIBUTION TO/FROM THE PENSION RESERVE

The Council has applied IAS19 to the Housing Revenue Account. This means that service expenditure reflects the appropriate allocation of retirement costs earned in the year rather than actual employer's contributions made. An appropriation has been made from the Pensions Reserve to negate the impact on the Housing Revenue Account balance of all items. The following transactions have been made in the HRA:

	2021/22	2022/23
	£000	£000
Net Cost of Services:		
Current service cost	2,252	2,851
Net Operating Expenditure:		
Net Interest Expense	521	563
Net Defined Benefit Liability Remeasured		
Return on plan assets (excluding the amount included in the net interest expense)	0	2,394
Actuarial (Gains) / Losses arising on changes in demographic assumptions	0	2
Actuarial (Gains) / Losses arising on changes in financial assumptions	0	(14,013)
Actuarial (Gains) / Losses due to liability experience	0	2,856
Amounts to be met from Government Grants and Local Taxation		
Movement on pensions reserve	(1,907)	6,405
<b>Actual amount charged against dwelling rents for pensions in the year:</b>		
<b>Employers' contributions payable to scheme</b>	<b>865</b>	<b>1,058</b>

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 6. MAJOR REPAIRS RESERVE

The following table shows the movements on the Major Repairs Reserve.

	2021/22	2022/23
	£000	£000
<b>Balance 1 April</b>	<b>0</b>	<b>0</b>
Transferred to Reserve	8,701	9,822
Debits in respect of capital expenditure on land, houses and other property	(8,701)	(9,822)
<b>Balance 31 March</b>	<b>0</b>	<b>0</b>

### 7. CAPITAL RECEIPTS

The following table shows the income from Capital Receipts. Total Capital Receipts in respect of the Housing Revenue Account are shown after adjustments for administration and other costs.

	2021/22	2022/23
	£000	£000
Sale of Council Houses	5,084	3,944
Discount Repaid	18	15
Shared Ownership	236	0
Mortgages Repaid	1	0
Disabled Facilities Grants	0	26
<b>Total Capital Receipts</b>	<b>5,339</b>	<b>3,985</b>
Payments due to Government	(575)	0
<b>Usable Capital Receipts</b>	<b>4,764</b>	<b>3,985</b>

## COLLECTION FUND

The Collection Fund is an agent's statement that shows the transactions of the billing authority in relation to the collection of council tax and non-domestic rates from taxpayers and the distribution of the income to local authorities and the Government. While there is only one Collection Fund, separate statements are shown for council tax and non-domestic rates due to the complexity of non-domestic rates transactions.

### COLLECTION FUND – COUNCIL TAX

The Council collects council tax for its own spending needs and on behalf of Hampshire County Council, Police and Crime Commissioner for Hampshire, Hampshire and Isle of Wight Fire and Rescue Service and local town and parish councils.

2021/22			2022/23	
£000	£000		£000	£000
	(139,629)	<b>Income</b>		
		Income from Council Tax		(144,538)
		Transfers to / (from) General Fund:		
(37)		Hardship Relief	0	
(92)		Family Annex Relief	(110)	
1	(128)	Transitional Relief	0	(110)
	<b>(139,757)</b>	<b>Total Income</b>		<b>(144,648)</b>
		<b>Expenditure</b>		
		Precepts:		
96,609		Hampshire County Council	100,312	
16,201		Police and Crime Commissioner for Hampshire	17,054	
5,038		Hampshire and Isle of Wight Fire And Rescue Service	5,440	
19,785		New Forest District Council (including	20,572	
	137,633	town and parish council requirements)		143,378
		Bad and Doubtful Debts		
273		Write-offs	180	
95	368	Increase / (decrease) in provisions	346	526
		Contributions:		
	(639)	Previous year's estimated council tax surplus / (deficit)		1,774
	<b>137,362</b>	<b>Total Expenditure</b>		<b>145,678</b>
	<b>(2,395)</b>	<b>Movement on fund balance</b>		<b>1,030</b>
	(566)	(Surplus) / Deficit at 1 April		(2,961)
	(2,395)	Movement on fund balance for year		1,030
	<b>(2,961)</b>	<b>(Surplus) / Deficit at 31 March</b>		<b>(1,931)</b>

## COLLECTION FUND

### COLLECTION FUND – BUSINESS RATES

The Council collects business rates for its own spending needs and on behalf of the Government, Hampshire County Council and Hampshire and Isle of Wight Fire and Rescue Service.

2021/22			2022/23	
£000	£000		£000	£000
		<b>Income</b>		
	(55,299)	Income collectable from Business Ratepayers Current System		(61,065)
	258	Transitional Protection Payments		208
	<b>(55,041)</b>	<b>Total Income</b>		<b>(60,857)</b>
		<b>Expenditure</b>		
34,692		Payments to Government - Business Rates Retention	32,334	
27,754		New Forest District Council	25,867	
6,245		Hampshire County Council	5,820	
694		Hampshire and Isle of Wight Fire And Rescue Service	647	
276		Costs of Collection	280	
12		NFDC - Renewable Energy Schemes	9	
	69,673			64,957
		Bad and Doubtful Debts		
174		Write-offs	117	
(403)		Increase / (decrease) in provisions	71	
1,259		Appeals Provision	1,693	
	1,030			1,881
	(28,237)	Contributions: Previous year's estimated business rates surplus / (deficit)		(17,424)
	<b>42,466</b>	<b>Total Expenditure</b>		<b>49,414</b>
	<b>(12,575)</b>	<b>Movement on fund balance</b>		<b>(11,443)</b>
28,393		(Surplus) / Deficit at 1 April		15,818
(12,575)		Movement on fund balance for year		(11,443)
<b>15,818</b>		<b>(Surplus) / Deficit at 31 March</b>		<b>4,375</b>

The significant deficit on the Collection Fund for the 2021/22 and 2022/23 years are reflective of the business rate reliefs awarded by the Government, funded by new S31 grant, as a measure to help provide financial assistance to certain rate paying businesses significantly impacted by reduced trade as a result of the pandemic and the ongoing economic climate. Further information is included within section 9 of the Narrative Statement.

## NOTES TO THE COLLECTION FUND

### 1. GENERAL

Any surplus or deficit in respect of Council Tax at the end of the year is, during the next year distributed between the billing authority and major precepting authorities in proportion to their precepts in the year the surplus or deficit occurred.

Any surplus or deficit in respect of Business Rates at the end of the year is distributed in accordance with the percentage allocations set out in note 5.

### 2. CALCULATION OF THE TAX BASE

The Council Tax charge for the year is calculated by dividing the Council's budget requirement by the Council's tax base.

The tax base is the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of band D dwellings.

New Forest District Council's tax base for tax setting purposes was calculated as follows:

Band	Estimated number of Taxable Properties *	Ratio	Number of Band D Equivalent Properties
Disabled A	27.500	5/9	15.30
A	5,848.355	6/9	3,898.90
B	10,658.515	7/9	8,290.10
C	16,489.185	8/9	14,657.20
D	17,655.210	9/9	17,655.30
E	12,547.900	11/9	15,336.40
F	6,643.160	13/9	9,595.80
G	4,299.910	15/9	7,166.60
H	566.250	18/9	1,132.60
Total	74,735.985		77,748.20
Less: Adjustment for collection rates			870.43
Less: Council Tax Reduction Scheme			4,755.67
Council Tax Base			72,122.10

\* after adjusting for the effects of discounts and anticipated changes during the year for new properties, demolitions, disabled persons relief, exempt properties and successful appeals against valuations.

### 3. ACCOUNTING FOR THE COLLECTION FUND BALANCE – COUNCIL TAX

The opening balance on the Collection Fund for 2022/23 was a £2.961 million surplus. The surplus at the end of the year is split between Hampshire County Council, New Forest District Council, Police and Crime Commissioner for Hampshire and Hampshire and Isle of Wight Fire and Rescue Service.

In the Balance Sheet at 31 March 2023, the Council included the £1.931 million surplus on a disaggregated basis as a creditor of £1.656 million and a £275,000 attributable surplus within the Collection Fund Adjustment Account balance.

## NOTES TO THE COLLECTION FUND

### 4. PRECEPTS AND DEMANDS ON THE COLLECTION FUND – COUNCIL TAX

2021/22				2022/23		
Precept £000	Share of Surplus £000	Total £000		Precept £000	Share of Surplus £000	Total £000
96,609	2,076	98,685	Hampshire County Council	100,312	1,350	101,662
16,201	354	16,555	Police and Crime Commissioner for Hampshire	17,054	232	17,286
5,038	110	5,148	Hampshire and Isle of Wight Fire and Rescue Service	5,440	74	5,514
19,785	421	20,206	New Forest District Council (including town and parish council requirements)	20,572	275	20,847
<b>137,633</b>	<b>2,961</b>	<b>140,594</b>		<b>143,378</b>	<b>1,931</b>	<b>145,309</b>

### 5. INCOME FROM BUSINESS RATEPAYERS

Under the arrangements for business rates, the Council collects non-domestic rates for its area, which are based on local rateable values multiplied by a uniform rate determined by the Government. The total amount, less certain reliefs and other reductions is paid into the Collection Fund before being distributed to Central Government (50%), New Forest District Council (40%), Hampshire County Council (9%) and Hampshire and Isle of Wight Fire and Rescue Service (1%).

The total non-domestic rateable value at 31 March 2023 was £171.972 million. The national non-domestic multiplier was 51.2p. This gave a potential business rate yield of £88.050 million. After allowing for items such as rateable value amendments, empty properties, small property reductions, additional reliefs as a result of the pandemic and transitional and charitable reliefs, the net amount of business rates collectable was £61.065 million.

### 6. ACCOUNTING FOR THE COLLECTION FUND BALANCE – BUSINESS RATES

The 2022/23 year-end deficit balance on the Collection Fund was £4.375 million. The Council's share is a deficit of £1.750 million and Central Government, Hampshire County Council and Hampshire and Isle of Wight Fire and Rescue Service share a deficit balance of £2.625 million. Within the balance sheet the Council's share is shown within the Collection Fund Adjustment Account balance and the partners' share is netted off within debtors. The funding (additional S31 grant) to cover the Council's share of the deficit is held within Earmarked Reserves.

## NOTES TO THE COLLECTION FUND

### 7. DEMANDS ON THE COLLECTION FUND – BUSINESS RATES

2021/22				2022/23		
Demand	Share of	Total		Demand	Share of	Total
£000	£000	£000		£000	£000	£000
34,692	(7,909)	26,783	Central Government	32,334	(2,187)	30,147
6,245	(1,424)	4,821	Hampshire County Council	5,820	(394)	5,426
694	(158)	536	Hampshire and Isle of Wight Fire and Rescue Service	647	(44)	603
27,754	(6,327)	21,427	New Forest District Council	25,867	(1,750)	24,117
<b>69,385</b>	<b>(15,818)</b>	<b>53,567</b>		<b>64,668</b>	<b>(4,375)</b>	<b>60,293</b>



## NEW FOREST DISTRICT COUNCIL SUPPLEMENTARY STATEMENTS GROUP ACCOUNTS

The group accounts contain core financial statements similar to those included in the Council's single entity statements but which represent the consolidated position of the group.

The group accounts are presented in the following pages and include:

	<b>Page</b>
Group Comprehensive Income and Expenditure Statement	103
Group Movement in Reserves Statement	104
Group Balance Sheet	105
Group Cash Flow Statement	106

Notes to the group accounts:

- 1 Overview
- 2 Accounting Policies
- 3 Group Property, Plant and Equipment
- 4 Group Long Term Debtors

## GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This account summarises the resources generated and consumed in providing services and managing the Group during the year.

2021/22				2022/23		
Gross Expend £000	Gross Income £000	Net Expend £000		Gross Expend £000	Gross Income £000	Net Expend £000
342	(3)	339	Business, Tourism and High Streets	379	(2)	377
10,414	(6,108)	4,306	Environment and Coastal Services	11,965	(6,896)	5,069
34,938	(31,648)	3,290	Finance, Investment and Corporate Services	35,639	(30,578)	5,061
7,857	(5,296)	2,561	Housing and Homelessness Services	10,138	(6,354)	3,784
482	(5)	477	Leader	698	(135)	563
8,886	(2,171)	6,715	Partnering and Wellbeing	8,692	(1,827)	6,865
8,520	(4,914)	3,606	People and Places	7,567	(1,804)	5,763
5,172	(2,043)	3,129	Planning, Regeneration and Infrastructure	5,744	(1,996)	3,748
76,611	(52,188)	24,423	General Fund	80,822	(49,592)	31,230
21,037	(28,742)	(7,705)	Housing Revenue Account	29,402	(29,863)	(461)
<b>97,648</b>	<b>(80,930)</b>	<b>16,718</b>	<b>Cost of Services</b>	<b>110,224</b>	<b>(79,455)</b>	<b>30,769</b>
			<b>Other Operating Expenditure</b>			
6,667			Town and Parish Council Precepts	6,987		
575			Payments to the Government Housing Capital Receipts Pool	0		
	(2,723)		(Gains)/Losses on the disposal of Non-Current Assets		(2,078)	
			Car Parks Non Domestic Rates Refund			
		<b>4,519</b>	<b>Total Other Operating Expenditure</b>			<b>4,909</b>
			<b>Financing and Investment Income and Expenditure</b>			
			Interest Payable and Similar Charges:			
14			- General Fund	10		
4,158			- HRA	4,099		
0			Expected Credit (Gain)/Loss on Investments		(3)	
152	(1,628)		Changes in the fair value of Investments	1,768	0	
	(668)		Other Investment Income		(1,704)	
2,407			Net interest on the net defined benefit liability/(asset)	2,221		
0	(938)		Income, expenditure and changes in the fair value of Investment Properties		(412)	
		<b>3,497</b>	<b>Total Financing and Investment Income and Expenditure</b>			<b>5,979</b>
			<b>Taxation and Non-Specific Grant Income</b>			
	(20,036)		Council Tax Income (incl. Parish precepts)		(20,678)	
	(5,095)		Non-Domestic Rates Income and Expenditure		(5,802)	
	(1,619)		Unringfenced Government Grants		(833)	
	(4,104)		Capital Grants and Contributions		(5,765)	
		<b>(30,854)</b>	<b>Total Taxation and Non-Specific Grant Income</b>			<b>(33,078)</b>
111,621	(117,741)	<b>(6,120)</b>	<b>(Surplus)/Deficit on the Provision of Services</b>	125,309	(116,730)	<b>8,579</b>
	(37,137)		(Surplus)/Deficit arising from the revaluation of Property, Plant and Equipment Assets		(34,441)	
(40,575)			Re-measurement of the defined benefit liability/(asset)		(73,466)	
		<b>(77,712)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(107,907)</b>
		<b>(83,832)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(99,328)</b>

## GROUP MOVEMENT IN RESERVES STATEMENT

This schedule shows the movement in the year of the Council's single entity usable and unusable reserves as well as the Council's share of the group reserves.

	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Council's share of the Reserves of Subsidiaries	TOTAL GROUP RESERVES
	£000	£000	£000	£000	£000
<b>Balance at 31 March 2021</b>	<b>(62,006)</b>	<b>(204,853)</b>	<b>(266,859)</b>	<b>306</b>	<b>(266,553)</b>
<b><i>Movement in reserves during 2021/22</i></b>					
(Surplus)/deficit on the provision of services	(6,281)	0	(6,281)	161	(6,120)
Other comprehensive income and expenditure	0	(77,712)	(77,712)	0	(77,712)
<b>Total Comprehensive Income and Expenditure</b>	<b>(6,281)</b>	<b>(77,712)</b>	<b>(83,993)</b>	<b>161</b>	<b>(83,832)</b>
Adjustment between group accounts and authority accounts	(112)	0	(112)	112	0
<b>Net (Increase)/Decrease before transfers</b>	<b>(6,393)</b>	<b>(77,712)</b>	<b>(84,105)</b>	<b>273</b>	<b>(83,832)</b>
Adjustments between accounting basis and funding basis under regulations	7,622	(7,622)	0	0	0
<b>Net (Increase)/Decrease Before Transfers to Earmarked Reserves</b>	<b>1,229</b>	<b>(85,334)</b>	<b>(84,105)</b>	<b>273</b>	<b>(83,832)</b>
Transfers to/(from) earmarked reserves	0	0	0	0	0
<b>(Increase) / Decrease in Year</b>	<b>1,229</b>	<b>(85,334)</b>	<b>(84,105)</b>	<b>273</b>	<b>(83,832)</b>
<b>Balance at 31 March 2022</b>	<b>(60,777)</b>	<b>(290,187)</b>	<b>(350,964)</b>	<b>579</b>	<b>(350,385)</b>
<b><i>Movement in reserves during 2022/23</i></b>					
(Surplus)/deficit on the provision of services	8,676	0	8,676	(97)	8,579
Other comprehensive income and expenditure	0	(107,824)	(107,824)	(83)	(107,907)
<b>Total Comprehensive Income and Expenditure</b>	<b>8,676</b>	<b>(107,824)</b>	<b>(99,148)</b>	<b>(180)</b>	<b>(99,328)</b>
Adjustment between group accounts and authority accounts	(167)	0	(167)	167	0
<b>Net (Increase)/Decrease before transfers</b>	<b>8,509</b>	<b>(107,824)</b>	<b>(99,315)</b>	<b>(13)</b>	<b>(99,328)</b>
Adjustments between accounting basis and funding basis under regulations	(252)	252	0	0	0
<b>Net (Increase)/Decrease Before Transfers to Earmarked Reserves</b>	<b>8,257</b>	<b>(107,572)</b>	<b>(99,315)</b>	<b>(13)</b>	<b>(99,328)</b>
Transfers to/(from) Earmarked Reserves	0	0	0	0	0
<b>(Increase) / Decrease in Year</b>	<b>8,257</b>	<b>(107,572)</b>	<b>(99,315)</b>	<b>(13)</b>	<b>(99,328)</b>
<b>Balance at 31 March 2023</b>	<b>(52,520)</b>	<b>(397,759)</b>	<b>(450,279)</b>	<b>566</b>	<b>(449,713)</b>

## GROUP BALANCE SHEET

This statement shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Group.

2021/22			2022/23	
£000	£000		£000	£000
		<b>Long-Term Assets</b>		
		Property, Plant and Equipment:		
418,832		Council Dwellings	455,835	
76,585		Other Land and Buildings	79,484	
4,508		Vehicles, Plant and Equipment	5,286	
2,772		Infrastructure	2,509	
537		Community Assets	537	
3,987	507,221	Assets Under Construction	6,030	549,681
	18,463	Investment Property		30,685
	15,995	Long-Term Investments		13,242
	776	Long-Term Debtors		902
	<u>542,455</u>	<b>Total Long-Term Assets</b>		<u>594,510</u>
		<b>Current Assets</b>		
		Assets Held For Sale - Property		
46,530		Short-Term Investments	2,988	
282		Inventories	353	
11,055		Short-Term Debtors	12,033	
(2,718)		Bad Debt Provision	(2,866)	
24,623		Cash and Cash Equivalents	15,675	
	79,772	<b>Total Current Assets</b>		<u>28,183</u>
	<b>622,227</b>	<b>Total Assets</b>		<b>622,693</b>
		<b>Current Liabilities</b>		
(4,345)		Short-Term Borrowing	(4,345)	
(60,037)		Short-Term Creditors	(28,577)	
	(64,382)	<b>Total Current Liabilities</b>		<u>(32,922)</u>
		<b>Long-Term Liabilities</b>		
(118,304)		Long-Term Borrowing	(114,003)	
(4,020)		Provisions	(4,527)	
(565)		Developers' Contributions - Receipts in Advance	(365)	
(84,572)		Net Pensions Liability	(21,162)	
	(207,461)	<b>Total Long-Term Liabilities</b>		<u>(140,057)</u>
	<b>350,384</b>	<b>Net Assets</b>		<b>449,714</b>
		<b>Usable Reserves</b>		
3,000		General Fund Balance	3,000	
36,944		Earmarked Reserves	26,880	
1,000		Housing Revenue Account Balance	1,000	
5,895		Capital Receipts Reserve	6,186	
2,001		Capital Grants Unapplied	2,944	
7,023		Community Infrastructure Levy Unapplied	8,032	
4,790	60,653	Developers' Contributions Unapplied	4,243	52,285
		<b>Unusable Reserves</b>		
83,288		Revaluation Reserve	117,515	
295,564		Capital Adjustment Account	302,873	
1,406		Financial Instruments Revaluation Reserve	(358)	
476		Deferred Capital Receipts Reserve	503	
(84,572)		Pensions Reserve	(21,162)	
(5,906)		Collection Fund Adjustment Account	(1,475)	
(524)	289,732	Accumulating Absences Adjustment Account	(468)	397,428
	<b>350,385</b>	<b>Total Reserves</b>		<b>449,713</b>

## GROUP CASH FLOW STATEMENT

The Cash Flow statement shows the changes in cash and cash equivalents in the group during the reporting period. The statement shows how the Group generates and uses cash equivalents by classifying cash flows as operating, investing and financing activities.

<b>2021/22</b>		<b>2022/23</b>
<b>£000</b>		<b>£000</b>
(6,120)	Net (surplus) or deficit on the provision of services	8,579
(29,439)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(13,603)
5,580	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	4,053
(29,979)	Net cash flows from Operating Activities	(971)
32,269	Investing Activities	(12,422)
(18,015)	Financing Activities	22,341
(15,725)	Net (increase) or decrease in cash and cash equivalents	8,948
(8,898)	Cash and cash equivalents at the beginning of the reporting period	(24,623)
(24,623)	<b>Cash and cash equivalents at the end of the reporting period</b>	(15,675)

## NOTES TO THE GROUP ACCOUNTS

### 1. OVERVIEW

New Forest District Council chooses to deliver its services through a variety of delivery models, either under ultimate control or in partnership with other organisations. The financial statements consider the New Forest District Council as a single entity, thus any business interests in other organisations are reflected in terms of the level of the Council's investment and not their financial performance, year-end balances and exposure to risk. In order to reflect a full picture of the Council's financial activities and business relationships, group financial statements are produced to reflect the extent of New Forest District Council's involvement in group undertakings.

#### **The Group**

The relevant accounting standards have been applied in determining how the organisations are included in the group boundary. The extent of the Council's interest and control over the entity was considered as was the materiality of the financial impact on the Council's group accounts and the transparency of less material entities to allow the reader to understand the Group's consolidated position. Following this assessment the following has been identified as being within the Council's group for financial reporting purposes.

- Subsidiaries – where the Council either wholly or majority control an entity. Therefore in the 2022/23 and 2021/22 group accounts the Appletree Property Holdings Group Limited is included.

The Council does not have business interests in any other organisations that are not included in the group accounts.

## NOTES TO THE GROUP ACCOUNTS

### 2. ACCOUNTING POLICIES

The group accounts have been prepared in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and those International Financial Reporting Standards where CIPFA had provided guidance notes.

The accounting policies used in preparing the group accounts reflect those used by New Forest District Council in its single entity financial statements, these can be found in Note 1 of the New Forest District Council financial statements. In order to ensure consistency of accounting treatment and the alignment of policies across the group the following policies have been adopted:

#### Consolidation of Subsidiaries

Subsidiaries have been consolidated using the acquisition accounting basis. This is the full, line by line consolidation of financial transactions and balances of the Council and its subsidiary companies. To avoid overstating balances within the group financial statements all transactions and balances between the Council and group companies have been eliminated.

#### Alignment of accounting framework and policies

Where the accounting framework used by group companies differs from that of the Council, FRS102 rather than IFRS, including the accounting policies and the impact of such differences would have a material impact on the group financial statements then the relevant balances from the group companies will be adjusted to bring the accounting treatment in line with that applied by the Council.

#### Unrealised profits from intra-group transactions:

Any unrealised profit reflected in the carrying amount of property, plant and equipment and inventory arising from trading between the Council and its group companies will be eliminated to avoid the double counting of gains.

#### Company losses Accounting Treatment:

Appletree Property Holdings Limited included in the consolidation has reported losses in the year. The losses have been reported in accordance with IAS28 to the extent that all the losses have been recognised in the group accounts. These annual losses are reflected in the Group Comprehensive Income and Expenditure Account.

## NOTES TO THE GROUP ACCOUNTS

### 3. GROUP PROPERTY, PLANT AND EQUIPMENT

#### Valuation of Property, Plant and Equipment

The Council subsidiary operates an annual programme of property revaluations; in 2022/23 this work was carried out by the Council's valuer P. Marston, MRICS, Registered Valuer.

#### Movement on Property, Plant and Equipment Assets

Purchases and disposals during the year were as follows:

<b>Comparative Movements in 2022/23:</b>	<b>Council Property, Plant and Equipment</b>	<b>Council Share of Subsidiary Property, Plant and Equipment</b>	<b>Total Group Property, Plant and Equipment</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost or Valuation</b>			
At 1 April 2022	528,804	3,091	531,895
Additions	26,486	1,447	27,933
Revaluation increases / (decreases) recognised in the Revaluation Reserve	34,358	84	34,442
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(68)	111	43
Capital Expenditure not enhancing value recognised in the Surplus / Deficit on the Provision of Services	(16,379)	(71)	(16,450)
Derecognition - disposals	(3,789)	0	(3,789)
Other movements in cost or valuation	0	0	0
<b>At 31 March 2023</b>	<b>569,412</b>	<b>4,662</b>	<b>574,074</b>
<b>Accumulated Depreciation and Impairment</b>			
At 1 April 2022	(24,674)	0	(24,674)
Depreciation charge	(11,367)	0	(11,367)
Depreciation written out to the Surplus / Deficit on the Provision of Services	9,834	0	9,834
Derecognition - disposals	1,814	0	1,814
<b>At 31 March 2023</b>	<b>(24,393)</b>	<b>0</b>	<b>(24,393)</b>
<b>Net Book Value</b>			
<b>at 31 March 2023</b>	<b>545,019</b>	<b>4,662</b>	<b>549,681</b>
<b>at 31 March 2022</b>	<b>504,130</b>	<b>3,091</b>	<b>507,221</b>



## NOTES TO THE GROUP ACCOUNTS

<b>Movements in 2021/22:</b>	<b>Council Property, Plant and Equipment</b>	<b>Council Share of Subsidiary Property, Plant and Equipment</b>	<b>Total Group Property, Plant and Equipment</b>
<b>Cost or Valuation</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 April 2021	486,841	1,796	488,637
Additions	16,649	1,495	18,144
Revaluation increases / (decreases) recognised in the Revaluation Reserve	37,130	0	37,130
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	3,152	(130)	3,022
Capital Expenditure not enhancing value recognised in the Surplus / Deficit on the Provision of Services	(10,581)	(70)	(10,651)
Derecognition - disposals	(4,387)	0	(4,387)
Other movements in cost or valuation	0	0	0
<b>At 31 March 2022</b>	<b>528,804</b>	<b>3,091</b>	<b>531,895</b>
<b>Accumulated Depreciation and Impairment</b>			
At 1 April 2021	(24,864)	0	(24,864)
Depreciation charge	(10,046)	0	(10,046)
Depreciation written out to the Revaluation Reserve	6	0	6
Depreciation written out to the Surplus / Deficit on the Provision of Services	8,701	0	8,701
Derecognition - disposals	1,529	0	1,529
<b>At 31 March 2022</b>	<b>(24,674)</b>	<b>0</b>	<b>(24,674)</b>
<b>Net Book Value</b>			
<b>at 31 March 2022</b>	<b>504,130</b>	<b>3,091</b>	<b>507,221</b>
<b>at 31 March 2021</b>	<b>461,977</b>	<b>1,796</b>	<b>463,773</b>

## NOTES TO THE GROUP ACCOUNTS

### 4. GROUP ACCOUNTS LONG TERM DEBTORS

Group long term debtors were as follows:

31 March 2022		31 March 2023
£000		£000
2	Car Loans	2
301	Lymington Harbour Commissioners - Principal	100
0	New Forest Enterprise Centre	300
473	Rent to Mortgages House Purchases	500
0	Appletree Property Holdings	0
<b>776</b>	<b>Total</b>	<b>902</b>

## **GLOSSARY OF TERMS**

### **Budget**

The Council's plans set out in financial terms. Both revenue and capital budgets are prepared and are used to control and monitor expenditure and performance.

### **Capital Expenditure**

Expenditure on the purchase of assets, which will be of use or benefit to the Council/Community for longer than one year.

### **Capital Financing**

The raising of money to pay for capital expenditure.

### **Capital Receipts**

Proceeds from the sale of long-term assets e.g. land or buildings.

### **Direct Revenue Financing**

Financing of capital expenditure by a direct charge to a revenue account. This method of finance avoids borrowing.

### **General Fund**

The section of the Council's accounts that covers services paid for by the Council Tax, Non-Domestic Rate and Revenue Support Grant.

### **Housing Revenue Account**

The account which records the income and expenditure relating to the provision of council housing.

### **Impairment**

At the end of each year each asset is reviewed. Impairment is accounted for if there is evidence that there has been a reduction in value.

### **International Financial Reporting Standards (IFRS)**

Accounting practices recommended by the major accounting bodies.

### **Lease**

A method of financing capital expenditure where a rental charge is paid for the use of an asset over a specified period of time. This rental covers a proportion of the capital cost of the asset, together with a return on the finance provided by the leasing company.

### **Long-term Assets**

An asset that has a life of more than one year.

## **GLOSSARY OF TERMS**

### **Long-term Investments**

Loans that the Council has given that are repayable after 364 days of the start of the financial year.

### **PWLB Debt**

Borrowing that is raised from the Public Works Loan Board, a UK Central Government organisation.

### **Revenue Support Grant (RSG)**

Grant paid by the Government to local authorities to help them finance the cost of their services. The system is designed so that if all local authorities spend at the level determined by the Government, the council tax would be the same across the country.

### **Revenue Expenditure/Income**

The costs or income relating to the day-to-day provision of services.

### **Short-term Investments**

Investments that the Council has made that are repayable within 364 days from the date of the original investment.

### **Short-term Loans**

Loans that the Council has raised that are repayable within 364 days of the start of the financial year.

### **Support Services**

The costs of professional, administrative and technical support given to the departments that provides services to the public.

# THE ANNUAL GOVERNANCE STATEMENT NEW FOREST DISTRICT COUNCIL 2022/23

## 1. Scope of Responsibility

New Forest District Council is responsible for ensuring that its business is conducted in accordance with the law, proper standards are adhered to and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. It has a duty under the Local Government Act 1999, to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to best value. In discharging this overall responsibility New Forest District Council is required to have in place proper arrangements for the governance of the Council's affairs, facilitating the effective exercise of its functions and arrangements for the management of risk.

New Forest District Council has approved and adopted a Code of Good Governance, which is consistent with the principles of the CIPFA/SOLACE Framework "Delivering Good Governance in Local Government". This Statement explains how New Forest District Council has complied with the Code and also meets the requirements of regulation 13 of the Accounts & Audit Regulations 2015 in relation to the publication of a statement of corporate governance.

## 2. The Purpose of the Governance Framework

The governance framework comprises the systems and processes, as well as the culture and values, by which the authority is directed and controlled and its activities, through which it accounts to, engages with, and leads the community. It enables the Authority to monitor the achievements of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure in delivery of policies, achieving aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks materialising and the impact should they be realised, and to manage them efficiently, effectively and economically.

## 3. The Governance Framework

The good governance framework centres on the following 7 core principles:

<b>A</b>	Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.
<b>B</b>	Ensuring openness and comprehensive stakeholder engagement.
<b>C</b>	Defining outcomes in terms of sustainable economic, social and environmental benefits.
<b>D</b>	Determining the interventions necessary to optimize the achievement of the intended outcomes.
<b>E</b>	Developing the entity's capacity, including the capability of its leadership and the individuals within it.
<b>F</b>	Managing risks and performance through robust internal control and strong public financial management.

<b>G</b>	Implementing good practices in transparency, reporting and audit to deliver effective accountability.
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The Council is concerned to ensure that quality of service delivery is maintained at a time of financial constraint and uses a variety of mechanisms to assess this. This helps inform future service delivery.

The Council continually revises its Medium Term forecast according to latest information received around likely funding levels and expenditure increases. The Council's current strong financial position and on-going efficiencies programme (including the development of new income generation initiatives) will help protect front-line service delivery. The MTFP is underpinned by the healthy Budget Equalisation and General Fund reserves and these enable the Council to respond to changes accordingly.

Over the years, the Council has developed a number of successful joint or collaborative working arrangements with other public partners. This has continued into 2022/23 and includes arrangements with Hampshire County Council (in respect of Audit and Treasury functions) and a joint Information Office 'The Ringwood Gateway' between Ringwood Town Council, HCC and the District Council. During 2022/23, the Council worked closely with local partners including the National Park Authority, Forestry England and the Verderers, including with wider membership of the New Forest Recreation Management Strategy Steering Group to bring in new laws within Public Space Protection Orders relating to anti-social behaviour concerned with wildfires and the feeding and petting of Forest animals.

The Council's Constitution sets out how the Council operates, including the roles, responsibilities and relationships between Council, the Executive (Cabinet), Audit Committee and other bodies such as the Overview and Scrutiny Panels and Officers in respect of policy and decision-making processes. There is a comprehensive scheme of delegations to officers to ensure timely decision-making. The Constitution also sets out details on Codes of Conduct and key policies such as Financial Regulations and Contract Standing Orders as to Contracts. It is important that the Council operates efficiently and transparently and is accountable to the local people.

The Constitution was reviewed during 2022/23 to ensure it remains fit-for-purpose and the new version will come into effect after the 4 May 2023 elections.

During 2022/23, the Council adopted a new Risk Management Policy and Strategic Risk Register. The Risk Management Framework is in place to ensure that risks to the Council in achieving its strategic objectives, both at a corporate and service level, are more consciously identified, assessed and managed. It aligns risk with existing arrangements, in particular the performance management framework with an assessment of risk forming part of the Service Planning processes.

In 2016 CIPFA/SOLACE carried out a review of their framework to ensure that it still reflects the environment in which Councils are operating and to also reflect the International framework which had been developed by CIPFA and the International Federation of Accountants (IFAC) in 2014.

As a result of their review in April 2016 CIPFA/SOLACE published a new framework document "Delivering Good Governance in Local Government Framework 2016 Edition" with the key focus of governance processes and structures centring on the attainment of sustainable economic, societal and environmental outcomes. Council approved the revised code in April 2017 which follows the recommended text in the CIPFA/SOLACE framework.

In May 2023 all-out District elections took place with the new ward boundaries in use (according to the Boundary review work concluded during 2022/23), reflecting a new Councillor base of 48, as opposed to the previous 60. The Council is in overall control by the Conservative Party who have with 26 (out of 48) members. The remaining 22 seats are held by 14 Liberal Democrats, 4 Independents, 3 Green Party members and 1 Labour Party Member. Cllr Jill Cleary is the Leader of the Council.

During 2022/23, the Solent Freeport was designated. The Section 151 Officer, Monitoring Officer, Strategic Director Place, Operations and Sustainability and Chief Executive all remain involved in the broad objective to deliver economic growth to the wider freeport area and the Council has representation on the Solent Freeport Consortium Ltd Board, and on the Investment Committee, the latter set up to evaluate projects for funding from the retained business rates pool.

Delays in the completion of the External Auditors annual results and opinion report for the 2022/23 Annual Financial Report have meant that this AGS has remained open far beyond the year end date of 31/3/2023. The more up to date Draft Annual Governance Statement for the year ended 31/3/2024 was presented to the Audit committee on 31/5/2024.

#### **4. Review of Effectiveness**

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of senior statutory officers within the authority who have responsibility for the development and maintenance of the governance environment, the Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

This Council has always maintained a strong internal control environment and sees risk management as an integral part of everyday management. It has long established principles on the way its business is conducted enabling good governance and control of risk. Factors that influence the control environment include: integrity, ethics, operating style and the way management and members assign responsibility and authority.

A summary of the review activities undertaken during 2022/23 are included below:

1. A number of Council policies were reviewed or new plans/policies implemented including:

- Local Planning Enforcement Plan 2022
- New Forest National Park Partnership Plan 2022-27
- Waste Strategy 2022-27
- Digital Strategy 2022-25
- Housing Development Plan
- Greener Housing Strategy 2022-32
- Risk Management Policy & Strategic Risk Register
- Health & Wellbeing Plan
- Asset Investment Strategy
- Housing Services Service Charge Policy
- Housing Rent Policy
- Menopause Policy
- Numerous Business Support Grant Policies
- Constitution Refresh 2023

2. The Council's Executive Management Team (EMT) was changed during 2022, going from a 4 Executive Heads model to a 3 Strategic Director model. Further changes introduced 4 Assistant Director Positions, strengthening overall leadership across the Council.

3. The responsibility of Section 151 functions (a statutory role) sits with the Strategic Director for Corporate Resource & Transformation. The Strategic Director Housing, Communities & Governance is the Monitoring Officer, which is also a statutory role. All committee reports are reviewed by members of the Executive Management Team, as well as being provided to the Monitoring Officer (who is also the Council's Solicitor), prior to any decisions being made. This safeguards the Council to ensure that decisions are taken lawfully and that risks are properly considered.

4. One of the requirements of the GDPR is to appoint a Data Protection Officer (DPO). The role of the DPO is to oversee the Council's compliance with GDPR and provide advice in relation to the law. The DPO position is held by the Council's Information Governance and Complaints Manager, who is a Solicitor who holds the EU General Data Protection Regulation Practitioner qualification. The Information Governance and Complaints Manager has direct access to EMT.

5. A significant project updating the Council's Retention and Destruction schedules has been carried out during 2022/23 and is nearing completion.

6. The Council's arrangements for financial management and reporting are sound and are well documented. Financial monitoring is achieved by regular budgetary control reports to nominated budget holders, Executive Management Team, the relevant Portfolio Holder, and Cabinet. All elected Members have access to Cabinet Agendas and the financial reports; a process is in place to enable members to request additional, more detailed information and question any financial issues. Strong Overview and Scrutiny arrangements are in place with an annual report of work carried out presented to Council.

7. Proposals for asset maintenance and replacement expenditure and capital projects are supported by a business case as are new requests for revenue resources. For the 2022/23 budget process, these were scrutinised initially by EMT and the relevant Service Portfolio Holder prior to inclusion within the budget setting process. In April 2022, a new Capital and Change Board was established, with EMT and a number of Service Managers, placed on this Board. This new Board, which meets monthly, provides oversight and scrutiny of Capital projects, as well as tracking their delivery to ensure necessary progress. This Board also considers transformational proposals and ensures their oversight. The financial planning process also includes a review of proposals by the relevant Overview and Scrutiny Panels, before final budgetary proposals and the council tax levels are considered and approved by Council each year.

8. In line with the continuous improvement culture of the Council, it is recognised that all Members and Officers of the Council must have the skills, knowledge and capacity that they need to discharge their responsibilities effectively and therefore significant emphasis is placed on continuous improvement and development. A review of the Council's approach to continuous improvement and the existence of a comprehensive development programme for Members and Officers will be carried out during 2023/24.



9. The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). A review of the Council's Financial Regulations was last completed during 2021/22 with the new regulations presented to and endorsed by the Audit Committee. The new regulations went live during April 2022, following approval by full Council.

10. Performance Management ensures strategic monitoring with a focus on organisational and service based indicators, reflecting the aims and objectives of the Corporate Plan. Portfolio Holder dashboards were presented to Overview and Scrutiny Panels during 2022/23 providing transparency of performance and risks to service delivery.

11. The Audit Committee meet regularly and training is available to all members to ensure they are clear in their responsibilities in providing an independent assurance to the Council in relation to the effectiveness of the Council's internal control environment, in accordance with Regulation 6 of the Accounts and Audit (England) Regulations 2015.

12. The Council's approach to risk management was reviewed during 2022/23 and an updated Risk Management Strategy was brought to the committee during 2022/23. The Council's Strategic Risk Register was continually reviewed during 2022/23, and Cabinet will be receiving six-monthly updates going forward. The document remains under regular review as a result of the constantly changing national and international situation.

13. Internal Audit forms part of the internal control framework. It is a mandatory function whose primary aim is to ensure that the Chief Financial Officer's responsibilities, to maintain proper control over the Council's financial affairs, as defined by Section 151 of the Local Government Act 1972, are fully met. The Audit Committee has reviewed and approved the risk based audit plan and progress reports against the audit plan throughout the year. This risk based audit plan was also approved by the Section 151 Officer and the Executive Management Team. The Committee has also received reports and updates from the External Auditor.

14. The Internal Audit function is provided by the Southern Internal Audit Partnership (operated by Hampshire County Council) and accords with the Public Sector Internal Audit Standards. Internal Auditors are trained and have acted independently, objectively and ethically at all times. The Internal Audit Charter was approved during the year.

15. The Principal Auditor's annual opinion report, concluded that whilst Internal Audit are unable to give absolute assurance, the results of the reviews completed during the year have resulted in his overall opinion that:

- sufficient assurance work has been carried out to allow a reasonable conclusion on the adequacy and effectiveness of New Forest District Council's internal control environment
- New Forest District Council's framework of governance, risk management and control is 'Reasonable' and audit testing has demonstrated controls to be working in practice
- where weaknesses have been identified through internal audit review, Internal Audit have worked with the Council's management to agree appropriate corrective actions and a timescale for improvement.

16. Ernst & Young acts as the Council's independent external auditor. The Section 151 Officer and Chair of Audit Committee have responded openly to the External Auditor under the requirements of the International Auditing Standards.

17. All organisations, worldwide face increasing cyber related threats. The Council maintains sound standards and continually reviews opportunities to further strengthen these. The Council is a member of the Cyber security Information Sharing Partnership (CISP) and has signed up the South East Government Warning, Advisory and Reposting Point (providing information, knowledge and alerts on threat and incidents).

18. Internal Audit has reported a 'Reasonable' opinion on the overall control environment. Four limited assurance audit opinions were given with subsequent management actions included to make improvements. Monitoring of progress against the management actions of these audits will continue into 2023/24.

19. In February 2021, Council made a decision to award an operating contract to Wealdon Leisure Ltd, trading as Freedom Leisure, to commence on 1<sup>st</sup> July 2021 for an 11 year period, with the option to extend for a further 4 years. An operating agreement has been agreed by both parties and provides for the Council and the operator to have representation on a new partnership board which is responsible for ensuring the operator delivers on the Council's service specification and performance indicators. This board has met monthly since the commencement of the contract, and regular update reports have been presented to the Community, Partnerships and Wellbeing Scrutiny Panel during the financial year.

20. During 2022/23, the 3 statutory officers, supported by the Democratic Services Manager concluded on a review of the Council's constitution. The revised constitution delivers an updated format, based on the key components and all the necessary information required of a local authority constitution. The purpose of the Constitution is to ensure there is a clear governance framework and effective and accountable decision making; clarity as to the procedures to be followed in respect of meetings and decisions; provisions to enable Members and the public to engage and hold decision makers to account; and to contain rules and procedures relating to the financial management of the Council, and that standards are promoted and maintained. There are numerous legal requirements as to procedure rules and provisions, which must be included. The proposed Constitution complies with these requirements.

## **5. Financial Management Code**

In December 2019, CIPFA introduced a Financial Management Code. The driver for this was the exceptional financial circumstances faced by local authorities, having revealed concerns about fundamental weaknesses in financial management, particularly in relation to organisations that may be unable to maintain services in the future. The Code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. For the first time it sets out the standards of financial management for local authorities.

The underlying principles that inform the Code have been developed in consultation with senior practitioners from local authorities and associated stakeholders. Each local authority must demonstrate that the requirements of the Code are being satisfied. This is a collective responsibility of elected Members, the CFO and their professional colleagues in the Leadership Team.

The Section 151 Officer carried out a review and reported on the Financial Management Code to the Audit Committee during 2022/23.

## 6. Significant Governance Issues

Whilst there have been a number of improvements made throughout the year, the Council constantly strives for continuous improvement. The following areas will be included in the action plan for review in 23/24:

1. To review the Council's Procurement Strategy to ensure that value for money is being achieved and processes/procedures are robust
2. To review the Council's Financial Regulations to ensure that controls remain appropriate for the Council's decision making arrangements and ensure efficient running of the business.
3. To review the Council's approach to continuous improvement and the existence of a comprehensive development programme for Members and Officers to ensure that there are appropriate arrangements in place to demonstrate that Services are carrying out their continuous improvement functions and that corporately, there is in place an on-going comprehensive Development Programme for Members and Officers.
4. To review the Council's Corporate Report Template, to promote the effective completion of Impact Assessments as part of formal decision making.

## 7. Certification

To the best of our knowledge, governance arrangements, as defined above, have been in place at New Forest District Council for the year ended 31<sup>st</sup> March 2023 and up to the date of approval of the annual report and statement of accounts.

We propose to take steps over the coming year to address those areas identified above to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified during the review of effectiveness and will monitor their implementation and operation as part of our next annual review.

<i>Signed:</i>	.....	<i>Signed:</i>	.....
	<b>Leader of the Council</b>		<b>Chief Executive</b>
<i>Date:</i>	.....	<i>Date:</i>	.....

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## Corporate Resource and Transformation

Strategic Director: Alan Bethune

Ernst & Young  
Grosvenor House  
Grosvenor Square  
Southampton  
Hampshire  
S015 2BE

Date: 25 October 2024

This letter of representations is provided in connection with your audit of the consolidated and Council financial statements of New Forest District Council (“the Group and Council”) for the year ended 31 March 2023. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and Council financial statements give a true and fair view of (or ‘present fairly, in all material respects,’) the Group and Council financial position of New Forest District Council as of 31 March 2023 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the Group and the Council, CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).

We understand that the purpose of your audit of our consolidated and Council financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist. Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

### A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group and Council, the Accounts and Audit Regulations 2015 and the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).
2. We acknowledge, as members of management of the Group and Council, our responsibility for the fair presentation of the consolidated and Council financial statements. We believe the consolidated and Council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)), and are free of material misstatements, including omissions. We have approved the financial statements.

**[newforest.gov.uk](http://newforest.gov.uk)**

Appletree Court, Beaulieu Road, LYNDHURST, SO43 7PA

3. The significant accounting policies adopted in the preparation of the Group and Council financial statements are appropriately described in the Group and Council financial statements.
4. As members of management of the Group and Council, we believe that the Group and Council have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 for the Group and Council that are free from material misstatement, whether due to fraud or error.
5. We confirm the Group and Council does not have securities (debt or equity) listed on a recognised exchange.
6. We have confirmed to you any changes in service organisations within the Group and Council since the last audited financial year.

**B. Non-compliance with laws and regulations, including fraud**

1. We acknowledge that we are responsible to determine that the Group and Council's business activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any noncompliance with applicable laws or regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of a system of internal control to prevent and detect fraud and that we believe we have appropriately fulfilled those responsibilities.
3. We have disclosed to you the results of our assessment of the risk that the consolidated and Council financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any identified or suspected noncompliance with laws or regulations, including fraud, that may have affected the Group or Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
  - Involving financial improprieties
  - Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the consolidated and Council financial statements
  - Related to laws or regulations that have an indirect effect on amounts and disclosures in the consolidated and Council financial statements, but compliance with which may be fundamental to the operations of the Group and Council's business, its ability to continue in business, or to avoid material penalties
  - Involving management, or employees who have significant roles in internal control, or others
  - In relation to any allegations of fraud, suspected fraud or other noncompliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

## **C. Information Provided and Completeness of Information and Transactions**

1. We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the consolidated and Council financial statements.
3. We have made available to you all minutes of the meetings of shareholders, directors and committees of directors (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 25 October 2024.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the consolidated and Council financial statements.
5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.
6. We have disclosed to you, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and Council financial statements in the event of noncompliance, including all covenants, conditions or other requirements of all outstanding debt.
7. From the date of our last management representation letter through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material effect on the consolidated and Council financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

8. We have disclosed to you, and provided you full access to information and any internal investigations relating to, unauthorised access to our information technology systems that has a material effect on the consolidated and Council financial statements, including disclosures.

**D. Liabilities and Contingencies**

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and Council financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note 32 to the consolidated and parent Authority financial statements all guarantees that we have given to third parties.

**E. Going Concern**

1. Note 46 to the consolidated and Council financial statements discloses all the matters of which we are aware that are relevant to the Group and authority's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

**F. Subsequent Events**

1. Other than the events described in Note 6 to the consolidated and Council financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the consolidated and parent Authority financial statements or notes thereto.

**G. Group audits**

1. There are no significant restrictions on our ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.
2. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst parent Council, subsidiary undertakings and associated undertakings.

**H. Other information**

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the information contained within the Narrative Statement and also the Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.



**I. Climate-related matters**

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered and the Group and Council have reflected these in the consolidated and parent financial statements.

Yours faithfully

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Chief Financial Officer

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Chairman of the Audit Committee

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## Audit Committee – 25 October 2024

### Internal Audit Progress Report 2024-25 (September 2024)

Purpose	The purpose of this report is to provide the Audit Committee with an overview of internal audit activity completed in accordance with the approved audit plan and to provide an overview of the status of 'live' reports.
Classification	Public
Executive Summary	The progress report, attached as Appendix A, summarises the performance of Internal Audit for 2024-25 to 30 <sup>th</sup> September 2024
<b>Recommendation(s)</b>	<b>That the Audit Committee note the content of the progress report, attached as Appendix A, summarising internal audit progress with delivering the 2024-25 audit plan to 30<sup>th</sup> September 2024</b>
Reasons for recommendation(s)	To keep the Audit Committee apprised of the status of live audits.
Ward(s)	All Wards
Portfolio Holder(s)	Councillor Jeremy Heron – Finance & Corporate
Strategic Director(s)	Alan Bethune – Corporate Resources and Transformation S151
Officer Contact	Antony Harvey Deputy Head of Partnership (SIAP) 07784 265289 antony.harvey@hants.gov.uk

## **Introduction and background**

1. Under the Accounts and Audit (England) Regulations 2015, the Council is responsible for:
  - ensuring that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of functions and includes arrangements for the management of risk; and
  - undertaking an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.
2. In accordance with the Public Sector Internal Audit Standards and the Council's Internal Audit Charter, the Chief Internal Auditor is required to provide a written status report to the Audit Committee, summarising:

*'Communications on the internal audit activity's performance relative to its' plan.'*

## **Financial and resource implications**

3. The audit plan consists of 400 audit days including 18 audit days provided to the New Forest National Park Authority under the current Service Level Agreement. The Council's budget for 2024-25 reflects these arrangements.

## **Legal implications**

4. There are no matters arising directly from this report.

## **Environmental / Climate and nature implications**

5. There are no matters arising directly from this report.

## **Equalities implications**

6. There are no matters arising directly from this report.

### **Crime and disorder implications**

7. There are no crime and disorder implications arising directly from this report, however inadequate audit coverage may result in areas of control weakness, unacceptable risks or governance failings as well as the increased potential for error and fraud.

### **Data protection / Information governance / ICT implications**

8. There are no matters arising directly from this report.

#### **Appendices:**

List appendices here:-  
Appendix 1 – Internal Audit  
Progress Report 2024-25

#### **Background Papers:**

Internal Audit Plan 2024-25

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## Internal Audit Progress Report 2024-25

September 2024

New Forest District Council



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**Southern Internal  
Audit Partnership**

Assurance through excellence  
and innovation

**Contents:**

1.	Role of Internal Audit	3
2.	Purpose of report	4
3.	Performance dashboard	5
4.	Analysis of ‘Live’ audit reviews	6-8
5.	Executive summaries ‘Limited’ and ‘No’ assurance opinions	9
6.	Planning and resourcing	9
7.	Rolling work programme	9-11
Annex 1	Adjustments to the plan	12



## 1. Role of Internal Audit

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body must:

*‘Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.’*

The standards for ‘proper practices’ are laid down in the Public Sector Internal Audit Standards [the Standards – updated 2017].

The role of internal audit is best summarised through its definition within the Standards, as an:

*‘Independent, objective assurance and consulting activity designed to add value and improve an organisations’ operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes’.*

New Forest District Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

The Council’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisations’ objectives.

**2. Purpose of report**

In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to ‘Senior Management’ and ‘the Board’, summarising:

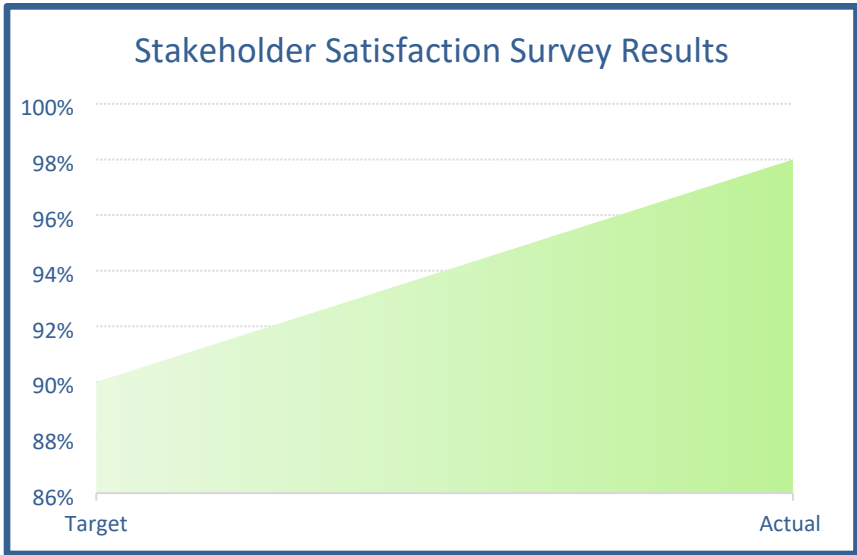
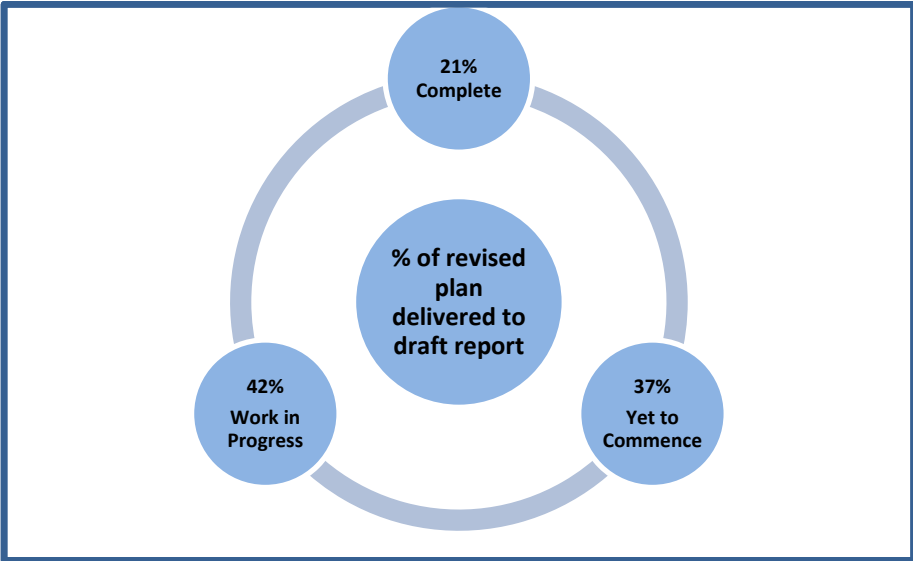
- The status of ‘live’ internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Chief Internal Auditor’s annual opinion.

Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. The assurance opinions are categorised as follows:

<b>Substantial</b>	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
<b>Reasonable</b>	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
<b>Limited</b>	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
<b>No</b>	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

154

3. Performance dashboard



155

Compliance with Public Sector Internal Audit Standards

An External Quality Assessment of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2020. The report concluded:

*'The mandatory elements of the International Professional Practices Framework (IPPF) include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards. There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against the principles.*

*It is our view that the Southern Internal Audit Partnership conforms to all 64 of these principles.*

*We have also reviewed SIAP conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN).*

*We are pleased to report that SIAP conform with all relevant, associated elements.'*

## 4. Analysis of 'Live' audit reviews

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Total Management Action(s)	Not Yet Due	Complete	Overdue		
							L	M	H
Fleet Management (follow-up phase 2)	May 23	SM (W&T)	Reasonable	9	0	7		2	
Engineering Works	Aug 23	SM (C)	Limited	10	0	7	1	1	1
Commercial Activities – Appletree Holdings	Oct 23	SM (E&V)	Substantial	1	1	0			
NNDR	Nov 23	SM (CSR&B)	Reasonable	4	2	2			
Open Spaces and Playground Safety Checks	Dec 23	G&SM	Limited	12	0	6		4	2
Housing Asset Management – Electrical Safety Checks	Feb 24	SM (HM)	Reasonable	8	0	6	2		
Business Continuity	Mar 24	SM (E&R)	Reasonable	2	2	0			
Transformation Programme – Governance Arrangements	May 24	ADT	Reasonable	3	3	0			
<b>Homelessness – Prevention and Relief *</b>	<b>May 24</b>	<b>SM (HO)</b>	<b>Reasonable</b>	<b>6</b>	<b>0</b>	<b>6</b>			
Corporate Governance Framework – Fraud Framework	May 24	SM (CSR&B)	Reasonable	5	3	2			
Accounts Payable	Jun 24	FIN	Reasonable	5	2	3			
Animal Welfare Licencing	Jun 24	SM (E&R)	Reasonable	6	2	4			
<b>Procurement *</b>	<b>Jun 24</b>	<b>SPM</b>	<b>Reasonable</b>	<b>4</b>	<b>0</b>	<b>4</b>			
Community Infrastructure Levy- Expenditure Framework	Jun 24	SM (DM)	Substantial	1	1	0			
Housing Rent Reconciliations	Jul 24	SM (HO)	Reasonable	5	2	0			3
Housing Allocations	Jul 24	SM (HO)	Reasonable	1	0	0	1		
Parking and Enforcement	Aug 24	EE&AM	Reasonable	7	2	5			
<b>Total</b>							<b>4</b>	<b>7</b>	<b>6</b>

\* Denotes audits where all actions have been completed since the last progress report

Update on the overdue actions

Fleet Management – to follow. The previous update confirmed that further work is needed to develop monthly performance dashboards for the Team; and monthly reports in relation to fuel usage.

Engineering works – Progress continues to be made to address all the issues identified. Three medium priority actions have been completed since the previous update. The Team continue to work with IT to develop the job recording and reporting system and anticipate to trial this in November. The Team are also currently out to recruit a new asset inspector. Longer term developments will be included within the Transformation programme.

Open spaces – to follow although one further medium priority action has been previously confirmed as complete. The previous update confirmed that alternative IT Solutions are being investigated/developed (reference Engineering works) to improve inspection scheduling, prioritising actions, information recording and performance information. A review has commenced to risk assess/RAG rate all play equipment to inform the methodology/frequency for inspections which will be formalised within new/revised Policies which are under development, for proposed consideration by EMT prior to the end of September 2024.

Electrical safety. The Team reviewing of all of the Council’s housing suite of strategies and policies in order of priority and have recently appointed a new Housing Policy Officer to support this ongoing work however there continues to be a significant shift in social housing regulations which will have an impact upon the policy updates.

Housing Rent Reconciliations. The actions have recently become overdue (31 July 24). The Team are actively working on addressing the issues identified including performing monthly/quarterly reconciliations and working with the supplier to develop and ‘stress test’ system enhancements to improve and simplify year end processing tasks however resolutions a proving more complex than initially anticipated.

Housing Allocations – The action recently became due (01 September 24). All partners have been contacted and requested to sign the Home Search Partnership Agreement. Four partners, including the largest Housing Association, have signed the agreement and the remaining partners will continue to be chased until they have signed.

Audit Sponsor		Audit Sponsor	
Chief Executive	CX	Assistant Director Place Development	ADPD
Communications Manager	CM	Service Manager (Development Management)	SM (DM)
Strategic Director Housing & Communities	SDH&C	Service Manager (Policy & Strategy)	SM (P&S)
Assistant Director Housing	ADH	Building Control Manager	BCM
Service Manager (Housing Maintenance)	SM (HM)	Climate Change Manager	CCM
Service Manager (Housing Options, Rents Support and Private Sector Housing)	SM (HO)	Strategic Director Corporate Resources & Transformation	SDCR&T
Service Manager (Strategy & Development)	SM (S&D)	Service Manager (Estates & Valuation)	SM (E&V)
Greener Housing Development Manager	GHDM	Service Manager (Customer Services, Revenues & Benefits)	SM (CSR&B)
Anti-Social Behaviour Manager	ASBM	Finance Manager	FIN
Tenant Engagement Manager	TEM	Strategic Procurement Manager	SPM
Rent, Accounting & Home Ownership Manager	RA&HOM	Assistant Director Transformation	ADT
Service Manager (Estate Management & Support)	SM (EM&S)	Service Manager (Human Resources)	SM (HR)
Service Manager (Environmental & Regulation)	SM (E&R)	ICT Operations Manager	ICTOM
Strategic Director Place, Operations & Sustainability	SDPOS	Data Development & Delivery Manager	DDDM
Assistant Director Place Operations	ADPO	Transformation & Improvement Manager	T&IM
Service Manager (Waste & Transport)	SM (W&T)	Assistant Director Governance & Monitoring Officer	ADG&MO
Service Manager (Coastal)	SM (C)	Service Manager (Democratic & Support Services)	SM (D&SS)
Environment Enforcement & Amenities Manager	EE&AM	Information Governance & Complaints Manager	IG&CM
Grounds & Streetscene Manager	G&SM		

## 5. Executive Summaries of reports published concluding a ‘Limited’ or ‘No’ assurance opinion

To date, no 2024/25 audits have concluded with a ‘Limited’ or ‘No’ Assurance Opinion.

## 6. Planning & Resourcing

The Internal Audit Plan for 2024-25 was agreed by EMT and approved by the Audit Committee in March 2024. The audit plan remains fluid to provide a responsive service that reacts to the changing needs of the Council. Progress against the plan is detailed within section 7.

## 7. Rolling Work Programme

Audit Review	Sponsor	Scoping	Terms of reference	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
<b>2024-25 Audits</b>								
<b>Corporate / Governance Framework</b>								
Corporate Plan / Performance Management	ADT							Moved to Q4 at NFDC request
Transformation Programme	ADT							Moved to Q4 at NFDC request
Corporate Governance Framework – Fraud Framework	SM (CSR&B)	✓	✓	✓	May 24	May 24	Reasonable	
Corporate Governance Framework	ADG&MO	✓	✓					Q3 Fieldwork
Programme & Project Management	SDCR&T							Q3
Budget Planning/Setting	FIN	✓	✓	✓				
Partnership Working – Town and Parish Councils	ADPO	✓	✓	✓				
Asset Management (Corporate Estate)	SM (E&V)							Q3
Information Governance – Data Retention/Records Management	IG&CM	✓	✓	✓				
Information Governance	IG&CM							Q4

Audit Review	Sponsor	Scoping	Terms of reference	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Emergency Planning	SM (E&R)							Q4
Contract Management – Leisure Contract	SDCR&T	✓	✓	✓				
Health and Safety	SM (HR)	✓	✓	✓	Aug 24			
Risk Management	FIN	✓	✓	✓	Jun 24			
<b>Human Resources</b>								
HR – Recruitment/Statutory Responsibilities	SM (HR)	✓	✓	✓				
<b>Core Financial Systems</b>								
Housing Benefits	SM (CSR&B)	✓						Q3 – Scoping meeting booked
Payroll and Expenses	SM (HR)							Q3
Treasury Management	FIN	✓						Q3 – Scoping meeting booked
<b>Information Technology</b>								
IT – Contract Management	ICTOM	✓	✓	✓	Jul 24	Jul 24	Substantial	
IT – Application Lifecycle Management	ICTOM							Q3-4
IT – Project Delivery	ICTOM	✓						Q3 – Scoping meeting booked
IT – Firewall Management and Monitoring	ICTOM							Q4
<b>Portfolio Themes</b>								
Housing Management – Right to Buy	SM (HO)	✓						Q3 – Scoping meeting booked
Housing Allocations	SM (HO)	✓	✓	✓	Jun 24	Jul 24	Reasonable	
Housing Rent Reconciliations	SM (HO)	✓	✓	✓	Jun 24	Jul 24	Reasonable	
Housing Asset Management – Voids	SM (HM)	✓						Q3 – Scoping meeting booked
Housing Asset Management – Lift Inspections	SM (HM)	✓	✓	✓				Q2



Audit Review	Sponsor	Scoping	Terms of reference	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Housing Asset Management – Gas Safety	SM (HM)							Q4
Housing Asset Management – Asbestos	SM (HM)							Q4
Housing Enforcement	SM (HO)	✓						Q3 – Scoping meeting held
Community Infrastructure Levy Expenditure Framework	SM (DM)	✓	✓	✓	May 24	Jun 24	Substantial	
Planning/Development Management	SM (DM)							Q4
Building Control	BCM	✓						Q3 – Scoping meeting booked
Environmental Health	SM (E&R)	✓						Q3 – Scoping meeting held
Licencing	SM (E&R)							Q4
Parking and Enforcement	EE&AM	✓	✓	✓	Jul 24	Aug 24	Reasonable	
Clean Streets – Enforcement	EE&AM	✓	✓	✓				
Cemeteries	G&SM							Q3

**Annex 1 - Adjustments to the plan**

<b>Audit reviews added to the plan (included in rolling work programme above)</b>	<b>Comment</b>
Corporate Governance Framework – Fraud Framework *	Brought forward from 2023/24 as work in progress
Information Governance – Data Retention/Records Management *	Brought forward from 2023/24 as work in progress
Contract Management – Leisure Contract *	Brought forward from 2023/24 as work in progress
Health and Safety *	Brought forward from 2023/24 as work in progress
Risk Management *	Brought forward from 2023/24 as work in progress
IT – Contract Management *	Brought forward from 2023/24 as work in progress
Housing Allocations *	Brought forward from 2023/24 as work in progress
Housing Rent Reconciliations *	Brought forward from 2023/24 as work in progress
Community Infrastructure Levy Expenditure Framework *	Brought forward from 2023/24 as work in progress
Parking and Enforcement *	Brought forward from 2023/24 as work in progress
Clean Streets – Enforcement *	Brought forward from 2023/24 as work in progress

<b>Audit reviews removed from the plan (excluded from rolling work programme)</b>	<b>Comment</b>
Environmental Services – New Waste Strategy **	Proposed by the Council as no longer required as the programme board now have the required level of assurance on this project.

\* Agreed July 2024

\*\* Proposed October 2024

## AUDIT COMMITTEE 25 OCTOBER 2024

### TREASURY MANAGEMENT REPORT Q2 2024/25

#### 1. PURPOSE

- 1.1. New Forest District Council has adopted the key recommendations of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code), last updated in 2021 which requires the Council to approve, as a minimum, treasury management semi-annual and annual outturn reports.

#### 2. SUMMARY

- 2.1. This quarterly report provides an update on treasury management activity including the requirement in the 2021 Code of quarterly reporting of the treasury management prudential indicators. The non-treasury prudential indicators are incorporated in the Council's normal quarterly Financial Monitoring report.
- 2.2. The Council's treasury management strategy was approved at a meeting of Full Council in February 2024. The Council has borrowed and invested sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Council's treasury management strategy.
- 2.3. Treasury management in the context of this report is defined as:

“The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”
- 2.4. Hampshire County Council's Investments & Borrowing Team has been contracted to manage the Council's treasury management balances since March 2014 but overall responsibility for treasury management remains with the Council. No treasury management activity is without risk; the effective identification and management of risk are integral to the Council's treasury management objectives.

#### 3. EXTERNAL CONTEXT

- 3.1. The following sections outline the key economic themes in the UK against which investment and borrowing decisions have been made so far in 2024/25.

##### **Economic background**

- 3.2. UK headline consumer price inflation remained around the Bank of England (BoE) target during the second quarter of the financial year, with

July and August 2024 returning annual rates of 2.2% as was expected, due to base effects from energy prices. Core and services price inflation remained higher at 3.6% and 5.6% respectively in August 2024.

- 3.3. The UK economy continued to expand over the period, albeit slowing from the 0.7% gain in the first calendar quarter to 0.5% (downwardly revised from 0.6%) in the second. Of the monthly figures, the economy was estimated to have registered no growth in July 2024. With headline inflation lower, the BoE cut the Bank Rate from 5.25% to 5.00% at the August 2024 Monetary Policy Committee (MPC) meeting.
- 3.4. Arlingclose, the Council's treasury adviser, maintained its central view that Bank Rate would steadily fall from the 5.25% peak, with the first cut that took place in August 2024 being followed by a series of further cuts, with November 2024 the likely next one, taking Bank Rate down to around 3% by the end of 2025.

#### **Credit review**

- 3.5. Arlingclose maintained its advised recommended maximum unsecured duration limit on all banks on its counterparty list at 100 days.
- 3.6. Credit default swap (CDS) prices are used as an indicator of credit risk, where higher premiums indicate higher perceived risks. CDS prices were generally lower at the end of the period compared to the beginning for the vast majority of the names on UK and non-UK lists. Price volatility over the period was also generally more muted compared to previous periods.
- 3.7. Financial market volatility is expected to remain a feature, at least in the near term and, CDS levels will be monitored for signs of ongoing credit stress. As ever, the institutions and durations on the Council's counterparty list recommended by Arlingclose remain under constant review.

#### **4. LOCAL CONTEXT**

- 4.1. On 31 March 2024, the Council had net borrowing of £92.7m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while balance sheet resources are the underlying resources available for investment. Table 1 lays out the various CFR elements and how they are financed, comparing the position at 31 March 2024 to the forecast position expected at 31 March 2025.

Table 1: Balance Sheet Summary

	31/03/24 Balance £m	31/03/25 Forecast £m
General Fund CFR	26.4	28.8
Housing Revenue Account (HRA) CFR	19.8	29.6
HRA Settlement	114.0	109.9
<b>Total CFR</b>	<b>160.2</b>	<b>168.3</b>
Financed By:		
External Borrowing*	124.0	132.9
Internal Borrowing	36.2	35.4
<b>Total Borrowing</b>	<b>160.2</b>	<b>168.3</b>

\* shows only loans to which the Council is committed and excludes optional refinancing

- 4.2. The treasury management position at 30 September 2024 and the change over the quarter is shown in Table 2.

Table 2: Treasury Management Summary

	30/06/24 Balance £m	Movement £m	30/09/24 Balance £m	30/09/24 Rate %
Long-term borrowing	(119.9)	0.0	(119.9)	3.5
Short-term borrowing	(4.1)	0.0	(4.1)	2.8
<b>Total borrowing</b>	<b>(124.0)</b>	<b>0.0</b>	<b>(124.0)</b>	<b>3.5</b>
Long-term investments	9.1	0.0	9.1	5.5
Short-term investments	9.5	4.0	13.5	5.0
Cash and cash equivalents	21.3	(4.1)	17.2	5.0
<b>Total investments</b>	<b>39.9</b>	<b>(0.1)</b>	<b>39.8</b>	<b>5.1</b>
<b>Net borrowing</b>	<b>(84.1)</b>	<b>(0.1)</b>	<b>(84.2)</b>	

- 4.3. The second quarter of the financial year shows very little movement in the treasury management balances in comparison to the end of the first quarter. This reflects no change to the borrowing position combined with a reduction of £100,000 in the investments position.

- 4.4. During the quarter no further borrowing was secured, and the repayment of the short-term borrowing shown is due in March 2025. The marginal reduction in investment balances reflects the normal pattern of the Council's cash balances, with higher balances at the start of the financial year due to the uneven pattern of grant receipts, netted off by capital expenditure. Further details are provided in the Borrowing Strategy and Activity and Treasury Investments Activity sections of this report.

## 5. BORROWING STRATEGY AND ACTIVITY

- 5.1. As outlined in the Treasury Management Strategy, the Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing lower interest costs and achieving cost certainty over the period for which funds are required. The flexibility to

renegotiate loans should the Council's long-term plans change is a secondary objective. The Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. At the present time short term interest rates are higher than long term interest rates.

- 5.2. After substantial rises in interest rates since 2021 many central banks have now begun to reduce rates, albeit slowly. Gilt yields were volatile over the first half of the financial year, reducing slightly between April and September 2024. Much of the downward pressure from lower inflation figures was counteracted by upward pressure from positive economic data. Data from the US continues to impact global bond markets including UK gilt yields.
- 5.3. During the first half of the financial year, gilts were fairly volatile which impacted the borrowing rates provided by the PWLB. The lowest available 10-year maturity loan at certainty rate was 4.52% and the highest was 5.18%. Rates for 20-year maturity loans ranged from 5.01% to 5.57% during the half year, and 50-year maturity loans from 4.88% to 5.40%.
- 5.4. Whilst the cost of short-term borrowing from other local authorities (LA) spiked to around 7% in late March 2024, primarily due to a dearth of LA-LA lending/borrowing activity during the month, as expected shorter-term rates reverted to a more normal range and were generally around 5.00% - 5.25%.
- 5.5. CIPFA's 2021 Prudential Code is clear that local authorities must not borrow to invest primarily for financial return and that it is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement and so may lead to new borrowing, unless directly and primarily related to the functions of the Authority. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield unless these loans are for refinancing purposes. The Council has no plans to borrow to invest primarily for financial return, so is able to retain full access to the PWLB.
- 5.6. The PWLB HRA (Housing Revenue Account) rate which is 0.4% below the certainty rate is available up to June 2025. This discounted rate is to support local authorities borrowing for the Housing Revenue Account and for refinancing existing HRA loans, providing a window of opportunity for HRA-related borrowing and to replace the Council's loans relating to the HRA maturing during this time frame. The Council borrowed at the HRA rate in March 2024 as reported in the Treasury Management Outturn report. Borrowing is potentially required in relation to the HRA during 2024/25 and if the PWLB is identified as the most cost-effective solution for the Council, the intention is to use the PWLB HRA rate.
- 5.7. The Council is a net borrower and as stated in the Treasury Management Strategy 2024/25, the Council expects a positive liability benchmark across the forecast period, which generally means an authority is required to take external borrowing to fund the gap between its resources and the CFR. Although the Council currently has taken external borrowing, this is not predicted to be sufficient to meet the CFR between

2024 and 2034 and therefore, as a result, further borrowing continues to be considered by the Section 151 Officer.

- 5.8. At 30 September 2024 the Council held £124.0m of loans. The vast majority of the outstanding loans are in relation to the resettlement of the HRA in 2012/13. Outstanding loans on 30 September 2024 are summarised in Table 3.

Table 3: Borrowing Position

	30/06/24 Balance £m	Movement £m	30/09/24 Balance £m	30/09/24 Rate %	30/09/24 WAM* years
Public Works Loan Board	(124.0)	0.0	(124.0)	3.5	16.7
<b>Total borrowing</b>	<b>(124.0)</b>	<b>0.0</b>	<b>(124.0)</b>	<b>3.5</b>	<b>16.7</b>

\* Weighted average maturity

## 6. TREASURY INVESTMENT ACTIVITY

- 6.1. The CIPFA Treasury Management Code defines treasury management investments as investments that arise from the Authority's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.

- 6.2. The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. During the financial year to date the Council's investment balances have ranged between £29.7m and £63.9m due to timing differences between income and expenditure. The investment position is shown in Table 4.

Table 4: Treasury investment position

	30/06/24 Balance £m	Movement £m	30/09/24 Balance £m	30/09/24 Rate %	30/09/24 WAM* years
<b>Investments</b>					
<b>Short term Investments</b>					
Banks and Building Societies:					
- Unsecured	3.6	0.4	4.0	5.0	0.0
Money Market Funds	17.7	(4.0)	13.7	5.0	0.0
Government:					
- Local Authorities	4.0	(2.5)	1.5	5.7	0.0
- Supranational banks	1.5	0.0	1.5	5.1	0.2
- High quality	2.0	0.0	2.0	5.0	0.2
- UK Treasury Bills	0.0	6.0	6.0	5.1	0.1
Cash Plus Funds	2.0	0.0	2.0	4.7	0.0
	<b>30.8</b>	<b>(0.1)</b>	<b>30.7</b>	<b>5.0</b>	<b>0.1</b>
<b>Long term investments</b>					
Pooled Property Funds**	7.6	0.0	7.6	5.0	N/A
Pooled Equity Funds**	1.5	0.0	1.5	7.7	N/A
	<b>9.1</b>	<b>0.0</b>	<b>9.1</b>	<b>5.5</b>	<b>N/A</b>
<b>TOTAL INVESTMENTS</b>	<b>39.9</b>	<b>(0.1)</b>	<b>39.8</b>	<b>5.1</b>	<b>0.1</b>

\* Weighted average maturity, excluding pooled funds

\*\* The rates provided for pooled fund investments are reflective of annualised income returns over the year to 30 September 2024 based on the market value of investments at the start of the year.

- 6.3. Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
- 6.4. The security of investments has been maintained by following the counterparty policy and investment limits within the TMSS, taking advice from Arlingclose on changes in counterparty credit worthiness, and making use of secured investment products that provide collateral where available and appropriate. The Council should invest in liquid investments to ensure money is available when required to meet its financial obligations, spreading these investments across a number of counterparties to mitigate operational risk.
- 6.5. During the quarter liquidity levels were reduced as appropriate investments became available, this included the use of UK treasury bills which provide a greater source of security for the Council's cash balances.
- 6.6. As demonstrated by the liability benchmark shown later in this report, the Council expects to be a long-term borrower and new treasury investments are therefore primarily made to manage day-to-day cash flows using short-term low risk instruments. The Council has invested in pooled funds as part of its Treasury Management strategy. The existing portfolio of strategic pooled funds will be maintained to diversify risk into different asset classes and boost investment income as part of the implementation of the wider Treasury Management strategy ensuring it is investing its funds prudently, having regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. By investing in a diversified portfolio in respect of yield this meets the Council's aim of protecting reserves from high inflation. The Section 151 Officer will review the current pooled fund investment prior to making any external borrowing decisions.
- 6.7. Bank Rate reduced from 5.25% to 5.00% in August 2024 with short term interest rates largely being around these levels and average money market rates fell from 5.21% at the end of June 2024 to 5.00% at the end of September 2024.
- 6.8. The progression of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking in Table 5. These metrics monitor the internal investments of the portfolio, which is the total portfolio less both the pooled funds and the cash plus fund. At the time of writing, the benchmarking for Quarter 2 was not yet available other than the data for the Council's internal investments.



Table 5: Investment benchmarking (excluding pooled funds)

	Credit rating	Bail-in exposure	Weighted average maturity (days)	Rate of return
<b>30.06.2024</b>				
NFDC	AA-	74%	27	5.19%
Similar LAs	A+	62%	52	5.06%
All LAs	A+	62%	10	5.07%
<b>30.09.2024</b>				
NFDC	AA-	62%	20	5.05%

- 6.9. Table 5 shows that the Council's investments benchmarking metrics were favourable as at the end of Quarter 1 of 2024/25. As at the end of Quarter 2 the Council's metrics have remained stable although the rate of return has reduced as a result of the cut to the Base Rate in August 2024.
- 6.10. The average credit rating has remained consistent at AA-, and this continued into Quarter 2, which was above the average of Arlingclose's other local authority clients as at the end of Quarter 1. Although investment balances have remained steady, over the quarter the amount held as cash has reduced and has been replaced by treasury bills to improve the overall security of the portfolio, which has resulted in the bail-in exposure for the Council reducing by 12%. This means that the Council's bail-in exposure level now sits in line with the average bail-in exposure for Arlingclose clients at the end of Quarter 1.
- 6.11. The average rate of return on the internal investments portfolio was 5.05% at 30 September 2024; this has reduced in comparison to 30 June 2024 as a result of the Bank Base Rate being cut in August 2024. However, 5.05% represents a good return on investment and by comparison, the Council's average rate of return is only slightly below the averages experienced by Arlingclose's other local authority clients at the end of Quarter 1, and it is expected that other clients also experienced a similar drop in investment return over the period.
- 6.12. A comparison of the Council's Quarter 2 position to other Arlingclose clients will be reported in the Quarter 3 Treasury Management Report.

### Externally managed pooled funds

- 6.13. £9.1m of the Council's investments are invested in externally managed strategic pooled property and equity funds where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability. Over the 12 months to 30 September 2024 these funds generated an average total return of 4.3%, comprising a 5.4% income return which is used to support services in year, and 1.1% of unrealised capital loss.
- 6.14. By comparison, over the holding period of these investments, the pooled funds have generated a total return of 3.5% pa, comprising 4.0% pa average income return and -0.68% pa average capital return. There is currently an unrealised capital loss of £804,000 on the pooled funds, and it is hoped that the capital value of these investments will recover over the medium term. Regardless of this, a total return of 3.5% pa represents

good value over a period where generally interest rates have remained low.

- 6.15. The first six months of 2024/25 were marked by ongoing market volatility, although trending downward as policymakers kept rates at a restrictive level in light of persistent core inflation until nearly the end of the period, when the MPC, Federal Reserve, and European Central Bank (ECB) began to deliver rate cuts and signal a shift towards loosening monetary policy.
- 6.16. Stock markets across the UK, Europe, and US were buoyed by hopes of rate cuts over the first half of the financial year and UK equities saw growth in small and mid-sized companies. The FTSE All Share index was marginally lower at the end of the 6-month period at 4529 on 30/9/24 v 4338 on 31/3/24.
- 6.17. UK commercial property values started to stabilise, then improve slightly towards the end of the period, with interest rates being cut from their peak and investor attention turning to the timing of further interest rate cuts. Transaction activity remains somewhat subdued but signs of recovery in the occupier and rental markets as well as moderate economic growth and further falling interest rates are hoped to be favourable for an improving property sector outlook over the medium term. Capital growth is expected to be gradual while income levels remain strong for many sub-sectors.
- 6.18. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's medium- to long-term investment objectives are regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over a three- to five-year period total returns should exceed cash interest rates.
- 6.19. In April 2023 the Department for Levelling Up, Housing and Communities published the full outcome of the consultation on the extension of the statutory override on accounting for gains and losses on pooled investment funds. The override has been extended for 2 years until 31 March 2025 but no other changes have been made; whether the override will be extended beyond the new date is unknown but commentary to the consultation outcome suggests not. The Council will discuss with Arlingclose the implications for the investment strategy and what action may need to be taken.

## **7. NON-TREASURY INVESTMENTS**

- 7.1. The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the Council as well as other non-financial assets which the Council holds primarily for financial return. Investments that do not meet the definition of treasury management investments (i.e. management of surplus cash) are categorised as either for service purposes (made explicitly to further service objectives) and/or for commercial purposes (made primarily for financial return).

- 7.2. Investment Guidance issued by the Department for Levelling Up Housing and Communities (DLUHC) also broadens the definition of investments to include all such assets held partially or wholly for financial return.
- 7.3. This could include loans made to local businesses or the direct purchase of land or property and such loans and investments will be subject to the Council's normal approval process for revenue and capital expenditure and need not comply with the treasury management strategy.
- 7.4. The Council's existing non-treasury investments are listed in Table 6.

Table 6: Non-treasury investments

	31/03/24 Asset value £m	31/03/2024 Annual rate of return %
Hythe Marina	2.798	5.90
Saxon Inn Calmore	0.179	7.04
Meeting House Lane	0.188	-
New Milton Health Centre	2.489	5.51
Ampress Car Park	2.141	4.52
The Parade Salisbury Road Totton	1.511	6.34
1-3 Queensway New Milton	1.62	-
Unit 1 Nova Business Park	0.548	6.38
Drive -Thru Salisbury Road, Totton	1.372	4.83
Units 1-3 27 Salisbury Road, Totton	1.90	8.02
85 Station Road, New Milton	5.00	5.00
1b Junction Road, Totton,	0.128	-
Unit 800 Ampress Park, Lymington	1.903	4.97
Platinum Jubilee Business Park	8.55	1.48
<b>Total investment properties</b>	<b>30.325</b>	<b>4.34</b>
Lymington Town Hall	3.321	2.91
Hardley Industrial Estate	5.088	4.42
<b>Total income earning properties</b>	<b>8.409</b>	<b>3.83</b>
<b>Grand total</b>	<b>38.734</b>	<b>4.01</b>

## 8. COMPLIANCE REPORT

- 8.1. The Section 151 Officer reports that all treasury management activities undertaken during the quarter complied fully with the principles in the Treasury Management Code and the Council's approved Treasury Management Strategy.
- 8.2. Compliance with the authorised limit and operational boundary for external debt, is demonstrated in Table 7.

Table 7: Debt limits

	Q2 2024/25 Maximum £m	30/09/24 Actual £m	2024/25 Operational Boundary £m	2024/25 Authorised Limit £m	Complied
Total debt	(124.0)	(124.0)	(211.5)	(230.5)	✓

8.3. Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.

## 9. TREASURY MANAGEMENT PRUDENTIAL INDICATORS

9.1. As required by the 2021 CIPFA Treasury Management Code, the Council monitors and measures the following treasury management prudential indicators.

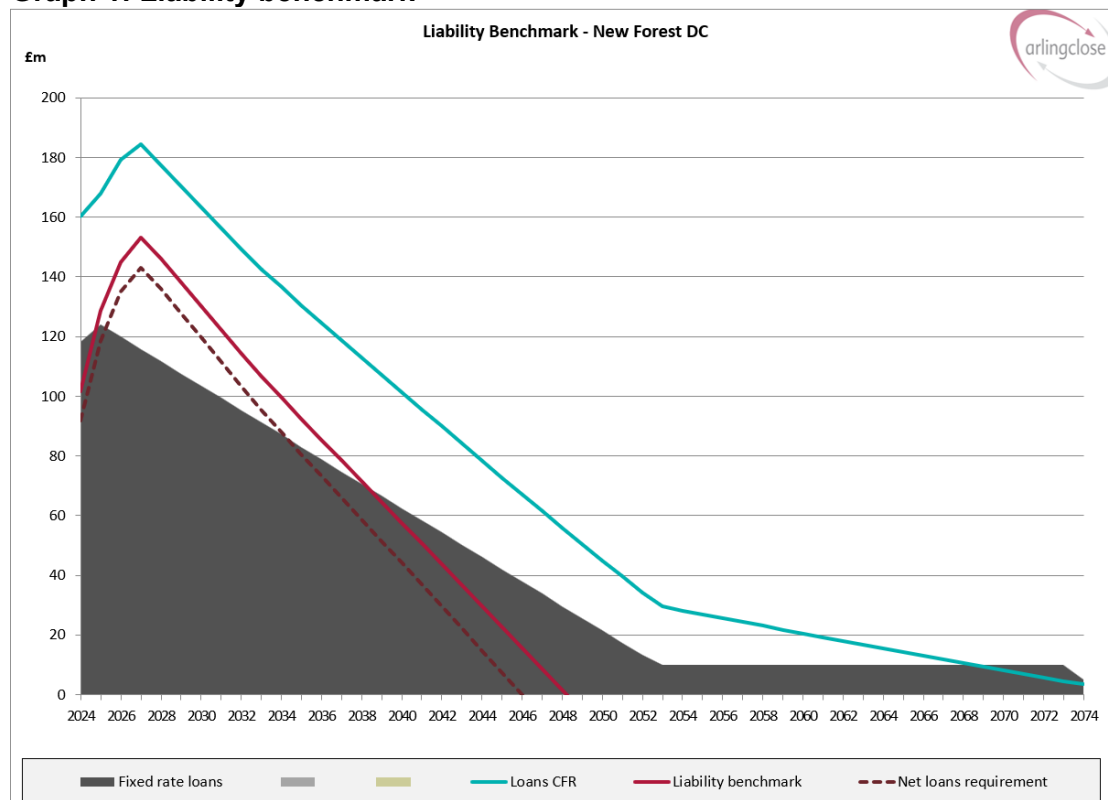
### Liability benchmark

9.2. This indicator compares the Council's actual existing borrowing against a liability benchmark that has been calculated to show the lowest risk level of borrowing. The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. It represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

Table 8: Liability benchmark

	31/03/24 Actual £m	31/03/25 Forecast £m	31/03/26 Forecast £m	31/03/27 Forecast £m
Loans CFR	160.2	168.3	178.5	182.5
Less: Balance sheet resources	(62.1)	(45.4)	(43.2)	(40.7)
<b>Net loans requirement</b>	<b>98.1</b>	<b>122.9</b>	<b>135.3</b>	<b>141.8</b>
Plus: Liquidity allowance	10.0	10.0	10.0	10.0
<b>Liability benchmark</b>	<b>108.1</b>	<b>132.9</b>	<b>145.3</b>	<b>151.8</b>
<b>Existing borrowing</b>	<b>124.0</b>	<b>119.9</b>	<b>115.8</b>	<b>111.7</b>

## Graph 1: Liability benchmark



9.3. Table 8 and the Graph 1 illustrate that by the end of 2024/25, the Council's existing borrowing will no longer be sufficient to meet the liability benchmark and the Council will need to source external borrowing if it is to meet the full delivery of its capital programme. The Council will keep this position under review and continue to take advice from Arlingclose on the most appropriate time to borrow when it is required.

### Interest rate exposures

9.4. The following indicator shows the sensitivity of the Council's current investments and borrowing to a change in interest rates.

Table 9 – Interest Rate Risk Indicator

	30/09/24 Actual	Impact of +/- 1% interest rate change
Sums subject to variable interest rates		
Investment	£39.8m	+/- £0.4m
Borrowing	(£4.1m)	+/- £0.0m

9.5. Fixed rate investments and borrowings are those where the rate of interest is fixed for the whole financial year. Instruments and loans that mature during the financial year are classed as variable rate.

## Maturity structure of borrowing

- 9.6. This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits show the maximum and minimum maturity exposure to fixed rate borrowing as agreed in the Treasury Management Strategy Statement.

Table 10: Maturity structure of borrowing

	30/09/24 Actual	Upper Limit	Lower Limit	Complied
Under 12 months	3%	25%	0%	✓
12 months and within 24 months	3%	25%	0%	✓
24 months and within 5 years	10%	25%	0%	✓
5 years and within 10 years	17%	25%	0%	✓
10 years and above	67%	100%	0%	✓

## Long-term Treasury Management Investments

- 9.7. The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the total principal sum invested to final maturities beyond the period end were:

Table 11: Long-term Treasury Management Investments

	2024/25	2025/26	2026/27	No fixed date
Actual principal invested beyond a year	£0m	£0m	£0m	£9.1m
Limit on principal invested beyond a year	£20m	£15m	£15m	£10m
Complied	✓	✓	✓	✓

- 9.8. Long-term investments with no fixed maturity date include strategic pooled funds but exclude money market funds and bank accounts with no fixed maturity date as these are considered short-term.

## 10. CRIME AND DISORDER AND ENVIRONMENTAL IMPLICATIONS

- 10.1. None arising directly from this report.

## 11. RECOMMENDATIONS

- 11.1. Members are recommended to:

- 11.2. Consider the performance of the treasury function detailed in this report.

Further information	Background papers
<p>Please contact:</p> <p>Gemma Farley Principal Accountant Investments &amp; Borrowing Hampshire County Council Gemma.Farley@hants.gov.uk</p> <p>Alan Bethune Strategic Director of Corporate Resource, and Transformation Section 151 Officer New Forest District Council alan.bethune@nfdc.gov.uk</p>	<p>The Prudential Code, CIPFA Guidance Notes and ODPM Investment Guidance</p> <p>Local Government Act 2003</p> <p>SI 2003/3146 Local Authorities (Capital Finance and Accounting) (England) Regulations 2003</p> <p>Treasury Management Strategy Report 2024/25 Audit Committee – 26 January 2024 Council – 26 February 2024</p> <p>Treasury Management Q1 Report 2024/25 Audit Committee – 26 July 2024</p>

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<b>Audit Committee Work Programme 2025/26</b>		
<b>24 JANUARY 2025</b>		
External Audit Results Report 2023/24	Written Report	Simon Mathers / Katie Lean (External Audit)
Fraud, Anti Bribery, Corruption and Whistleblowing policies review documents.	Written Report	Ryan Stevens
Risk Management Policy Update - Including Strategic Risk Register Update	Written Report	James Clarke
Internal Audit Progress Report 2024/25	Written Report	Antony Harvey (Internal Audit)
Treasury Management Strategy 2025/26 (Including Prudential Indicators)	Written Report	Gemma Farley / Andrew Bouflower
Investment Strategy 2025/26	Written Report	Alan Bethune
Regulation of Investigatory Powers Act 2000 (RIPA).	Written Report	Tanya Coulter
Final Annual Financial Report 2023/24	Written Report	Alan Bethune
Financial Regulations Review	Written Report	Alan Bethune
Annual Governance Statement 2023/24	Written Report	Alan Bethune / Tanya Coulter

<b>21 MARCH 2025</b>		
Internal Audit Progress Report 2024/25	Written Report	Antony Harvey (Internal Audit)
External Audit Plan 2024/25	Written Report	Simon Mathers / Katie Lean (External Audit)
Internal Audit Charter 2025-26	Written Report	Antony Harvey (Internal Audit)
Internal Audit Plan 2025-26	Written Report	Antony Harvey (Internal Audit)
Payment Card Industry Data Security Standard (PCI DSS) Update	Written Report	Alan Bethune / Naomi Baxter/ Lisa Conway
<b>25 JULY 2025</b>		
Treasury Management Outturn Report 2024/25	Written Report	Gemma Farley / Andrew Bouflower (HCC)
Treasury Management Q1 2025/26	Written Report	Gemma Farley / Andrew Bouflower (HCC)
Internal Audit Annual Report and Opinion 2024/25	Written Report	Antony Harvey (Internal Audit)
Internal Audit Progress Report 2025/26	Written Report	Antony Harvey (Internal Audit)
<b>31 OCTOBER 2025</b>		
Internal Audit Progress Report 2025/26	Written Report	Antony Harvey (Internal Audit)
Treasury Management Q2 2025/26 Report	Written Report	Gemma Farley / Andrew Bouflower (HCC)

Internal Audit Progress Report 2025-26	Written Report	Antony Harvey (Internal Audit)
<b>23 JANUARY 2026</b>		
Internal Audit Progress Report 2025-26	Written Report	Antony Harvey (Internal Audit)
Treasury Management Strategy 26/27 (Including Prudential Indicators)	Written Report	Gemma Farley / Andrew Bouflower (HCC)
<b>27 MARCH 2026</b>		
Internal Audit Progress Report 2025-26	Written Report	Antony Harvey (Internal Audit)
Internal Audit Charter 2026-27	Written Report	Antony Harvey (Internal Audit)
Internal Audit Plan 2026-27	Written Report	Antony Harvey (Internal Audit)

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