



Annual
Financial
Report
2020/2021



NEW FOREST DISTRICT COUNCIL
ANNUAL FINANCIAL REPORT - YEAR ENDED 31 MARCH 2021

CHAIRMAN OF THE COUNCIL
Councillor D Tipp

LEADER OF THE COUNCIL
Councillor E Heron

CHIEF EXECUTIVE Mrs K Ryan

CHIEF FINANCE OFFICER (S151) Mr A Bethune

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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 reviewed by Members of the Audit Committee at the meeting held on 28 January 2022 with formal approval by the Chairman on TBC.

**Cllr A O'Sullivan
Audit Committee Chairman**

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 2021 and the income and expenditure for that year ended.

Mr A Bethune FCCA – Chief Finance Officer (s151)

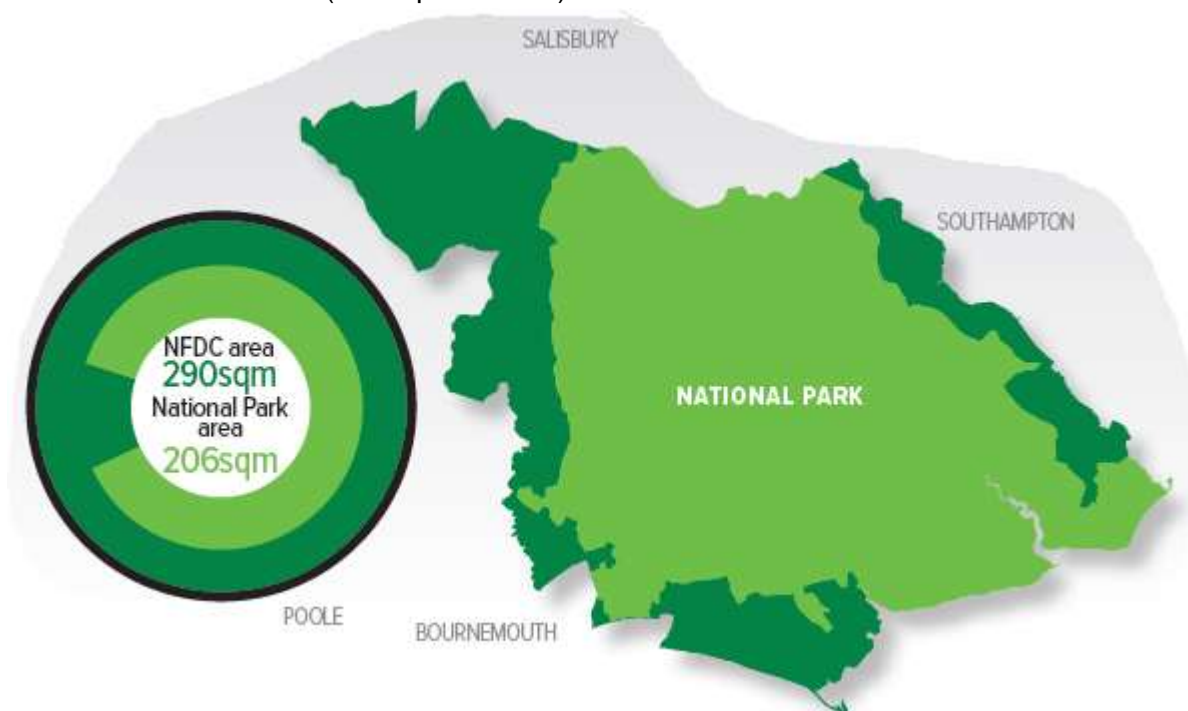
Date TBC

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 third largest economy in Hampshire, with a total Gross Value Added of £4.4 billion. The district contains over 8,000 businesses in total, which is more than any other local authority in Hampshire, including the cities of Southampton and Portsmouth. 89% of businesses in the district are micro in size employing fewer than 10 people. Self-employment is relatively high at over 11% and unemployment is consistently lower than in the rest of the country. Leisure, tourism and marine along with their associated supply chains are significant employment and economic sectors within the district.

Average earnings are low, with 60% of the working population earning less than the UK average. 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 new 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 60 Councillors and elections took place in May 2019. The current Political make-up of the Council is: 45 Conservative, 13 Liberal Democrat and 2 Independent.

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 commitments of Community Matters are:

- Delivering a prosperous New Forest and putting our community first
- Encouraging development that meets local needs and enhances the special qualities of the environment
- Creating balanced communities and housing options that are affordable and sustainable
- Keeping our communities safe and listening to their needs
- Enabling service provision and ensuring value for money for the Council Tax payer
- Improving the health and wellbeing of our community
- Working to tackle climate change and enhancing our special environment
- Helping local businesses grow and prosper

Key Achievements realised during 2020/21 against the Portfolios are outlined in the Annual Performance Report, reported to Cabinet in July 2021.

In light of the Covid 19 crisis, many of the key achievements in 2020/21 were the protected delivery of essential frontline services, and the Council playing its vital role in supporting vulnerable residents and businesses. The priorities set within the Corporate Plan will be revisited during 2021/22 to reflect on a new Portfolio Structure (from April 2021) as recovery efforts and new ways of life are established.

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 10 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.

NARRATIVE STATEMENT

The latest Medium Term Financial Plan, that accompanied the setting of the 2021/22 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 2023/24. Options include efficiency savings, the generation of new additional income through the Commercial and Residential Property Strategies and Council Tax increases.

COVID-19

2020/21 has been a year of unprecedented challenge and financial uncertainty as a result of the Covid-19 pandemic. Significant income losses and additional costs within services have been largely offset through welcomed general and specific Government support. In September 2020 the Council approved a revised emergency budget without needing to draw on the General Budget Reserve.

The financial impacts for the year as a result of Covid-19 have been recorded in monthly returns to the Ministry for Housing, Communities and Local Government (MHCLG). The March 2021 return, showed estimated additional costs and income losses of £9.891 million across both the General Fund and Housing Revenue Account. The Council received £3.880 million Covid related funding from the Government and expects £4.263 million for compensation for losses in sales, fees and charges.

In the year, the Council has administered over £67.6 million in emergency grants for businesses, as well as £668,000 council tax hardship funds and provided business support and assisted communities to reopen. This increase in workload has put pressure on capacity to deliver all services during the year and this is reflected in the outturn figures and annual performance report. Revenue expenditure for 2020/21 is summarised in the Comprehensive Income and Expenditure Statement. This shows the costs of all the Council's services and how the net expenditure has been funded.

Group Accounts

The Council has prepared Group Accounts for the first time in 2020/21 reflecting the Wholly Owned Group of 'Appletree Property' companies. 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. An annual report is presented to the Council's Corporate Affairs and Local Economy Overview and Scrutiny Panel on the activity of the Group of Companies.

NARRATIVE STATEMENT

2. The Statement of Accounts

The accounts for 2020/21 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.

NARRATIVE STATEMENT

3. Financial Performance during the Year

As at 31 March 2021 the Council had net assets of £267 million.

The majority of this net worth is in the Portfolio of Council Dwellings, valued at £385 million, offset with a debt liability of £127 million. Operational Land and Buildings total £68 million, Investment Properties £12 million, and other long-term assets and investments total £29 million. Cash and short-term investments total £34million. The council has a net pension liability of £117 million. This is explained in more detail in section 4 of this narrative statement.

Usable reserves total £62 million (an increase of £14 million from 2019/20), 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).

- **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 2020/21 original net budget requirement for the General Fund was £19.194 million, an increase of £1.702 million from 2019/20. The Council's budget anticipated being funded £12.8 million from Council Tax (including a £5 increase) and £7.3 million from retained business rates. In order to support the delivery of a balanced budget over the Medium Term and to flatten out Business Rate Collection Fund adjustments, the budget allowed for £1.062 million to be credited to the Budget Equalisation Reserve.

Net income shortfalls and additional expenditure pressures in services during the year were £4.322 million (£2.771 million in services and direct reserves transfers of £1.551 million). Adjustments were made to capital financing and retained business rates were £849,000 below the original budget. The level of government support received, coupled with the proactive measures taken by the Council in adopting an emergency budget resulted in a transfer to the Capital Programme reserve of £1.899 million for the year.

	Original Budget	Actual	Variation
	£000	£000	£000
Net Service Expenditure	17,660	20,431	2,771
Revenue Financing of Capital	1,556	1,094	(461)
Interest Earnings (Net)	(730)	(807)	(77)
Other Unringfenced Government Grants	(286)	(6,816)	(6,530)
Net Budget Requirement	18,200	13,902	(4,298)
Transfer to/(from) Earmarked Revenue Reserves	(256)	1,295	1,551
Transfer to/(from) Capital Programme Reserve	1,250	3,149	1,899
Contributions to/(from) Reserves	994	4,444	3,449
General Fund Budget	19,194	18,346	(849)
Council Taxpayers	(12,751)	(12,751)	0
Collection Fund adjustment from previous years	(218)	(218)	(0)
Non-Domestic Rates Redistribution	(7,287)	(17,796)	(10,509)
Transfer to/(from) Business Rates Equalisation Reserve	0	11,357	11,357
Transfer to/(from) Budget Equalisation Reserve	1,062	1,062	0
(Increase)/Decrease in General Fund Balance	0	(0)	(0)

NARRATIVE STATEMENT

- **Housing Revenue Account**

The Housing Revenue account deficit for 2020/21 was £137,000 compared with an originally budgeted break-even position. Income was £74,000 lower than originally budgeted and there were increased levels of expenditure on Repairs and Maintenance of £330,000, offset by savings in Supervision and Management costs of £212,000 and £49,000 in capital financing costs in comparison to the original budgets. The balance on the account as at 31 March 2021 was £1 million, after allowing for the transfer of £137,000 from earmarked reserves. The budget for 2021/22 anticipates a break-even position for the year.

	Original Budget	Actual	Variation
	£000	£000	£000
Income	(28,200)	(28,126)	74
Expenditure:			
Repairs and Maintenance	4,693	5,023	330
Supervision and Management	6,382	6,170	(212)
Capital Financing Costs	8,448	8,399	(49)
Other Expenditure	204	198	(6)
	(8,473)	(8,336)	136
Revenue Financing of Capital	8,473	8,473	0
(Surplus)/Deficit	0	137	137
Transfer to/(from) Earmarked Revenue Reserves	0	(137)	(137)
(Increase)/Decrease in Housing Revenue Account Balance	0	0	0

4. Pension Liability

The Council's Balance Sheet shows a net pension liability of £116.704 million, an increase of £17.234 million from 31 March 2020. Whilst this 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 2020/21 net increases in asset values credited to the Income and Expenditure Statement were £7.959 million, but these were offset by capital expenditure not enhancing value of £15.151 million, to arrive at a net impairment of £7.192 million. This compares with a net impairment debit of £10.710 million in 2019/20. These items are reflected in the Net Cost of Services. In addition, a net £4.863 million was credited to the Revaluation Reserve (£3.576 million in 2019/20)

	2019/20	2020/21
	£000	£000
Income and Expenditure Statement / Capital Adjustment Account		
Revaluation Increases	(8,518)	(9,609)
Revaluation Decreases	6,376	1,650
Net Revaluation (Increases)/Decreases	(2,142)	(7,959)
Capital Expenditure not enhancing asset value	12,852	15,151
Total Income and Expenditure Statement Impairments	10,710	7,192
Revaluation Reserve		
Revaluation Increases	(4,136)	(5,688)
Revaluation Decreases	560	825
Total Revaluation Reserve	(3,576)	(4,863)
Total Impairments/Revaluations	7,134	2,329

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 2020/21 (including the gross value of the Coastal Regional Monitoring Programme) was £25.694 million. This was initially supplemented by rephasings of £3.061 million from 2019/20. A review of the programme during the year as reported through Financial Monitoring reduced the approved budget to £27.238 million. Actual expenditure of £25.785 million was £1.493 million less than the last approved budget, predominately in relation to treatment of expenditure on the Residential Property Investment Programme between equity and loan.

	Original Budget	Expenditure	Variance
	£000	£000	£000
Housing Revenue Account			
Major Repairs	6,000	5,585	(415)
Public Sector Disabled Adaptations	1,000	641	(359)
Acquisition and Development Programme	8,600	10,396	1,796
Environmental Enhancements	200	131	(69)
	15,800	16,753	953
Environment and Regulatory Services			
Coast Protection*	1,945	3,578	1,633
Public Conveniences	375	8	(367)
	2,320	3,586	1,266
Finance, Corporate Services and Improvement			
Depots	3,000	160	(2,840)
Commercial Property Investment	0	3,433	3,433
Residential Property Investment	0	387	387
Smarter Working	500	(5)	(505)
Information Technology	0	268	268
Vehicles, Plant and Equipment	1,682	206	(1,475)
	5,182	4,449	(733)
Housing Services			
Private Sector Disabled Adaptations/Home Repair Loans	1,200	545	(655)
	1,200	545	(655)
Leisure and Wellbeing			
Open Space NFDC	292	173	(119)
	292	173	(119)
Planning and Infrastructure			
Transportation	265	172	(93)
Mitigation Schemes	635	107	(528)
	900	279	(621)
	25,694	25,785	91
Less:			
Coastal Regional Monitoring Programme*	(1,363)	(1,511)	(148)
	24,331	24,274	(57)

NARRATIVE STATEMENT

The actual expenditure of £24.274 million was financed by:

	£000	%
Capital Reserve	2,278	9.39
Loan - General	7,080	29.17
Capital Receipts	2,710	11.16
Grant	3,050	12.56
Developers' Contributions	453	1.86
Other (HRA Repairs and Maintenance)	8,704	35.86
	24,274	100.00

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 2021 the Council had useable reserves/receipts of £41.387 million for capital expenditure purposes (Earmarked Reserves £13.089 million, Capital Programme Reserves £12.143 million, Developers' Contributions and Community Infrastructure Levy £11.183 million, Capital Grants Receipts in Advance £1.401 million and Capital Receipts Reserve £3.571 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 2021/22 is £36.197 million, including £20.250 million of schemes to be funded from Housing Revenue Account resources. The estimated total resources for 2021/22 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 and regeneration, and income generation. The timing of prospective purchases is not known, and so the original budgets do not currently allow for any of this expenditure. In December 2017, the Council approved a strategy to invest in residential property, giving the Council 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 2020/21 accounts and as included in the setting of the 2021/22 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 £18.246 million. The Housing Acquisitions and Development Reserve is £13.089 million and the Housing Revenue Account balance is £1 million. In addition, the Housing Revenue Account ICT reserve is £351,000 as at 31 March 2021.

The Council's Medium Term Financial Plan as adopted in February 2021 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.

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 2020/21 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 2021/22 but the additional S31 grant is credited to the Council's General Fund in 2020/21, resulting in an inflated year end General Fund position. The reliefs are shown as a deficit within the overall negative Collection Fund Adjustment Account reserve balance of £11.283 million and £11.357 million has been transferred to a new Business Rates Reserve to be drawn down in 2021/22 to offset the charge from the Collection Fund in that year.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2019/20				2020/21			
Gross Expend £000	Gross Income £000	Net Expend £000		Note	Gross Expend £000	Gross Income £000	Net Expend £000
2,566	(562)	2,004	Community Affairs		2,377	(1,045)	1,332
12,996	(3,290)	9,706	Environment and Regulatory Services		15,540	(3,800)	11,740
40,250	(34,327)	5,923	Finance, Investment and Corporate Services		38,930	(34,824)	4,106
6,901	(4,573)	2,328	Housing Services		6,685	(4,651)	2,034
45	0	45	Leader and Corporate Affairs		174	0	174
9,894	(7,253)	2,641	Leisure and Wellbeing		8,552	(2,210)	6,342
837	(614)	223	Economic Development		360	(323)	37
7,489	(5,457)	2,032	Planning and Infrastructure		7,323	(4,693)	2,630
80,978	(56,076)	24,902	General Fund		79,941	(51,546)	28,395
28,492	(28,002)	490	Housing Revenue Account		24,767	(28,097)	(3,330)
109,470	(84,078)	25,392	Cost of Services		104,708	(79,643)	25,065
			Other Operating Expenditure				
6,106			Town and Parish Council Precepts		6,519		
574			Payments to the Government Housing Capital Receipts Pool		662		
	(1,365)		(Gains)/Losses on the disposal of Non-Current Assets			(1,072)	
358	(1,192)		VAT Assessment / (Refund)		0	0	
		4,481	Total Other Operating Expenditure				6,109
			Financing and Investment Income and Expenditure				
			Interest Payable and Similar Charges:				
26			- General Fund		19		
4,339			- HRA		4,245		
	(1)		Expected Credit (Gain)/Loss on Investments		3		
1,419	(27)		Changes in the fair value of Investments		45	(1,177)	
	(1,339)		Other Investment Income			(843)	
2,164			Net interest on the net defined benefit liability/(asset)	43	2,242		
	(109)		Income, expenditure and changes in the fair value of Investment Properties	12	7		
		6,472	Total Financing and Investment Income and Expenditure				4,541
			Taxation and Non-Specific Grant Income				
	(18,660)		Council Tax Income (incl. Parish precepts)			(19,339)	
	(5,514)		Non-Domestic Rates Income and Expenditure	45		(5,942)	
	(526)		Unringfenced Government Grants	45		(6,816)	
	(2,407)		Capital Grants and Contributions	45		(3,714)	
		(27,107)	Total Taxation and Non-Specific Grant Income				(35,811)
124,456	(115,218)	9,238	(Surplus)/Deficit on the Provision of Services	5	118,450	(118,546)	(96)
	(3,577)		(Surplus)/Deficit arising from the revaluation of Property, Plant and Equipment Assets			(4,863)	
1,661		(1,916)	Re-measurement of the defined benefit liability/(asset)	43	11,276		
			Other Comprehensive Income and Expenditure				6,413
		7,322	Total Comprehensive Income and Expenditure				6,317

Total Comprehensive Income and Expenditure has moved by £1.005 million between 2019/20 and 2020/21. The reasons for this are detailed in Note 6.

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
2020/21:			
Community Affairs	1,132	200	1,332
Environment and Regulatory Services	8,944	2,796	11,740
Finance, Investment and Corporate Services	3,249	857	4,106
Housing Services	1,687	347	2,034
Leader and Corporate Affairs	167	7	174
Leisure and Wellbeing	5,406	936	6,342
Economic Development	(21)	58	37
Planning and Infrastructure	1,755	875	2,630
General Fund	22,319	6,076	28,395
Housing Revenue Account	(7,986)	4,656	(3,330)
Cost of Services	14,333	10,732	25,065
Total Other Operating Expenditure	6,519	(410)	6,109
Total Financing and Investment Income and Expenditure	2,924	1,617	4,541
Total Taxation and Non-Specific Grant Income	(32,096)	(3,715)	(35,811)
(Surplus)/Deficit on the Provision of Services	(8,320)	8,224	(96)
Other Comprehensive Income and Expenditure	(5,898)	12,311	6,413
Total Comprehensive Income and Expenditure	(14,218)	20,535	6,317
Opening General Fund and HRA Balances	(4,000)		
Less Deficit/(Surplus) on General Fund and HRA in Year	(14,218)		
Transfer to/ (from) Earmarked Reserves	14,218		
Closing General Fund and HRA Balances	(4,000)		
2019/20:			
Community Affairs	1,857	147	2,004
Environment and Regulatory Services	8,765	941	9,706
Finance, Investment and Corporate Services	5,234	689	5,923
Housing Services	2,125	203	2,328
Leader and Corporate Affairs	43	2	45
Leisure and Wellbeing	1,144	1,497	2,641
Economic Development	(88)	311	223
Planning and Infrastructure	1,473	559	2,032
General Fund	20,553	4,349	24,902
Housing Revenue Account	(8,436)	8,926	490
Cost of Services	12,117	13,275	25,392
Total Other Operating Expenditure	5,272	(791)	4,481
Total Financing and Investment Income and Expenditure	2,938	3,534	6,472
Total Taxation and Non-Specific Grant Income	(24,701)	(2,407)	(27,108)
(Surplus)/Deficit on the Provision of Services	(4,374)	13,611	9,237
Other Comprehensive Income and Expenditure	12,336	(14,251)	(1,915)
Total Comprehensive Income and Expenditure	7,962	(640)	7,322
Opening General Fund and HRA Balances	(4,000)		
Less Deficit/(Surplus) on General Fund and HRA in Year	7,962		
Transfer to/ (from) Earmarked Reserves	(7,962)		
Closing General Fund and HRA Balances	(4,000)		

See Note 5 for further analysis

MOVEMENT IN RESERVES STATEMENT

	General Fund Balance	Earmarked General Fund / HRA Reserves	Housing Revenue Account	Capital Programme Reserve	Capital Receipts Reserve	Community Infrastructure Levy Unapplied	Developers' Contributions Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000		£000	£000	£000	
Balance at 31 March 2019	(3,000)	(25,158)	(1,000)	(12,415)	(5,801)	(4,094)	(3,526)	(54,994)	(225,504)	(280,498)
<i>Movement in reserves during 2019/20</i>										
(Surplus)/deficit on the provision of services	5,772	0	3,466	0	0	0	0	9,238	0	9,238
Other comprehensive income and expenditure	0	0	0	0	0	0	0	0	(1,916)	(1,916)
Total Comprehensive Income and Expenditure	5,772	0	3,466	0	0	0	0	9,238	(1,916)	7,322
Adjustments between accounting basis and funding basis under regulations (note 8)	(3,747)	0	2,471	0	1,183	(1,118)	(721)	(1,932)	1,932	0
Net (Increase)/Decrease Before Transfers to Earmarked Reserves	2,025	0	5,937	0	1,183	(1,118)	(721)	7,306	16	7,322
Transfers to/(from) earmarked reserves (notes 9/10)	(2,025)	5,844	(5,937)	2,118	0	0	0	0	0	0
(Increase) / Decrease in Year	0	5,844	0	2,118	1,183	(1,118)	(721)	7,306	16	7,322
Balance at 31 March 2020	(3,000)	(19,314)	(1,000)	(10,297)	(4,618)	(5,212)	(4,247)	(47,688)	(225,488)	(273,176)
<i>Movement in reserves during 2020/21</i>										
(Surplus)/deficit on the provision of services	586	0	(682)	0	0	0	0	(96)	0	(96)
Other comprehensive income and expenditure	0	0	0	0	0	0	0	0	6,413	6,413
Total Comprehensive Income and Expenditure	586	0	(682)	0	0	0	0	(96)	6,413	6,317
Adjustments between accounting basis and funding basis under regulations (note 8)	(16,147)	0	2,025	0	1,047	(786)	(361)	(14,222)	14,222	0
Net (Increase)/Decrease Before Transfers to Earmarked Reserves	(15,561)	0	1,343	0	1,047	(786)	(361)	(14,318)	20,635	6,317
Transfers to/(from) earmarked reserves (notes 9/10)	15,561	(12,372)	(1,343)	(1,846)	0	0	0	0	0	0
(Increase) / Decrease in Year	0	(12,372)	0	(1,846)	1,047	(786)	(361)	(14,318)	20,635	6,317
Balance at 31 March 2021	(3,000)	(31,686)	(1,000)	(12,143)	(3,571)	(5,998)	(4,608)	(62,006)	(204,853)	(266,859)

BALANCE SHEET AS AT 31 MARCH

2019/20			2020/21	
£000	£000		£000	£000
		Notes		
		Long-Term Assets		
		Property, Plant and Equipment:		
375,573		Council Dwellings	11	384,811
68,506		Other Land and Buildings	11	67,842
3,236		Vehicles, Plant and Equipment	11	2,437
3,386		Infrastructure	11	3,064
537		Community Assets	11	537
4,312	455,550	Assets Under Construction	11	3,286
				461,977
	9,454	Investment Property	12	12,384
	18,636	Long-Term Investments	14	17,120
	1,467	Long-Term Debtors	15	2,712
	485,107	Total Long-Term Assets		494,193
		Current Assets		
20,062		Short-Term Investments	16	25,053
285		Inventories	17	267
11,662		Short-Term Debtors	18	17,491
(2,667)		Bad Debt Provision	18	(2,987)
18,553		Cash and Cash Equivalents	19	8,878
	47,895	Total Current Assets		48,702
	533,002	Total Assets		542,895
		Current Liabilities		
(4,348)		Short-Term Borrowing	20	(4,346)
(24,055)		Short-Term Creditors	21	(27,435)
	(28,403)	Total Current Liabilities		(31,781)
		Long-Term Liabilities		
(126,906)		Long-Term Borrowing	23	(122,605)
(3,878)		Provisions	24	(2,968)
(544)		Capital Grants - Receipts in Advance	25	(1,401)
(625)		Developers' Contributions - Receipts in Advance	26	(577)
(99,470)		Net Pensions Liability	43	(116,704)
	(231,423)	Total Long-Term Liabilities		(244,255)
	273,176	Net Assets		266,859
		Usable Reserves		
3,000		General Fund Balance		3,000
19,314		Earmarked Reserves	9	31,686
1,000		Housing Revenue Account Balance		1,000
10,297		Capital Programme Reserve	10	12,143
4,618		Capital Receipts Reserve	27	3,571
5,212		Community Infrastructure Levy Unapplied	28	5,998
4,247	47,688	Developers' Contributions Unapplied	28	4,608
				62,006
		Unusable Reserves		
41,864		Revaluation Reserve	29	46,595
283,315		Capital Adjustment Account	30	286,484
(1,219)		Financial Instruments Revaluation Reserve	31	(90)
558		Deferred Capital Receipts Reserve	32	444
(99,470)		Pensions Reserve	33	(116,704)
722		Collection Fund Adjustment Account	34	(11,283)
(282)	225,488	Accumulating Absences Adjustment Account	38	(593)
	273,176	Total Reserves		204,853
				266,859

Mr A Bethune FCCA – Chief Finance Officer (S151)

Date TBC

CASH FLOW STATEMENT

2019/20		Notes	2020/21
£000			£000
9,238	Net (surplus) or deficit on the provision of services		(96)
(28,858)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	35	(22,408)
3,169	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	35	2,165
(16,451)	Net cash flows from Operating Activities		(20,339)
1,735	Investing Activities	36	20,685
2,037	Financing Activities	37	9,329
(12,679)	Net (increase) or decrease in cash and cash equivalents		9,675
(5,874)	Cash and cash equivalents at the beginning of the reporting period		(18,553)
(18,553)	Cash and cash equivalents at the end of the reporting period	19	(8,878)

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

i) General Principles

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at the year end of 31 March 2021. 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 2020/21 and the Service Reporting Code of Practice 2020/21 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 pensions 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.

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

NOTES TO THE ACCOUNTS

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 2020/21 (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 2021
Council Dwellings	Up to 60 years
Council Garages	60 years
Depots	60 years
Public Conveniences	Between 1 and 60 years
Offices	Between 50 and 60 years
Cemeteries	Indefinite
Health and Leisure Centres	60 years
Equipment	Between 0 and 29 years
Coastal Protection Works	Up to 8 years
Land Drainage Works	Up to 24 years
Public Lighting Works	Up to 23 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 2021/22 Code are:

Definition of a Business: Amendments to IFRS 3 Business Combinations

Interest Rate Benchmark Reform: Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Lease

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.

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).

NOTES TO THE ACCOUNTS

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 £2.987 million in 2020/21 (£2.667 million in 2019/20) 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 £149,000 (£133,000 in 2019/20).

NOTES TO THE ACCOUNTS

Item	Uncertainties	Effect if Actual Results Differ from Assumptions/Estimates
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 43. During 2020/21, the Council's actuaries advised that the net pension liability had reduced by £3.328 million due to estimates being corrected, as a result of experience and increased by £54.743 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 2020/21 is £594,000. A 5% increase in the accrual would amount to £29,700. This would not impact on the usable reserves of the Council.
Business Rates Appeals Provision	The provision of £2.896 million made by the Council is its 40% share of an overall provision of £7.240 million provision made in the Collection Fund. The overall figure is based on a national estimate of 3.6% successful appeals on the gross rateable value, less appeals already settled and adjusted for major appeals that have been notified by the Valuation Office as being in hand and likely to be successful, but not yet settled.	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 £2.928 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 were revised during 2017/18 to include Towns and Parishes across the District, rather than being too 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 2020/21, the NFDC Beacon indices totaled 1.30%, whereas the South East benchmark totaled 0.90%. The resultant difference in these figures equates to circa £1.5 million.</p>
Property, Plant and Equipment	<p>The Council carries out a rolling programme of valuations for PPE and £417 million of assets were valued in 2020/21</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 £4.2 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 £187,000 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 2021 was £12.4 million.</p>	<p>A 1% change in the valuation of investment properties would change the reported value by £124,000.</p>
Britain leaving the European Union: asset values and pension liability	<p>There is a high level of uncertainty about the implications of Britain leaving the European Union. It is not possible to predict with any level of certainty how on-going negotiations with the EU will then impact on the UK economy, including asset valuations and discount rates. The assumption has been made that any outcome will not significantly impair the value of the Council's assets or change the discount rate. However, this assumption needs to be revisited and reviewed regularly.</p>	<p>Higher impairment allowances may need to be charged in the future if asset values fall. If the discount rate changes, the size of the net pension liability will also vary.</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
2020/21:				
Community Affairs	0	186	14	200
Environment and Regulatory Services	2,008	726	62	2,796
Finance, Investment and Corporate Services	422	402	33	857
Housing Services	17	303	27	347
Leader and Corporate Affairs	0	6	1	7
Leisure and Wellbeing	400	502	34	936
Economic Development	0	53	5	58
Planning and Infrastructure	0	805	70	875
General Fund	2,847	2,983	246	6,076
Housing Revenue Account	3,858	731	67	4,656
Net Cost of Services	6,705	3,714	313	10,732
Other Income and Expenditure from the Expenditure and Funding Analysis	(14,591)	13,518	10,875	9,802
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(7,886)	17,232	11,188	20,534
2019/20:				
Community Affairs	0	148	(1)	147
Environment and Regulatory Services	454	490	(3)	941
Finance, Investment and Corporate Services	432	260	(3)	689
Housing Services	3	200	0	203
Leader and Corporate Affairs	0	2	0	2
Leisure and Wellbeing	1,178	327	(8)	1,497
Economic Development	246	64	1	311
Planning and Infrastructure	0	558	1	559
General Fund	2,313	2,049	(13)	4,349
Housing Revenue Account	8,408	504	14	8,926
Net Cost of Services	10,721	2,553	1	13,275
Other Income and Expenditure from the Expenditure and Funding Analysis	(18,765)	3,825	1,025	(13,915)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(8,044)	6,378	1,026	(640)

NOTES TO THE ACCOUNTS

Expenditure and Income Analysed by Nature:

2019/20		2020/21
£000	Expenditure	£000
31,117	Employee benefits expenses	31,644
56,338	Other services expenses	53,584
3,359	Support Service recharges	2,727
20,433	Depreciation, amortisation and impairment	16,798
6,529	Interest Payments	6,516
6,106	Precepts and Levies	6,519
574	Payments to Housing Capital Receipts Pool	662
124,456	Total Expenditure	118,450
	Income	
(49,851)	Fees, charges and other service income	(43,126)
(1,365)	Gain on the disposal of assets	(1,072)
(1,476)	Interest and investment income	(2,020)
(18,660)	Income from council tax	(19,339)
(43,866)	Government grants and contributions	(52,989)
(115,218)	Total Income	(118,546)
9,238	(Surplus) or Deficit on the Provision of Services	(96)

Segmental Income:

	Government Grant and Other Income	Fees, Charges and Other Service Income	Total
	£000	£000	£000
2020/21:			
Community Affairs	(82)	(963)	(1,045)
Environment and Regulatory Services	(858)	(2,942)	(3,800)
Finance, Investment and Corporate Services	(33,451)	(1,373)	(34,824)
Housing Services	(1,604)	(3,047)	(4,651)
Leisure and Wellbeing	(173)	(2,037)	(2,210)
Economic Development	0	(323)	(323)
Planning and Infrastructure	(347)	(4,346)	(4,693)
General Fund	(36,515)	(15,031)	(51,546)
Housing Revenue Account	0	(28,097)	(28,097)
	(36,515)	(43,128)	(79,643)
2019/20:			
Community Affairs	(39)	(523)	(562)
Environment and Regulatory Services	(263)	(3,027)	(3,290)
Finance, Corporate Services and Improvement	(32,965)	(1,362)	(34,327)
Housing Services	(1,723)	(2,850)	(4,573)
Leisure and Wellbeing	(149)	(7,104)	(7,253)
Local Economic Development, Property and Innovation	0	(614)	(614)
Planning and Infrastructure	(249)	(5,208)	(5,457)
General Fund	(35,388)	(20,688)	(56,076)
Housing Revenue Account	(32)	(27,970)	(28,002)
	(35,420)	(48,658)	(84,078)

NOTES TO THE ACCOUNTS

6. MATERIAL ITEMS OF INCOME AND EXPENDITURE

The Total Comprehensive Income and Expenditure Statement has a net expenditure position of £6.317 million in 2020/21, a movement of £1.005 million from the £7.322 million net expenditure position in 2019/20. The main reasons for the variation, most of which do not impact on usable resources, are as follows:

	2019/20 £000	2020/21 £000	Variation £000
Depreciation and Revaluation/Impairment of Non Current Assets	12,141	8,448	(3,693)
Capital Grants and Contributions	(3,695)	(4,696)	(1,001)
Revenue Expenditure Funded from Capital	1,290	998	(292)
Payments to the Housing Pooled Capital Receipts	574	662	88
(Gains)/Losses on Non Current Asset Disposals	(1,365)	(1,072)	293
Movements in value of Investment Properties	232	150	(82)
Changes in Fair Value of Investments	1,392	(1,132)	(2,524)
Pension Fund Actuarial (Gains)/Losses	1,661	11,276	9,615
Other IAS19 Pension Adjustments	4,717	5,958	1,241
(Surplus)/Deficit arising from the revaluation of Property, Plant and Equipment (Revaluation)	(3,577)	(4,863)	(1,286)
Other Items	(12)	314	326
Items Not Affecting Council Tax / Housing Rents	13,358	16,043	2,685
Equipment Purchases	832	249	(583)
Dwellings Depreciation	8,321	8,703	382
Non-Ringfenced Government Grants	(6,040)	(12,758)	(6,718)
Interest Payable and Similar Charges	4,365	4,264	(101)
Investment Income	(1,339)	(843)	496
Other Items	(12,175)	(9,341)	2,834
Items Affecting Council Tax / Housing Rents	(6,036)	(9,726)	(3,690)
Total Comprehensive Income and Expenditure	7,322	6,317	(1,005)

7. EVENTS AFTER THE REPORTING PERIOD

The draft key Accounting Statements were presented to the Audit Committee on 2 July 2021, and subsequently authorised for publication by the Chief Finance Officer s151 on 30 July 2021.

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 2021, 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 2021.

NOTES TO THE ACCOUNTS

8. 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

2020/21	Usable Reserves						Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Community Infrastructure Levy	Developers' Contributions Unapplied	
	£000	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:							
Charges for depreciation and impairment of non-current assets	(1,404)	(2)	0	(8,704)	0	0	10,110
Revaluation Gains / (Losses) on Property, Plant and Equipment	(333)	8,442	0	0	0	0	(8,109)
Capital Expenditure not enhancing value	(2,850)	(12,301)	0	0	0	0	15,151
Movements in the market value of Investment Properties	(150)	0	0	0	0	0	150
Expected Credit Loss on Investments	(3)	0	0	0	0	0	3
Movement in the Fair Value of Investments	1,132	0	0	0	0	0	(1,132)
Capital grants and contributions applied	2,124	974	0	0	0	0	(3,098)
Revenue expenditure funded from capital under statute	(998)	0	0	0	0	0	998
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	(8)	(1,085)	0	0	0	0	1,093
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:							
Provision for the financing of capital investment	1,094	4,141	0	0	0	0	(5,235)
Capital expenditure charged against the General Fund and HRA balances	1,303	975	0	0	0	0	(2,278)
Adjustments primarily involving the Capital Grants / Developers' Contributions Unapplied Account:							
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1,552	0	0	0	(786)	(766)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	0	405	(405)

NOTES TO THE ACCOUNTS

2020/21	Usable Reserves						Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Community Infrastructure Levy	Developers' Contributions Unapplied	
	£000	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Receipts Reserve:							
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)	71	2,094	(2,165)	0	0	0	0
Transfer of cash proceeds from non PPE assets	20	23	(43)	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	2,710	0	0	0	(2,710)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(662)	0	662	0	0	0	0
Adjustments primarily involving the Deferred Capital Receipts Reserve:							
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	3	(117)	0	0	0	114
Adjustments primarily involving the Major Repairs Reserve:							
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	8,704	0	0	(8,704)
Adjustments primarily involving the Pension Reserve:							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(8,405)	(2,029)	0	0	0	0	10,434
Employer's pensions contributions and direct payments to pensioners payable in the year	3,619	857	0	0	0	0	(4,476)

NOTES TO THE ACCOUNTS

2020/21	Usable Reserves						Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Community Infrastructure Levy	Developers' Contributions Unapplied	
	£000	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Collection Fund Adjustment Account:							
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	(12,004)	0	0	0	0	0	12,004
Adjustments primarily involving the Accumulating Absences Adjustment Account:							
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(245)	(67)	0	0	0	0	312
Total Adjustments	(16,147)	2,025	1,047	0	(786)	(361)	14,222

NOTES TO THE ACCOUNTS

2019/20 Comparative Figures	Usable Reserves						Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Community Infrastructure Levy	Developers' Contributions Unapplied	
	£000	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:							
Charges for depreciation and impairment of non-current assets	(1,659)	(3)	0	(8,321)	0	0	9,983
Revaluation Gains / (Losses) on Property, Plant and Equipment	(1,125)	3,498	0	0	0	0	(2,373)
Capital Expenditure not enhancing value	(946)	(11,906)	0	0	0	0	12,852
Movements in the market value of Investment Properties	(232)	0	0	0	0	0	232
Expected Credit Loss on Investments	1	0	0	0	0	0	(1)
Movement in the Fair Value of Investments	(1,392)	0	0	0	0	0	1,392
Capital grants and contributions applied	1,393	248	0	0	0	0	(1,641)
Revenue expenditure funded from capital under statute	(1,290)	0	0	0	0	0	1,290
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)	(1,803)	0	0	0	0	1,804
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:							
Provision for the financing of capital investment	1,222	4,100	0	0	0	0	(5,322)
Capital expenditure charged against the General Fund and HRA balances	2,239	6,085	0	0	0	0	(8,324)
Adjustments primarily involving the Capital Grants / Developers' Contributions Unapplied Account:							
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1,919	0	0	0	(1,118)	(801)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	0	80	(80)

NOTES TO THE ACCOUNTS

2019/20 Comparative Figures	Usable Reserves						Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Community Infrastructure Levy	Developers' Contributions Unapplied	
	£000	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Receipts Reserve:							
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)	46	3,123	(3,169)	0	0	0	0
Transfer of cash proceeds from non PPE assets	94	38	(132)	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	3,910	0	0	0	(3,910)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(574)	0	574	0	0	0	0
Adjustments primarily involving the Deferred Capital Receipts Reserve:							
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	2	0	0	0	0	(2)
Adjustments primarily involving the Major Repairs Reserve:							
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	8,321	0	0	(8,321)
Adjustments primarily involving the Pension Reserve:							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(8,731)	(1,881)	0	0	0	0	10,612
Employer's pensions contributions and direct payments to pensioners payable in the year	4,923	972	0	0	0	0	(5,895)

NOTES TO THE ACCOUNTS

2019/20 Comparative Figures	Usable Reserves						Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Community Infrastructure Levy	Developers' Contributions Unapplied	
	£000	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Collection Fund Adjustment Account:							
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	353	0	0	0	0	0	(353)
Adjustments primarily involving the Accumulating Absences Adjustment Account:							
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	13	(2)	0	0	0	0	(11)
Total Adjustments	(3,747)	2,471	1,183	0	(1,118)	(721)	1,932

NOTES TO THE ACCOUNTS

9. 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 2019 £000	Transfers Out 2019/20 £000	Transfers In 2019/20 £000	Balance 31 March 2020 £000	Transfers Out 2020/21 £000	Transfers In 2020/21 £000	Balance 31 March 2021 £000
Building Control Surplus	(3)	0	(41)	(44)	0	(127)	(171)
Business Rates Equalisation	(1,554)	0	(221)	(1,775)	0	(1,062)	(2,837)
Business Rates Reserve	0	0	0		0	(11,357)	(11,357)
Committed Schemes	(1,045)	1,045	(469)	(469)	469	(593)	(593)
Community Housing Fund	(936)	16	0	(920)	38	0	(882)
Contain Outbreak Management	0	0	0	0	0	(103)	(103)
Council Tax Hardship Reserve	0	0	0	0	0	(162)	(162)
Historic Buildings	(7)	0	0	(7)	0	0	(7)
Housing Needs Survey	(108)	0	0	(108)	0	0	(108)
Leisure Development	0	0	(834)	(834)	0	0	(834)
Local Development Framework	(207)	178	0	(29)	9	(350)	(370)
Lymington Synthetic Turf Pitch	(168)	0	(19)	(187)	0	(20)	(207)
Open Space Maintenance	(120)	56	(19)	(83)	56	(447)	(474)
Private Housing Stock Condition Survey	(117)	29	0	(88)	29	0	(59)
Quadrennial Election	(174)	174	0	0	0	(44)	(44)
Treasury Management	0	0	0	0	0	(38)	(38)
General Fund	(4,439)	1,498	(1,603)	(4,544)	601	(14,303)	(18,246)
HRA ICT	(366)	0	(44)	(410)	59	0	(351)
Housing Acquisitions and Development	(20,353)	5,993	0	(14,360)	1,271	0	(13,089)
Total Reserves	(25,158)	7,491	(1,647)	(19,314)	1,931	(14,303)	(31,686)

NOTES TO THE ACCOUNTS

10. CAPITAL PROGRAMME RESERVE

This note sets out the amounts set aside from the General Fund to provide for financing of future years' capital expenditure.

	Balance 1 April 2019	Transfers Out 2019/20	Transfers In 2019/20	Balance 31 March 2020	Transfers Out 2020/21	Transfers In 2020/21	Balance 31 March 2021
	£000	£000	£000	£000	£000	£000	£000
Capital Programme	(12,415)	2,506	(388)	(10,297)	1,303	(3,149)	(12,143)
	(12,415)	2,506	(388)	(10,297)	1,303	(3,149)	(12,143)

11. 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 2020/21 this work was carried out by the Council's valuer P. Marston, MRICS, Registered Valuer. The revaluation programme for 2020/21 principally comprised the majority of the Council's non-operational 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.

2019/20		2020/21
5,120	Council Dwellings	5,168
2	Main Office Blocks	2
2	Other Offices	2
5	Depots and Administrative Buildings	5
5	Health and Leisure Centres	5
50	Car Parks	51
9	Cemeteries	9
24	Public Conveniences	23
201	Vehicles	234
1,788	Garages	1,788

NOTES TO THE ACCOUNTS

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
Carried at Historic Cost (Net of Depreciation)			2,437	3,064		3,286	8,787
Valued at Fair Value as at:							
2020/21	384,491	41,252					425,743
2019/20	320	2,383			537		3,240
2018/19		2,090					2,090
2017/18		4,764					4,764
2016/17		17,353					17,353
Total Cost or Valuation	384,811	67,842	2,437	3,064	537	3,286	461,977

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:

Movements in 2020/21:	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure	Community Assets	Assets Under Construction	Total Property, Plant and Equipment
Cost or Valuation	£000	£000	£000	£000	£000	£000	£000
At 1 April 2020	375,573	68,858	10,629	19,839	537	4,312	479,748
Additions	16,310	206	206	2,066	0	400	19,188
Revaluation increases / (decreases) recognised in the Revaluation Reserve	4,759	(74)	0	0	0	0	4,685
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	399	(768)	0	0	0	(480)	(849)
Capital Expenditure not enhancing value recognised in the Surplus / Deficit on the Provision of Services	(12,257)	(206)	0	(2,066)	0	0	(14,529)
Derecognition - disposals	(1,085)	(7)	(310)	0	0	0	(1,402)
Other movements in cost or valuation	1,112	(166)	0	0	0	(946)	0
At 31 March 2021	384,811	67,843	10,525	19,839	537	3,286	486,841
Accumulated Depreciation and Impairment							
At 1 April 2020	0	(352)	(7,393)	(16,453)	0	0	(24,198)
Depreciation charge	(8,704)	(81)	(1,004)	(322)	0	0	(10,111)
Depreciation written out to the Revaluation Reserve	0	178	0	0	0	0	178
Depreciation written out to the Surplus / Deficit on the Provision of Services	8,704	254	0	0	0	0	8,958
Derecognition - disposals	0	0	309	0	0	0	309
At 31 March 2021	0	(1)	(8,088)	(16,775)	0	0	(24,864)
Net Book Value							
at 31 March 2021	384,811	67,842	2,437	3,064	537	3,286	461,977
at 31 March 2020	375,573	68,506	3,236	3,386	537	4,312	455,550

NOTES TO THE ACCOUNTS

Comparative Movements in 2019/20:	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure	Community Assets	Assets Under Construction	Total Property, Plant and Equipment
Cost or Valuation	£000	£000	£000	£000	£000	£000	£000
At 1 April 2019	370,038	70,066	10,336	19,839	0	6,673	476,952
Additions	13,927	1,311	631	183	74	3,802	19,928
Revaluation increases / (decreases) recognised in the Revaluation Reserve	3,481	(156)	0	0	251	0	3,576
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(219)	(1,139)	0	0	0	(4,603)	(5,961)
Capital Expenditure not enhancing value recognised in the Surplus / Deficit on the Provision of Services	(11,884)	(539)	0	(183)	0	0	(12,606)
Derecognition - disposals	(1,803)	0	(338)	0	0	0	(2,141)
Other movements in cost or valuation	2,033	(685)	0	0	212	(1,560)	0
At 31 March 2020	375,573	68,858	10,629	19,839	537	4,312	479,748
Accumulated Depreciation and Impairment							
At 1 April 2019	0	(275)	(6,484)	(16,127)	0	0	(22,886)
Depreciation charge	(8,321)	(90)	(1,246)	(326)	0	0	(9,983)
Depreciation written out to the Surplus / Deficit on the Provision of Services	8,321	13	0	0	0	0	8,334
Derecognition - disposals	0	0	337	0	0	0	337
At 31 March 2020	0	(352)	(7,393)	(16,453)	0	0	(24,198)
Net Book Value							
at 31 March 2020	375,573	68,506	3,236	3,386	537	4,312	455,550
at 31 March 2019	370,038	69,791	3,852	3,712	0	6,673	454,066

NOTES TO THE ACCOUNTS

d) Impairments

Valuation reductions of Property, Plant and Equipment Assets in 2020/21 were £2.468 million (Council Dwellings £661,000, Garages £307,000 and General Fund Assets £1.500 million), but valuation increases were £15.290 million (Council Dwellings £14.168 million, Other HRA Properties £5,000, and other General Fund Assets £1.117 million)

Offsetting the net valuation increases was non-enhancing capital expenditure of £12.301 million on Council Dwellings, and £2.850 million on General Fund Assets, which was impaired via the Comprehensive Income and Expenditure Statement in the year.

Net valuation reductions of Investment Properties in 2020/21 were £150,000.

e) Capital Expenditure Contract Commitments

As at 31 March 2021, the Council was committed through contracts to future capital expenditure in respect of the following major schemes:

	Period of investment	£000
Environment and Regulatory Services		
Hydrodynamics	2021/22	305
Geodata	2021/22	85
Habitat Mapping	2021/22	82
Trimble Kit	2021/22	82
Finance, Corporate Services and Improvement		
Vehicles	2021/22	3,574
Total		4,128

NOTES TO THE ACCOUNTS

12. 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:

2019/20		2020/21
£000		£000
(379)	Rental income from investment property	(512)
38	Direct operating expenses arising from investment property	16
0	Capital expenditure not enhancing value	353
232	Net (gains)/losses from fair value adjustments	150
(109)	Net (gain)/loss	7

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:

2019/20		2020/21
£000		£000
5,181	Balance at start of the year	9,454
	Additions:	
4,534	Purchases	3,433
(29)	Capital expenditure not enhancing value	(353)
(232)	Net gains/(losses) from fair value adjustments	(150)
9,454	Balance at end of the year	12,384

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.

13. INTANGIBLE ASSETS

The authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of property, plant and equipment.

2019/20		2020/21
£000		£000
0	Opening Balance	0
217	Additions	268
(217)	Capital Expenditure not enhancing value	(268)
0	Closing Balance	0

NOTES TO THE ACCOUNTS

14. LONG-TERM INVESTMENTS

The Council is permitted to invest and lend a proportion of its funds for more than 364 days. At 31 March 2021 the Council had 11 loans which had a remaining maturity term of more than one year.

2019/20		2020/21
£000		£000
28,786	Opening Balance	18,636
227	Purchases	387
33	Revaluations Gains	1,151
(1,397)	Revaluations Losses	(46)
(8)	Repayments	(8)
(9,005)	Transfers to Short-Term Investments	(3,000)
18,636	Closing Balance	17,120

15. LONG-TERM DEBTORS

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

31 March 2020		31 March 2021
£000		£000
8	Car Loans	5
602	Lymington Harbour Commissioners - Principal	502
553	Rent to Mortgages House Purchases	439
304	Appletree Property Holdings	1,766
1,467	Total	2,712

NOTES TO THE ACCOUNTS

16. SHORT-TERM INVESTMENTS

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

2019/20		2020/21
£000		£000
28,808	Opening Balance	20,062
55,210	Purchases	75,500
6	Revaluations Gains	30
(41)	Revaluations Losses	0
(17)	Movement in Accrued Interest	(35)
(72,913)	Repayments	(73,502)
4	Expected Credit Loss	(2)
9,005	Transfers from Long-Term Investments	3,000
20,062	Closing Balance	25,053

17. INVENTORIES

Inventories are goods that are acquired in advance of their use in the provision of services or their resale. They are charged to the Comprehensive Income and Expenditure Statement in the year that they are consumed or sold.

2019/20		2020/21
£000		£000
338	Balance at 1 April	285
1,599	Purchases	1,974
(1,628)	Recognised as an expense in the year	(1,973)
(24)	Written off balances	(19)
285	Balance at 31 March	267

NOTES TO THE ACCOUNTS

18. SHORT-TERM DEBTORS

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

31 March 2020		31 March 2021
£000		£000
1,664	Central Government Bodies (a)	6,283
	Local Authorities:	
510	Hampshire County Council	2,599
17	Police and Crime Commissioner for Hampshire	2
0	Hampshire and Isle of Wight Fire and Rescue Service	213
15	New Forest National Park Authority	45
6	Other Local Authorities	258
81	NHS Bodies	4
90	Public Corporations and Trading Funds	148
	Other Entities and Individuals:	
480	Council Tax Payers	637
356	Business Rate Payers	599
942	Housing Tenants' Rents (b)	1,027
7,501	Other Debtors and Payments in Advance	5,676
11,662	Total	17,491

Short-term debtors were higher at the 31 March 2021 by £5.829 million when compared to 31 March 2020, the main contributing factors to this were:

- (a) Central Government Bodies debtors increased by £4.619 million. This was principally due to the following: as at 31 March 2021 £1.254 million more was accrued for reimbursement of benefits from the Department of Works and Pensions in comparison to the end of 2019/20; as well as coast protection grants due being £1.375 million more and £1.677 million being due for the Local Government Income Compensation Scheme for lost sales, fees and charges as a result of COVID-19.
- (b) Hampshire County Council and the Hampshire and Isle of Wight Fire and Rescue Service have increased mainly due to National Non Domestic Rates moving from creditors at the end of 2019/20, £958,000 and £71,000 respectively to debtors at 31 March 2021 of £1.919 million and £213,000.
- (c) Other Debtors and Payments in Advance has decreased in the main due to no accrual required for payments to benefits claimants, this had been £1.051 million at the end of 2019/20.

The bad debts provision is shown below:

31 March 2020		31 March 2021
£000		£000
(189)	Council Tax Payers	(258)
(123)	Business Rate Payers	(279)
(660)	Housing Tenants' Rents	(755)
(1,695)	Other Debtors	(1,695)
(2,667)	Total	(2,987)

NOTES TO THE ACCOUNTS

19. CASH AND CASH EQUIVALENTS

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

31 March 2020		31 March 2021
£000		£000
8	Cash held by the Council	8
206	Bank current accounts	549
18,339	Short-Term deposits with building societies/banks and other financial institutions	8,321
18,553	Total	8,878

20. SHORT-TERM BORROWING

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

The Council has no short-term loans, but its long-term loans are repayable by equal instalments of principal. In 2012/13 the Council borrowed £142.7 million for the Housing Revenue Account financing settlement. The first £4.1 million principal repayment instalment of this borrowing was paid in 2017/18. The annual HRA settlement repayment of £4.1 million together with the next instalment for the Lymington Harbour Commissioners' loan of £200,700 is transferred each year from long term to short term borrowing as the total of £4.301 million is payable within 12 months.

In addition, total accrued interest of £45,580 on short-term and long-term borrowing is also payable within 12 months and is included in this category.

2019/20		2020/21
£000		£000
(4,349)	Balance at 1 April	(4,348)
4301	Loans Repaid	4,301
(4,301)	Transferred from Long-Term Borrowing	(4,301)
1	Movement in accrued interest on all Borrowing	2
(4,348)	Balance at 31 March	(4,346)

NOTES TO THE ACCOUNTS

21. SHORT-TERM CREDITORS

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

31 March 2020		31 March 2021
£000		£000
(12,281)	Central Government Bodies (a)	(17,728)
	Local Authorities:	
(2,307)	Hampshire County Council	(601)
(177)	Police and Crime Commissioner for Hampshire	(58)
(166)	Hampshire and Isle of Wight Fire and Rescue Service	(10)
(4)	New Forest National Park Authority	(4)
(609)	Developers' Contributions Open Space Maintenance	(162)
(2,422)	Other Local Authorities (b)	(833)
(3)	NHS Bodies	0
(7)	Public Corporations and Trading Funds	(3)
	Other Entities:	
(294)	Council Tax Payers	(345)
(178)	Business Rate Payers (c)	(265)
(5,607)	Other Creditors and Receipts in Advance (d)	(7,426)
(24,055)	Total	(27,435)

Short term creditors have increased by £3.38 million from 2019/20 to 2020/21:

- (a) The Central Government Bodies balance is £5.447 million higher mainly due to grants received in advance from the Ministry for Housing, Communities and Local Government being £6.059 million more as at 31 March 2021.
- (b) Hampshire County Council is lower at 31 March 2021 by £1.706 million mainly due to movements in the Collection Fund, including Council Tax due to the County reducing by £855,000 and Business Rates moving from a creditor of £958,000 to a debtor of £1.919 million.
- (c) Other Local Authorities is lower at 31 March 2021 by £1.594 million for the regional coastal monitoring programme.
- (d) Other Creditors and Receipts in Advance have increased by £1.819 million. This was due in the main to increases on accruals for Housing Maintenance of £445,000 and Health and Leisure Centres Direct Debits of £175,000 and higher Sundry Creditors outstanding invoice payments of £1.242 million.

NOTES TO THE ACCOUNTS

22. DEVELOPERS' CONTRIBUTIONS – SHORT-TERM RECEIPTS IN ADVANCE

The Council has received Developers' Contributions that have yet to be recognised as income as they have conditions attached to them that will, if not met, require the monies to be returned to the contributor.

2019/20		2020/21
£000		£000
(62)	Balance at 1 April	0
10	Financing of Capital Expenditure	0
52	Transfer to/(from) other Developers' Contribution Categories	0
0	Balance at 31 March	0

23. LONG-TERM BORROWING

Long-term borrowing refers to loans that are repayable over a period in excess of 12 months.

At 1 April 2020 the Council was holding long-term debt of £126.906 million. This included the sum borrowed in 2012/13 relating to the refinancing of the Housing Revenue Account as well as a loan raised in March 2014 to finance an equivalent loan made in 2013/14 to the Lymington Harbour Commissioners. At 31 March 2021 £200,700 relating to the Harbour Commissioners' loan was repayable within 12 months, as well as the annual repayment of £4.1 million of the loan taken regarding the Housing Revenue Account financing settlement, therefore a balance of long-term debt of £122.605 million was outstanding at the year end.

2019/20		2020/21
£000		£000
(131,207)	Balance at 1 April	(126,906)
4,301	Transferred to Short-Term Borrowing	4,301
(126,906)	Balance at 31 March	(122,605)

NOTES TO THE ACCOUNTS

24. 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 2019	Additional Provisions Made 2019/20	Amounts Used 2019/20	Unused Amounts Reversed 2019/20	Balance 31 March 2020	Additional Provisions Made 2020/21	Amounts Used 2020/21	Unused Amounts Reversed 2020/21	Balance 31 March 2021
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Business Rates	(3,990)	(936)	1,098	0	(3,828)	(797)	1,729	0	(2,896)
Private Sector Leasing Dilapidations	(102)	0	52	0	(50)	0	0	0	(50)
Redundancy	(174)	0	178	(4)	0	(22)	0	0	(22)
Total Provisions	(4,266)	(936)	1,328	(4)	(3,878)	(819)	1,729	0	(2,968)

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 2021 was £7.240 million, of which £2.896 million relates to this Council's share of anticipated refunds.

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 126 properties at 31 March 2021. A revenue budget of £93,000 exists in 2021/22 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

25. CAPITAL GRANTS – RECEIPTS IN ADVANCE

The Council has received capital grants and contributions that have yet to be recognised as income as they have conditions attached to them that will, if not met, require the monies to be returned to the contributor. The balances and movements on contributions were as follows:

2019/20				2020/21		
Government Grants	Other Grants/Contributions	Total		Government Grants	Other Grants/Contributions	Total
£000	£000	£000		£000	£000	£000
(168)	0	(168)	Balance at 1 April	(544)	0	(544)
(1,963)	(42)	(2,005)	New Receipts	(3,862)	(45)	(3,907)
1,587	42	1,629	Financing of Capital Expenditure	3,005	45	3,050
(544)	0	(544)	Balance at 31 March	(1,401)	0	(1,401)

26. DEVELOPERS' CONTRIBUTIONS – LONG -TERM RECEIPTS IN ADVANCE

The Council has received Developers' Contributions that have yet to be recognised as income, as they have conditions attached to them that will, if not met, require the monies to be returned to the contributor.

2019/20		2020/21
£000		£000
(751)	Balance at 1 April	(625)
2	Financing of Capital Expenditure	48
124	Transfer to/(from) other Developers' Contribution Categories	0
(625)	Balance at 31 March	(577)

27. 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.

2019/20		2020/21
£000		£000
(5,801)	Balance at 1 April	(4,618)
(3,301)	New Receipts (including interest)	(2,325)
574	Transfers to Government	662
3,910	Financing of Capital Expenditure	2,710
(4,618)	Balance at 31 March	(3,571)

NOTES TO THE ACCOUNTS

28. 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.

2019/20			2020/21	
CIL	DCs		CIL	DCs
£000	£000		£000	£000
(4,094)	(3,526)	Balance at 1 April	(5,212)	(4,247)
(1,437)	(812)	New Receipts	(1,055)	(941)
0	(176)	Transfers to/(from) other Developers' Contribution Categories	0	0
0	80	Financing of Capital Expenditure	0	405
75	187	Financing of Revenue Expenditure	63	175
244	0	Payments to Town and Parish Councils	206	0
(5,212)	(4,247)	Balance at 31 March	(5,998)	(4,608)

29. 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.

2019/20				2020/21		
General Fund	Housing Revenue Account	Total		General Fund	Housing Revenue Account	Total
£000	£000	£000		£000	£000	£000
(20,072)	(18,255)	(38,327)	Balance at 1 April	(20,040)	(21,824)	(41,864)
(445)	(3,691)	(4,136)	Upward revaluation of assets	(617)	(5,071)	(5,688)
477	83	560	Downward revaluation of assets and impairment losses not charged to Surplus/Deficit on the Provision of Services	519	306	825
32	(3,608)	(3,576)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(98)	(4,765)	(4,863)
0	39	39	Accumulated gains on assets sold or scrapped	0	132	132
(20,040)	(21,824)	(41,864)	Balance at 31 March	(20,138)	(26,457)	(46,595)

NOTES TO THE ACCOUNTS

30. 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.

2019/20			2020/21	
£000	£000		£000	£000
	(279,466)	Balance at 1 April		(283,315)
		Reversal of items relating to capital expenditure or credited to the Comprehensive Income and Expenditure Statement:		
9,983		Charges for depreciation and impairment of non-current assets	10,110	
(2,373)		Revaluation (Gains) / Losses on Property, Plant and Equip.	(8,109)	
12,852		Capital Expenditure not enhancing value	15,151	
1,290		Revenue expenditure funded from capital under statute	998	
1,764		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	961	
	23,516	Net written out amount of the cost on non-current assets consumed in the year		19,111
		Capital financing applied in the year:		
(3,910)		Use of the Capital Receipts Reserve to finance new capital expenditure	(2,710)	
(8,321)		Use of the Major Repairs Reserve to finance new capital expenditure	(8,704)	
(1,641)		Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(3,098)	
(80)		Application of grants / contributions to capital financing from the Capital Grant / Developers' Contributions Unapplied Accounts	(405)	
(1,222)		Provision for the financing of capital investment charged against the General Fund balance	(1,135)	
(4,100)		Provision for the financing of capital investment charged against the HRA balance	(4,100)	
(8,323)		Capital expenditure charged against the General Fund and HRA balances	(2,278)	
	(27,597)			(22,430)
	232	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		150
	(283,315)	Balance at 31 March		(286,484)

NOTES TO THE ACCOUNTS

31. 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.

2019/20		2020/21
£000		£000
(172)	Balance at 1 April	1,219
(27)	Upward revaluation of investments	(1,177)
1,419	Downward revaluation of investments	45
(1)	Expected credit loss on investments	3
1,391	(Surplus) or deficit on revaluation of investments	(1,129)
1,219	Balance at 31 March	90

32. 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.

2019/20		2020/21
£000		£000
(555)	Balance at 1 April	(558)
(3)	New Receipts/Revaluations	(4)
0	Transfer to the Capital Receipts Reserve upon receipt of cash	118
(558)	Balance at 31 March	(444)

NOTES TO THE ACCOUNTS

33. 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 43.

2019/20		2020/21
£000		£000
93,092	Balance at 1 April	99,470
1,661	Remeasurement of the net defined liability / (asset)	11,276
10,612	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	10,434
(5,895)	Employer's pensions contributions and direct payments to pensioners payable in the year	(4,476)
99,470	Balance at 31 March	116,704

34. 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 2020				31 March 2021		
Business Rates	Council Tax	Total		Business Rates	Council Tax	Total
£000	£000	£000		£000	£000	£000
(621)	0	(621)	Central Government	14,197	0	14,197
(112)	(1,075)	(1,187)	Hampshire County Council	2,555	(401)	2,154
0	(175)	(175)	Police and Crime Commissioner for Hampshire	0	(72)	(72)
(12)	(59)	(71)	Hampshire Fire and Rescue Authority	284	(19)	265
(745)	(1,309)	(2,054)		17,036	(492)	16,544
(497)	(226)	(723)	New Forest District Council	11,357	(74)	11,283
(1,242)	(1,535)	(2,777)		28,393	(566)	27,827

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

35. CASH FLOW STATEMENT – OPERATING ACTIVITIES

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

2019/20		2020/21
£000		£000
(9,983)	Charges for depreciation and impairment	(10,110)
2,373	Revaluation Gains/(Losses) on Property, Plant and Equipment	8,109
10	Revaluation/Movement in Deferred Debtors	1
(1,397)	Revaluation Gains/(Losses) on Investments	1,132
(12,852)	Capital Expenditure not enhancing value	(15,151)
(232)	Movements in the value of Investment Properties	(150)
2,407	Capital grants applied to the financing of Capital Expenditure	3,714
(1,804)	Carrying amount of Non-Current Assets sold	(1,093)
(53)	Increase/(Decrease) in Inventories	(18)
1,152	Increase/(Decrease) in Debtors	5,829
(17)	Increase/(Decrease) in Investments Accrued Interest	(35)
(238)	(Increase)/Decrease in impairment for Provision for Bad Debts	(322)
(4,043)	(Increase)/Decrease in Creditors	(9,211)
148	Adjustment to Creditors re Capital Expenditure	(55)
(4,717)	Movement in Pension Liability	(5,958)
388	Other non-cash items charged to the net surplus or deficit on the provision of services	910
(28,858)	Adjustment to Net Surplus or Deficit on the Provision of Services for Non-Cash Movements	(22,408)

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

2019/20		2020/21
£000		£000
3,169	Proceeds adjustment from the sale of property, plant and equipment and investment property	2,165
3,169		2,165

The cash flows for operating activities include the following items:

2019/20		2020/21
£000		£000
(1,377)	Investment interest received	(926)
4,352	Loan interest paid	4,264
2,975		3,338

NOTES TO THE ACCOUNTS

36. CASH FLOW STATEMENT - INVESTING ACTIVITIES

2019/20		2020/21
£000		£000
24,530	Purchase of property, plant and equipment, investment property and intangible assets	22,944
55,437	Purchase of short-term and long-term investments	75,887
304	Other payments for investing activities	1,461
(3,169)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,165)
(72,921)	Proceeds from short-term and long-term investments	(73,510)
(2,446)	Other receipts from investing activities	(3,932)
1,735	Net cash flows from investing activities	20,685

37. CASH FLOW STATEMENT - FINANCING ACTIVITIES

2019/20		2020/21
£000		£000
(2,264)	Other receipts from financing activities	0
4,301	Repayments of short and long-term borrowing	4,301
0	Other payments for financing activities	5,028
2,037	Net cash flows from financing activities	9,329

38. ACCUMULATING ABSENCES ADJUSTMENT ACCOUNT

This account represents the reversal of the accrual for compensated absences. The accrual is required under the Code but under regulations is not allowed to count as expenditure against the General Fund or Housing Revenue Account.

2019/20			2020/21	
£000	£000		£000	£000
	293	Balance at 1 April		282
(293)		Settlement or cancellation of accrual made at the end of the preceding year	(282)	
282		Amounts accrued at the end of the current year	593	
	(11)	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		311
	282	Balance at 31 March		593

NOTES TO THE ACCOUNTS

39. AGENCY SERVICES

These figures include net expenditure on services that the Council provides on an agency basis for highways and on-street parking enforcement.

2019/20		2020/21		
Net Expenditure £000		Gross Expenditure £000	Income £000	Net Expenditure £000
(63)	Hampshire County Council - Highways	305	(305)	0
188	- On-Street Parking	0	0	0
125	Agency Expenditure	305	(305)	0

40. CONTINGENT ASSETS

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

41. 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 2021 no such guarantee has been exercised.

42. 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 £961,000 in 2020/21 and was charged to the General Fund together with £133,000 in relation to investment property acquisitions. In addition, £4.1 million for the next principal repayment was made regarding the Housing Revenue Account Self-Financing Settlement and £41,000 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.

	2019/20		2020/21	
	£000	£000	£000	£000
Opening Capital Financing Requirement		141,454		140,052
Capital Investment				
Property, Plant and Equipment Assets	24,461		22,621	
Long-Term Investments	227		387	
Intangible Assets	217		268	
REFCUS	1,290	26,195	998	24,274
Sources of Finance				
Capital Receipts	(3,910)		(2,710)	
Government Grants	(1,629)		(3,050)	
Revenue Contributions	(8,322)		(2,278)	
Major Repairs Reserve	(8,321)		(8,704)	
Developers' Contributions	(93)	(22,275)	(453)	(17,195)
Other Adjustments for the Repayment of Debt				
Repayment of Loan Principal		(4,100)		(4,100)
Revenue Provision		(1,222)		(1,135)
Closing Capital Financing Requirement		140,052		141,896

Explanation of movements in Year	2019/20	2020/21
	£000	£000
Increase in underlying need to borrow (unsupported by Government financial assistance)	3,920	7,079
Reduction (-)/increase in need to borrow because of:		
- Repayment of Loan Principal	(4,100)	(4,100)
- Revenue Provision	(1,222)	(1,135)
	(1,402)	1,844

NOTES TO THE ACCOUNTS

43. 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:

	2019/20	2020/21
	£ million	£ million
Comprehensive Income and Expenditure Statement		
Cost of Services		
Service cost comprising:		
Current service cost	8.156	8.161
Past service cost	0.292	0.032
Financing and Investment Income and Expenditure		
Net Interest expense	2.164	2.241
Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services	10.612	10.434
Other Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement		
Remeasurement of the net defined benefit liability comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	10.169	(40.139)
Actuarial (Gains) / Losses arising on changes in demographic assumptions	(6.872)	0.000
Actuarial (Gains) / Losses arising on changes in financial assumptions	(7.406)	54.743
Actuarial (Gains) / Losses due to liability experience	5.770	(3.328)
Total Net Defined Benefit Liability Re-measured	1.661	11.276
Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	12.273	21.710
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code	(6.378)	(17.234)
Actual amount charged against the General Fund		
Balance for pensions in the year		
Employer's contributions payable to scheme	5.895	4.476

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 2020	31 March 2021
	£ million	£ million
Present value of the defined benefit obligation	(276.663)	(336.912)
Fair value of plan assets	177.193	220.208
Net liability arising from defined benefit obligation	(99.470)	(116.704)

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 £116.704 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)

	2019/20	2020/21
	£ million	£ million
Opening balance at 1 April	(276.162)	(276.663)
Current Service Cost	(8.156)	(8.161)
Past Service Cost	(0.292)	(0.032)
Interest Cost	(6.556)	(6.299)
Contributions from scheme Participants	(1.397)	(1.471)
Remeasurement (Gains) and Losses:		
Actuarial Gains/(Losses) arising from changes in financial assumptions	7.406	(54.743)
Actuarial Gains/(Losses) due to liability experience	(5.770)	3.328
Actuarial Gains/(Losses) arising from changes in demographic assumptions	6.872	0.000
Benefits Paid	7.392	7.129
Closing balance at 31 March	(276.663)	(336.912)

NOTES TO THE ACCOUNTS

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

	2019/20	2020/21
	£ million	£ million
Opening fair value of scheme assets at 1 April	183.070	177.193
Interest Income	4.392	4.058
Remeasurement gain/(loss):		
The return on plan assets, excluding the amount included in the net interest expense	(10.169)	40.139
Contributions from employer	5.895	4.476
Contributions from employees into the scheme	1.397	1.471
Benefits paid	(7.392)	(7.129)
Closing fair value of scheme assets at 31 March	177.193	220.208

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

31 March 2020		Assets	31 March 2021	
£ million	%		£ million	%
3.54	2.0	Cash and Cash Equivalents	3.08	1.4
93.38	52.7	Equity Investments	125.52	57.0
38.63	21.8	Government Bonds	38.10	17.3
0.00	0.0	Corporate Bonds	0.00	0.0
12.93	7.3	Property	13.43	6.1
28.71	16.2	Other Assets	40.08	18.2
177.19	100.0	Total Assets	220.21	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 Hewitt Limited, an independent firm of actuaries, estimates for the Fund being based on the latest full valuation of the scheme as at 31 March 2019.

The main assumptions used in their calculations have been:

Financial Assumptions	31 March 2020	31 March 2021
	%	%
Rate of inflation - CPI	2.0	2.7
Rate of increase in salaries	3.0	3.7
Rate of increase in pensions	2.0	2.7
Pension Accounts Revaluation Rate	2.0	2.7
Rate of discounting scheme liabilities	2.3	2.1

NOTES TO THE ACCOUNTS

Mortality Assumptions	31 March 2020	31 March 2021
	Years	Years
Pensioner member aged 65 at accounting date		
Males	23.0	23.1
Females	25.5	25.5
Active member aged 45 at accounting date		
Males	24.7	24.8
Females	27.2	27.3

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)	11.92	(11.59)
Rate of inflation (increase or decrease by 0.1%)	5.96	(5.96)
Rate of increase in salaries (increase or decrease by 0.1%)	0.66	(0.66)
Rate of increase in pensions (increase or decrease by 0.1%)	5.96	(5.96)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(6.62)	6.62

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 latest triennial valuation was completed on 31 March 2019.

The Council anticipates paying standard contributions of £4.310 million to the fund for the accounting period ending 31 March 2021. In addition, estimated Strain on Fund contributions will be £381,000.

The weighted average duration of the defined benefit obligation for scheme members is 20.3 years (20.3 years 2019/20).

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

44. EXTERNAL AUDIT COSTS

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

2019/20		2020/21
£000		£000
43	External audit services carried out by the appointed auditor	43
12	Certification of grant claims and returns	12
55		55

In addition, the external auditor has submitted fee variations to Public Sector Audit Appointments Limited for the 2019/20 and 2020/21 financial years.

45. GRANTS INCOME

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

2019/20		2020/21
£000		£000
	Service Specific Revenue Grants and Contributions (included in cost of services)	
	Ministry of Housing, Communities and Local Government	
(141)	Council Tax Benefits Admin	(141)
(70)	Covid-19 New Burdens/Compliance	(583)
0	Covid 19 Hardship Fund	(886)
(1,170)	Disabled Facilities Grants	(510)
(72)	Family Annex Grant	(79)
(364)	Flexible Homelessness Support	(364)
(59)	Furlough Scheme	(1,059)
(55)	New Burdens Homelessness Reduction Act	(155)
0	Next Steps Accommodation	(257)
(276)	NNDR Collection	(275)
(100)	Rough Sleepers	(247)
(103)	Other MHCLG	(77)
	Department for Work and Pensions	
(334)	Housing and Council Tax Benefit Administration	(340)
(31,637)	Housing Benefit Subsidy	(30,703)
(264)	Discretionary Housing Payments	(368)
(127)	Other DWP	(109)
	Other Government Grants	
(21)	Individual Electoral Registration	(11)
(49)	Apprenticeship Levy	(44)
0	Other	(1)
(34,842)	Total Government Grants	(36,209)
	Other Grants and Contributions	
(229)	Project Integra - Recycling	(303)
(299)	Developers' Contributions	(1,075)
(25)	Disabled Facilities Grants	(19)
(72)	Other	0
(625)	Total Other Grants and Contributions	(1,397)
(35,467)	Total Service Revenue Grants and Contributions	(37,606)

NOTES TO THE ACCOUNTS

2019/20		2020/21
£000	Non-Ringfenced Revenue Government Grants	£000
	Non Domestic Rates Income and Expenditure	
23,952	Tariff	24,518
(22,766)	Retention Scheme Income	(11,566)
(2,625)	Surplus Business Rates Distributed from Pool	(3,513)
(4,075)	S31 Grant (New Forest District Council proportion)	(15,381)
(5,514)		(5,942)
	Ministry of Housing, Communities and Local Government	
(526)	New Homes Grant	(286)
0	Council Tax Freeze Grant	(8)
0	Council Tax Income Grant	(21)
0	Covid Income Loss Reimbursement Grant	(4,263)
0	Covid Emergency Grant	(2,238)
(526)		(6,816)
(6,040)	Total Non-Ringfenced Revenue Government Grants	(12,758)
	Capital Grants and Contributions	
(157)	Coast Protection	(1,548)
(14)	Eling Tide Mill	0
(240)	Housing Acquisitions and Development	(947)
(2)	Milford Promenade	0
(8)	Public Sector Disabled Facilities Grants	(26)
(8)	Lymington Quay	0
(5)	Lymington Town Hall	0
(721)	Developers' Contributions	(361)
(1,118)	Community Infrastructure Levy	(786)
(134)	Capital Receipts	(46)
(2,407)	Total Capital Grants and Contributions	(3,714)
(43,914)	Total Grants and Contributions Income	(54,078)

NOTES TO THE ACCOUNTS

46. LEASES

Finance Leases with the Council acting as Lessee

In 2020/21 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:

Lease Rental Payments for:	31 March 2020	31 March 2021
	£000	£000
Not later than one year	144	151
Later than one year but not later than 5 years	370	471
Later than 5 years	534	453
Total Lease Rentals	1,048	1,075

Expenditure of £144,360 was charged to the Comprehensive Income and Expenditure Statement during the year (£106,292 in 2019/20).

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:

Lease Rental Payments for:	31 March 2020	31 March 2021
	£000	£000
Not later than one year	906	1,163
Later than one year but not later than 5 years	3,236	3,399
Later than 5 years	28,353	27,792
Total Lease Rentals	32,495	32,354

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 2020/21 was £139,386 (2019/20 £139,695).

There are 10 leases that are not included in this table, that have little value or contain an immediate break clause.

NOTES TO THE ACCOUNTS

47. MEMBERS' ALLOWANCES

During 2020/21, payments to Members of the Council amounted to £533,158. For 2019/20 the equivalent amount was £553,009.

48. 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.

49. 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 2020	31 March 2021	31 March 2020	31 March 2021
	£000	£000	£000	£000
Loans at amortised cost:				
PWLB principal sum borrowed	126,906	122,605	4,301	4,301
Accrued Interest	0	0	47	46
Total Borrowing	126,906	122,605	4,348	4,347
Liabilities at amortised cost:				
Trade Creditors	0	0	4,783	7,105
Total Financial Liabilities	126,906	122,605	9,131	11,452

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

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

- Managed money market funds
- Pooled 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 2020	31 March 2021	31 March 2020	31 March 2021
	£000	£000	£000	£000
At amortised cost:				
Principal	6,045	3,040	18,006	23,000
Accrued Interest	0	0	86	51
Credit Loss Allowance	(1)	(1)	(4)	(2)
At fair value through profit & loss:				
Fair value	12,592	14,081	1,974	2,004
Total Investments	18,636	17,120	20,062	25,053
At amortised cost				
Cash	0	0	214	557
Cash equivalents	0	0	3,070	3,090
Accrued interest	0	0	2	2
Loss Allowance	0	0	(3)	(1)
At fair value through profit & loss:				
Fair value	0	0	15,270	5,230
Total Cash and Cash Equivalents	0	0	18,553	8,878
Loans and receivables:				
Trade Debtors	0	0	5,090	4,927
Total Financial Assets	18,636	17,120	43,705	38,858

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:

	2019/20			2020/21			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	4,350	0	0	4,350	4,268	0	4,268
Losses from change in fair value	0	0	1,398	1,398	0	0	45
Impairment losses	0	4	0	4	0	3	0
Interest payable and similar charges	4,350	4	1,398	5,752	4,268	3	45
Interest Income	0	(510)	0	(510)	0	(197)	0
Dividend Income	0	0	(778)	(778)	0	0	(626)
Gains from changes in fair value	0	0	(27)	(27)	0	0	(1,177)
Impairment loss reversals	0	(6)	0	(6)	0	(7)	0
Interest and Investment Income	0	(516)	(805)	(1,321)	0	(204)	(1,803)
Net Impact on surplus/deficit on provision of services	4,350	(512)	593	4,431	4,268	(201)	(1,758)
Impact on Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0
Net (Gain)/Loss for the year	4,350	(512)	593	4,431	4,268	(201)	(1,758)

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 December 2017.

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 2020/21 on 24 February 2020.

The credit quality of £3.035 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 2021					
	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	3,091	0	3,013	0	0	6,104
Money Market Funds	5,230	0	0	0	0	5,230
Local Authorities/Housing Associations	0	4,002	11,534	1,500	0	17,036
Bonds	0	0	0	0	3,039	3,039
Certificates of Deposit	0	3,000	0	0	0	3,000
Pooled Funds	2,004	0	0	0	13,488	15,492
Appletree Property Holdings	0	0	0	0	593	593
Total	10,325	7,002	14,547	1,500	17,120	50,494

NOTES TO THE ACCOUNTS

Bond Ratings	Long-term		Short-term	
	31 March 2020	31 March 2021	31 March 2020	31 March 2021
	£000	£000	£000	£000
AAA	3,044	3,039	4,004	0
AA-	0	0	3,069	0
A+	0	0	4,011	0
A	0	0	1,000	9,104
A-	0	0	0	0
AAA Money Market Funds	0	0	15,270	5,230
Unrated local authorities	3,000	0	9,073	17,037
Total	6,044	3,039	36,427	31,371
Credit Rate Not Applicable	12,592	14,081	1,974	2,003
Total Investments	18,636	17,120	38,401	33,374

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 131% (2020 365%) 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 2021, £4,000 (2020: £8,000) 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 2021	Historical experience of default	Market Conditions at 31 March 2021	Estimated maximum exposure to default
	£000	%	%	£000
Trade Debtors	4,927	0.74%	0.00%	0
Total	4,927			0

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:

	31 March 2020	31 March 2021
	£000	£000
Less than three months	2,288	2,040
Three months to one year	1,394	829
More than one year	1,408	2,058
Total	5,090	4,927

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 2021 was £4,211.

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:

	31 March 2020	31 March 2021
	£000	£000
Less than one year	38,313	33,320
Between one and two years	3,000	2,038
Between two and three years	2,041	1,002
Between three and four years	1,003	0
No fixed maturity date	12,592	14,081
Total	56,949	50,441

All trade and other payables (£4.927 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 2020/21		Actual 31 March 2020		Actual 31 March 2021	
	£m	%	£m	%	£m	%
Less than one year	50	25	4.3	3	4.3	3
Between one and two years	51	25	4.3	3	4.3	3
Between two and five years	50	25	12.7	10	12.5	10
Between five and ten years	51	25	20.5	15	20.5	16
Between ten and twenty years	202	100	41.0	31	41.0	33
Between twenty and forty years	202	100	48.4	38	44.3	35
Over forty years	202	100	0.0	0	0.0	0
Total			131.2	100	126.9	100

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 borrowing 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 2021, all the £126.906 million (2020: £131.207million) 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:

	2019/20	2020/21
	£000	£000
Increase in interest receivable on variable rate investments	(408)	(300)
Decrease in fair value of investments held at FVPL	60	63
Impact on Surplus or Deficit on the Provision of Services	(348)	(237)
Decrease in fair value of investments held at FVOCI	0	0
Impact on Comprehensive Income and Expenditure Account	(348)	(237)
Decrease in fair value of loans and investments at amortised cost*	119	43
Decrease in fair value of fixed rate borrowing*	(17,851)	(17,064)

* 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 2021 would result in a £0.37 million (2020: £0.37 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 2021 would result in a £0.19 million (2020: £0.15 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

Guarantor Risk – The Council acted as the guarantor to a 30 year loan held by the New Forest Enterprise Centre Ltd at Rushington. The last payment for this loan was made during 2020/21, therefore as at 31 March 2021 the Council was no longer guarantor and did not make a charge against its Comprehensive Income and Expenditure Account.

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 2021, 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 2020		31 March 2021	
		Balance Sheet £000	Fair value £000	Balance Sheet £000	Fair value £000
Financial liabilities held at amortised cost:					
Loans from PWLB	2	(131,254)	(155,369)	(126,952)	(151,733)
Total		(131,254)	(155,369)	(126,952)	(151,733)
Total Financial Liabilities		(131,254)		(126,952)	
Recorded on balance sheet as:					
Short-term borrowing		(4,348)		(4,347)	
Long-term borrowing		(126,906)		(122,605)	
Total Financial Liabilities		(131,254)		(126,952)	

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 2020		31 March 2021	
		Balance Sheet £000	Fair value £000	Balance Sheet £000	Fair value £000
Financial assets held at fair value:					
Money market funds	1	15,270	15,270	5,230	5,230
Bond, equity and multi-asset funds	1	6,874	6,874	8,022	8,022
Property Funds	2 - 31/3/20 1 - 31/3/21	7,485	7,485	7,470	7,470
Appletree Property Holdings	1	206	206	593	593
Financial assets held at amortised cost:					
Corporate, covered and government bonds	1	3,045	2,997	3,039	3,053
Long-term loans to local authorities, housing associations, harbour commissioner and Appletree Property Holdings	2	4,499	4,536	2,712	2,736
Total		37,379	37,368	27,065	27,104
Assets for which fair value is not disclosed*		26,429		31,625	
Total Financial Assets		63,808		58,690	
Recorded on balance sheet as:					
Long-term investments		18,636		17,120	
Long-term debtors		1,467		2,712	
Short-term investments		20,062		25,053	
Cash and cash equivalents		18,553		8,878	
Short-term trade debtors		5,090		4,927	
Total Financial Assets		63,808		58,690	

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.

Property funds totalling £7.470 million have been moved from level 2 to level 1 of the hierarchy for 2020/21 reflecting the resumption of an active market in these instruments.

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

50. OFFICERS' REMUNERATION

The senior employees whose salary exceeded £50,000 per annum for 2020/21 are shown in the table below.

2020/21	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	a	121,371	0	121,371	22,332	143,703
Returning Officer	a	1,754	0	1,754	0	1,754
		123,125	0	123,125	22,332	145,457
Executive Head - Operations (Deputy Chief Executive)		88,960	0	88,960	16,369	105,329
Executive Head - Governance and Regulation		87,897	0	87,897	16,173	104,070
Executive Head - Resources		85,396	0	85,396	15,713	101,109
Chief Finance Officer (S151)		78,316	0	78,316	14,410	92,726
Chief Planning Officer		81,481	0	81,481	14,993	96,474
		545,175	0	545,175	99,990	645,165

The Employer's Pension Contributions were 18.40% for 2020/21 (16.10% for 2019/20). There were no Bonuses or Benefits in Kind paid in 2020/21 or 2019/20.

- a) The Chief Executive undertook the Returning Officer role.

NOTES TO THE ACCOUNTS

The figures for 2019/20 were:

2019/20	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	b	118,123	0	118,123	19,018	137,141
Returning Officer	b	34,012	0	34,012	0	34,012
		152,135	0	152,135	19,018	171,153
Executive Head - Operations (Deputy Chief Executive)		86,740	0	86,740	13,965	100,705
Executive Head - Governance and Regulation		85,545	0	85,545	13,773	99,318
Executive Head - Resources		80,740	0	80,740	12,999	93,739
Head of Finance (S151)		68,108	0	68,108	10,965	79,073
Chief Planning Officer		78,437	0	78,437	12,628	91,065
		551,705	0	551,705	83,348	635,053

- b) The Chief Executive undertook the Returning Officer role.

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

Remuneration Band	Number of Employees			
	2019/20		2020/21	
	Left During Year	Total	Left During Year	Total
£ 50,000 - £ 54,999	1	10	0	10
£ 55,000 - £ 59,999	0	9	0	3
£ 60,000 - £ 64,999	0	9	0	13
£ 65,000 - £ 69,999	0	1	0	3
£ 75,000 - £ 79,999	1	1	0	0
	2	30	0	29

NOTES TO THE ACCOUNTS

51. TERMINATION BENEFITS

The Council terminated the contracts of 48 employees in 2020/21, incurring costs of £175,179 (19 employees, £389,351 in 2019/20). At the end of 2020/21 the redundancy provision made was £22,000 for future terminations. There had been no provision made as at 31 March 2020 for future terminations for which payments were incurred in 2020/21.

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 £
2020/21				
£0 - £60,000	0	48	48	175,179
Total	0	48	48	175,179
2019/20				
£0 - £20,000	2	13	15	59,889
£20,001 - £40,000	1	1	2	68,205
£100,001 - £150,000	0	2	2	261,257
Total	3	16	19	389,351

52. 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 45.

The Council has a wholly owned group subsidiary consisting of an active holding company, that has two subsidiaries, one of which was active from 2019/20. Each has the same Board of Directors comprised solely of Council members and officers. As 31 March 2021 the Council had a long term debtor of £1.766 million and investment of £0.593 million.

NOTES TO THE ACCOUNTS

During 2020/21 the Council provided office accommodation, financial services (including Internal Audit), human resources and geographical information system support to the New Forest National Park Authority. The total income received, which included these services, for 2020/21 was £355,000 (£290,000 for 2019/20). Income due at 31 March 2021 amounted to £45,000. The New Forest National Park Authority provided Ranger and Archaeology services to the Council which amounted to £54,000 (in 2019/20 Ecology and other miscellaneous services were also provided and totaled £69,000). £3,750 was owed to the New Forest National Park Authority at 31 March 2021.

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 47. During 2020/21 no money was paid to companies in which members had an interest; in 2019/20 £180 was paid to a company in which a member had an interest. In 2020/21 and 2019/20, no payments were paid to organisations in which members had an interest, but on which there is no Council representative. One member is 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.

53. GROUP ACCOUNTS

On the 12 February 2019, the Council incorporated 3 wholly owned companies for the purposes of property acquisition, letting and development:

- Appletree Property Holdings Limited
- Appletree Property Lettings Limited
- Appletree Residential Developments Limited

Group accounts have been prepared for the year ended 31 March 2021.

54. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

This note relates to capital expenditure that does not result in the Council owning tangible non-current assets. Such expenditure is required to be treated as revenue expenditure in accordance with the SORP, but under statute can be funded from capital resources.

	Charged to revenue 2020/21	Capital resource funding 2020/21
	£000	£000
General Fund		
- Housing Private Sector Disabled Adaptations/Home Repair Loans	546	546
- Leisure Schemes	173	173
- Transportation	172	172
- Open Space	107	107
	998	998

55. ASSETS HELD FOR SALE

There were no assets held for sale at 31 March 2021.

NOTES TO THE ACCOUNTS

56. 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 Council recognises that the financial position for 2020/21 has been extremely atypical, but due to government support and the pro-active measures undertaken by the Council, the Council remains in a healthy financial position. The agreed balanced budget for 2021/22 takes into account continued new expenditure pressures and projected income losses, as does the Medium Term Financial Term. Throughout 2021, the Executive Management Team have reviewed the Council's Medium Term Financial plan through to 2025/26 and the Council has plans to address the forecast deficit over the period. 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 beyond 2022/23. The Council will optimise the cash balances it has and has the option to prudentially borrow to support Capital Programme financing when required.

57. AUTHORISATION OF ACCOUNTS FOR ISSUE

This Statement of Accounts was authorised for issue on a date TBC by Cllr A O'Sullivan and Mr A Bethune.

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

2019/20		Notes	2020/21
£000			£000
	Income		
(26,200)	Dwelling rents		(26,360)
(769)	Non-dwelling rents		(711)
(658)	Charges for services and facilities		(654)
(375)	Contributions towards expenditure		(372)
(28,002)			(28,097)
	Expenditure		
4,804	Repairs and maintenance	3	5,024
6,535	Supervision and management		6,825
93	Rents, rates, taxes and other charges		90
16,729	Depreciation, impairment and revaluation of non-current assets	4	12,562
14	Debt Management Costs		12
171	Movement in the allowance for bad debts		108
28,346			24,621
344	Net (Income) / Expenditure of HRA Services as included in the Comprehensive Income and Expenditure Statement		(3,476)
146	HRA services' share of Corporate and Democratic Core		146
490	Net (Income) / Expenditure for HRA Services		(3,330)
	HRA share of the Operating Income and Expenditure included in the whole authority Comprehensive Income and Expenditure Statement		
(1,320)	(Gain) / Loss on sale of HRA non-current assets		(1,008)
4,339	Interest payable and similar charges		4,245
(147)	Interest and investment income		(17)
405	Net interest on the net defined benefit liability / (asset)	5	441
(13)	Income and expenditure in relation to investment properties and changes in their fair value		(13)
(288)	Capital Grants and Contributions Receivable		(1,000)
3,466	(Surplus) or Deficit for the year on HRA services		(682)

NOTES TO THE HOUSING REVENUE ACCOUNT

1. HOUSING REVENUE ACCOUNT ASSETS

a) Categorised by type of accommodation

31 March 2021	Houses	Bungalows	Flats	Total
Bedsits	0	0	189	189
1 Bedroom	6	362	837	1,205
2 Bedrooms	731	499	437	1,667
3 Bedrooms	1,939	18	6	1,963
4+ Bedrooms	143	1	0	144
Total	2,819	880	1,469	5,168

31 March 2020	Houses	Bungalows	Flats	Total
Bedsits	0	0	188	188
1 Bedroom	6	361	811	1,178
2 Bedrooms	728	498	424	1,650
3 Bedrooms	1,936	18	6	1,960
4+ Bedrooms	143	1	0	144
Total	2,813	878	1,429	5,120

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 2019	1 April 2020
	£000	£000
Council Housing Assets		
Standard Dwellings	1,009,604	1,025,559
Restricted Housing	74,991	74,636
Special Housing	3,538	3,761
Garages	8,584	8,747
	1,096,717	1,112,703
Other Assets		
Investment Property	183	183
Land and Other Buildings	1,755	1,408
Community Centre	77	77
	2,015	1,668
	1,098,732	1,114,371

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 2020		31 March 2021	
	Number of Units	Value £000	Number of Units	Value £000
Council Housing Assets				
Standard Dwellings	4,551	338,435	4,583	345,708
Restricted Housing	540	24,630	540	25,029
Special Housing	29	3,761	45	5,633
Garages	1,788	8,747	1,788	8,441
	6,908	375,573	6,956	384,811
Other Assets				
Investment Property	1	183	1	183
Land and Other Buildings	15	1,408	15	1,143
Community Centre	1	77	1	0
	17	1,668	17	1,326
Total	6,925	377,241	6,973	386,137

d) Capital Expenditure

Housing Revenue Account capital expenditure was applied to:

	2019/20	2020/21
	£000	£000
Major Repairs	6,214	5,585
Environmental Enhancements	258	131
Acquisition and Development Programme	10,341	10,396
Disabled Adaptations	937	641
Total	17,750	16,753

e) Funding of HRA Capital Expenditure

	2019/20	2020/21
	£000	£000
Revenue Contributions	6,085	975
Major Repairs Reserve	8,321	8,704
Loan	0	4,100
Grant	247	974
Capital Receipts	3,097	2,000
Total	17,750	16,753

NOTES TO THE HOUSING REVENUE ACCOUNT

2. RENT ARREARS

	31 March 2020	31 March 2021
	£000	£000
Rent Arrears	622	583
- current tenants	320	444
- former tenants	942	1,027
Less provision for bad debts	(660)	(755)
Anticipated collectable arrears of rent	282	272

3. HOUSING REPAIRS

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

	2019/20	2020/21
	£000	£000
Cyclical Maintenance	1,310	1,321
Reactive Maintenance	3,494	3,703
Total	4,804	5,024

The Council also undertook £5.585 million of housing works, which were treated as capital expenditure. The main categories of work were central heating, windows 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.

	2019/20	2020/21
	£000	£000
Standard Accommodation	7,670	8,030
Restricted Accommodation	570	584
Special Housing	81	89
	8,321	8,703
Other (included in Supervision and Management costs)	3	1
Total	8,324	8,704

NOTES TO THE HOUSING REVENUE ACCOUNT

b) Impairment

In 2020/21 there was a net increase in Housing asset values credited to the Housing Revenue Account of £8.442 million but these were offset by capital expenditure not enhancing value of £12.301 million to arrive at a net impairment of £3.859 million. This compares to a net impairment of £8.408 million in 2019/20. In 2020/21 other net Housing asset valuation increases credited to the Revaluation Reserve were £4.765 million (£3.608 million in 2019/20).

	2019/20 £000	2020/21 £000
Housing Revenue Account/Capital Adjustment Account		
Revaluation Increases	(8,321)	(9,103)
Revaluation Decreases	4,823	661
Net Revaluation (Increases)/Decreases	(3,498)	(8,442)
Capital Expenditure not enhancing asset value	11,906	12,301
Total Housing Revenue Account Impairment	8,408	3,859
Revaluation Reserve		
Revaluation Increases	(3,691)	(5,071)
Revaluation Decreases	83	306
Total Revaluation Reserve	(3,608)	(4,765)
Total HRA Impairments/Revaluations	4,800	(906)

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:

	2019/20 £000	2020/21 £000
Net Cost of Services:		
Current service cost	1,476	1,588
Net Operating Expenditure:		
Net Interest Expense	405	441
Amounts to be met from Government Grants and Local Taxation		
Movement on pensions reserve	(909)	(1,172)
Actual amount charged against dwelling rents for pensioners in the year:		
Employers' contributions payable to scheme	972	857

NOTES TO THE HOUSING REVENUE ACCOUNT

6. MAJOR REPAIRS RESERVE

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

	2019/20	2020/21
	£000	£000
Balance 1 April	0	0
Transferred to Reserve	8,321	8,704
Debits in respect of capital expenditure on land, houses and other property	(8,321)	(8,704)
Balance 31 March	0	0

7. CAPITAL RECEIPTS

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

	2019/20	2020/21
	£000	£000
Sale of Land	40	0
Sale of Council Houses	3,083	2,094
Discount Repaid	38	18
Disabled Facilities Grants	0	5
Rent to Mortgage	0	29
Total Capital Receipts	3,161	2,146
Payments due to MHCLG (Local Government Act 2003)	(574)	(662)
Usable Capital Receipts	2,587	1,484

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.

2019/20			2020/21	
£000	£000		£000	£000
	(127,318)	Income		
		Income from Council Tax		(131,839)
		Transfers to / (from) General Fund:		
0		Hardship Relief	(699)	
(73)	(73)	Family Annex Relief	(71)	(770)
	(127,391)	Total Income		(132,609)
		Expenditure		
		Precepts:		
87,910		Hampshire County Council	91,960	
14,319		Police and Crime Commissioner for Hampshire	15,118	
4,812		Hampshire and Isle of Wight Fire And Rescue Service	4,937	
18,428	125,469	New Forest District Council (including town and parish council requirements)	19,271	131,286
		Bad and Doubtful Debts		
177		Write-offs	261	
168	345	Increase / (decrease) in provisions	546	807
		Contributions:		
	1,494	Previous year's estimated council tax surplus		1,485
	127,308	Total Expenditure		133,578
	(83)	Movement on fund balance		969
	(1,452)	(Surplus) / Deficit at 1 April		(1,535)
	(83)	Movement on fund balance for year		969
	(1,535)	(Surplus) / Deficit at 31 March		(566)

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.

2019/20			2020/21	
£000	£000		£000	£000
		Income		
	(68,635)	Income collectable from Business Ratepayers Current System		(40,348)
	1,015	Transitional Protection Payments		316
	(67,620)	Total Income		(40,032)
		Expenditure		
33,097		Payments to DCLG - Business Rates Retention	34,462	
26,478		New Forest District Council	27,569	
5,958		Hampshire County Council	6,203	
662		Hampshire and Isle of Wight Fire And Rescue Service	689	
276		Costs of Collection	275	
10		NFDC - Renewable Energy Schemes	11	
	66,481			69,209
		Bad and Doubtful Debts		
245		Write-offs	168	
28		Increase / (decrease) in provisions	391	
(404)		Appeals Provision	(2,330)	
	(131)			(1,771)
	415	Contributions: Previous year's estimated business rates deficit		2,229
	66,765	Total Expenditure		69,667
	(855)	Movement on fund balance		29,635
	(387)	(Surplus) / Deficit at 1 April		(1,242)
	(855)	Movement on fund balance for year		29,635
	(1,242)	(Surplus) / Deficit at 31 March		28,393

The significant deficit on the Collection Fund for the 2020/21 year is 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. 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	25.50	5/9	14.30
A	5,749.23	6/9	3,833.00
B	10,611.09	7/9	8,253.30
C	16,358.18	8/9	14,540.80
D	17,616.88	9/9	17,617.10
E	12,439.48	11/9	15,204.00
F	6,533.49	13/9	9,437.50
G	4,266.32	15/9	7,110.70
H	550.91	18/9	1,101.90
Total	74,151.08		77,112.60
Less: Adjustment for collection rates			862.20
Less: Council Tax Reduction Scheme			4,757.50
Council Tax Base			71,492.90

* 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 2020/21 was a £1.535 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 2021, the Council included the £0.566 million surplus on a disaggregated basis as a creditor of £0.491 million and a £75,000 attributable surplus within the Collection Fund Adjustment Account balance.

NOTES TO THE COLLECTION FUND

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

2019/20				2020/21		
Precept £000	Share of Surplus £000	Total £000		Precept £000	Share of Surplus £000	Total £000
87,910	1,075	88,985	Hampshire County Council	91,960	400	92,360
14,319	175	14,494	Police and Crime Commissioner for Hampshire	15,118	72	15,190
4,812	59	4,871	Hampshire and Isle of Wight Fire and Rescue Service	4,937	19	4,956
18,428	226	18,654	New Forest District Council (including town and parish council requirements)	19,271	75	19,346
125,469	1,535	127,004		131,286	566	131,852

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 2021 was £170.555 million. The national non-domestic multiplier was 51.2p. This gave a potential business rate yield of £87.324 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 £40.348 million.

6. ACCOUNTING FOR THE COLLECTION FUND BALANCE – BUSINESS RATES

The 2020/21 year end deficit balance on the Collection Fund was £28.393 million. The Council's share is a deficit of £11.357 million and Central Government, Hampshire County Council and Hampshire and Isle of Wight Fire and Rescue Service share a deficit balance of £17.036 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

2019/20				2020/21		
Demand	Share of	Total		Demand	Share of	Total
	Surplus /				Surplus /	
	(Deficit)				(Deficit)	
£000	£000	£000		£000	£000	£000
33,097	621	33,718	Central Government	34,462	(14,197)	20,265
5,958	112	6,070	Hampshire County Council	6,203	(2,555)	3,648
662	12	674	Hampshire and Isle of Wight Fire and Rescue Service	689	(284)	405
26,478	497	26,975	New Forest District Council	27,569	(11,357)	16,212
66,195	1,242	67,437		68,923	(28,393)	40,530

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:

	Page
Group Comprehensive Income and Expenditure Statement	107
Group Movement in Reserves Statement	108
Group Balance Sheet	109
Group Cash Flow Statement	110

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.

2019/20				2020/21		
Gross Expend £000	Gross Income £000	Net Expend £000		Gross Expend £000	Gross Income £000	Net Expend £000
2,566	(562)	2,004	Community Affairs	2,377	(1,045)	1,332
12,996	(3,290)	9,706	Environment and Regulatory Services	15,540	(3,800)	11,740
40,250	(34,327)	5,923	Finance, Investment and Corporate Services	39,225	(34,826)	4,399
6,901	(4,573)	2,328	Housing Services	6,685	(4,651)	2,034
45	0	45	Leader and Corporate Affairs	174	0	174
9,894	(7,253)	2,641	Leisure and Wellbeing	8,552	(2,210)	6,342
837	(614)	223	Economic Development	360	(323)	37
7,489	(5,457)	2,032	Planning and Infrastructure	7,323	(4,693)	2,630
80,978	(56,076)	24,902	General Fund	80,236	(51,548)	28,688
28,492	(28,002)	490	Housing Revenue Account	24,767	(28,097)	(3,330)
109,470	(84,078)	25,392	Cost of Services	105,003	(79,645)	25,358
			Other Operating Expenditure			
6,106			Town and Parish Council Precepts	6,519		
574			Payments to the Government Housing Capital Receipts Pool	662		
	(1,365)		(Gains)/Losses on the disposal of Non-Current Assets		(1,072)	
358	(1,192)		VAT Assessment / (Refund)	0	0	
		4,481	Total Other Operating Expenditure			6,109
			Financing and Investment Income and Expenditure			
			Interest Payable and Similar Charges:			
26			- General Fund	19		
4,339			- HRA	4,245		
	(1)		Expected Credit (Gain)/Loss on Investments	3		
1,419	(27)		Changes in the fair value of Investments	45	(1,197)	
	(1,339)		Other Investment Income		(806)	
2,164			Net interest on the net defined benefit liability/(asset)	2,242		
	(109)		Income, expenditure and changes in the fair value of Investment Properties	7		
		6,472	Total Financing and Investment Income and Expenditure			4,558
			Taxation and Non-Specific Grant Income			
	(18,660)		Council Tax Income (incl. Parish precepts)		(19,339)	
	(5,514)		Non-Domestic Rates Income and Expenditure		(5,942)	
	(526)		Unringfenced Government Grants		(6,816)	
	(2,407)		Capital Grants and Contributions		(3,714)	
		(27,107)	Total Taxation and Non-Specific Grant Income			(35,811)
124,456	(115,218)	9,238	(Surplus)/Deficit on the Provision of Services	118,745	(118,531)	214
	(3,577)		(Surplus)/Deficit arising from the revaluation of Property, Plant and Equipment Assets		(4,869)	
1,661		(1,916)	Re-measurement of the defined benefit liability/(asset)	11,276		
			Other Comprehensive Income and Expenditure			6,407
		7,322	Total Comprehensive Income and Expenditure			6,621

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 RESERVES
	£000	£000	£000	£000	£000
Balance at 31 March 2019	(54,994)	(225,504)	(280,498)	0	(280,498)
<i>Movement in reserves during 2019/20</i>					
(Surplus)/deficit on the provision of services	9,238	0	9,238	0	9,238
Other comprehensive income and expenditure	0	(1,916)	(1,916)	0	(1,916)
Total Comprehensive Income and Expenditure	9,238	(1,916)	7,322	0	7,322
Adjustments between accounting basis and funding basis under regulations	(1,932)	1,932	0	0	0
Net (Increase)/Decrease Before Transfers to Earmarked Reserves	7,306	16	7,322	0	7,322
Transfers to/(from) earmarked reserves	0	0	0	0	0
(Increase) / Decrease in Year	7,306	16	7,322	0	7,322
Balance at 31 March 2020	(47,688)	(225,488)	(273,176)	0	(273,176)
<i>Movement in reserves during 2020/21</i>					
(Surplus)/deficit on the provision of services	(96)	0	(96)	310	214
Other comprehensive income and expenditure	0	6,413	6,413	(6)	6,407
Total Comprehensive Income and Expenditure	(96)	6,413	6,317	304	6,621
Adjustments between accounting basis and funding basis under regulations	(14,222)	14,222	0	0	0
Net (Increase)/Decrease Before Transfers to Earmarked Reserves	(14,318)	20,635	6,317	304	6,621
Transfers to/(from) earmarked reserves	0	0	0	0	0
(Increase) / Decrease in Year	(14,318)	20,635	6,317	304	6,621
Balance at 31 March 2021	(62,006)	(204,853)	(266,859)	304	(266,555)

GROUP BALANCE SHEET

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

2019/20			2020/21	
£000	£000		£000	£000
		Long-Term Assets		
		Property, Plant and Equipment:		
		Council Dwellings	384,811	
375,573		Other Land and Buildings	69,638	
68,506		Vehicles, Plant and Equipment	2,437	
3,236		Infrastructure	3,064	
3,386		Community Assets	537	
537		Assets Under Construction	3,286	463,773
4,312	455,550			
	9,454	Investment Property		12,384
	18,636	Long-Term Investments		16,527
	1,467	Long-Term Debtors		946
	485,107	Total Long-Term Assets		493,630
		Current Assets		
20,062		Short-Term Investments	25,053	
285		Inventories	267	
11,662		Short-Term Debtors	17,733	
(2,667)		Bad Debt Provision	(2,987)	
18,553		Cash and Cash Equivalents	8,899	
	47,895	Total Current Assets		48,965
	533,002	Total Assets		542,595
(4,348)		Current Liabilities		
(24,055)		Short-Term Borrowing	(4,346)	
	(28,403)	Short-Term Creditors	(27,439)	
		Total Current Liabilities		(31,785)
		Long-Term Liabilities		
(126,906)		Long-Term Borrowing	(122,605)	
(3,878)		Provisions	(2,968)	
(544)		Capital Grants - Receipts in Advance	(1,401)	
(625)		Developers' Contributions - Receipts in Advance	(577)	
(99,470)		Net Pensions Liability	(116,704)	
	(231,423)	Total Long-Term Liabilities		(244,255)
	273,176	Net Assets		266,555
		Usable Reserves		
3,000		General Fund Balance	3,000	
19,314		Earmarked Reserves	31,686	
1,000		Housing Revenue Account Balance	1,000	
10,297		Capital Programme Reserve	12,094	
4,618		Capital Receipts Reserve	3,571	
5,212		Community Infrastructure Levy Unapplied	5,998	
4,247	47,688	Developers' Contributions Unapplied	4,608	61,957
		Unusable Reserves		
41,864		Revaluation Reserve	46,601	
283,315		Capital Adjustment Account	286,203	
(1,219)		Financial Instruments Revaluation Reserve	(70)	
558		Deferred Capital Receipts Reserve	444	
(99,470)		Pensions Reserve	(116,704)	
722		Collection Fund Adjustment Account	(11,283)	
(282)	225,488	Accumulating Absences Adjustment Account	(593)	204,598
	273,176	Total Reserves		266,555

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.

2019/20		2020/21
£000		£000
9,238	Net (surplus) or deficit on the provision of services	214
(28,858)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(22,432)
3,169	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	2,165
(16,451)	Net cash flows from Operating Activities	(20,053)
1,735	Investing Activities	20,378
2,037	Financing Activities	9,329
(12,679)	Net (increase) or decrease in cash and cash equivalents	9,654
(5,874)	Cash and cash equivalents at the beginning of the reporting period	(18,553)
(18,553)	Cash and cash equivalents at the end of the reporting period	(8,899)

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 2020/21 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 IAS19, 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 2020/21 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:

Movements in 2020/21:	Council Property, Plant and Equipment	Council Share of Subsidiary Property, Plant and Equipment	Total Group Property, Plant and Equipment
Cost or Valuation	£000	£000	£000
At 1 April 2020	479,748	0	479,748
Additions	19,188	2,071	21,259
Revaluation increases / (decreases) recognised in the Revaluation Reserve	4,685	6	4,691
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(849)	(183)	(1,032)
Capital Expenditure not enhancing value recognised in the Surplus / Deficit on the Provision of Services	(14,529)	(98)	(14,627)
Derecognition - disposals	(1,402)	0	(1,402)
Other movements in cost or valuation	0	0	0
At 31 March 2021	486,841	1,796	488,637
Accumulated Depreciation and Impairment			
At 1 April 2020	(24,198)	0	(24,198)
Depreciation charge	(10,111)	0	(10,111)
Depreciation written out to the Revaluation Reserve	178	0	178
Depreciation written out to the Surplus / Deficit on the Provision of Services	8,958	0	8,958
Derecognition - disposals	309	0	309
At 31 March 2021	(24,864)	0	(24,864)
Net Book Value			
at 31 March 2021	461,977	1,796	463,773
at 31 March 2020	455,550	0	467,021

NOTES TO THE GROUP ACCOUNTS

Comparative Movements in 2019/20:	Council Property, Plant and Equipment	Council's Share of Subsidiary Property, Plant and Equipment	Total Group Property, Plant and Equipment
Cost or Valuation	£000	£000	£000
At 1 April 2019	476,952	0	476,952
Additions	19,928	0	19,928
Revaluation increases / (decreases) recognised in the Revaluation Reserve	3,576	0	3,576
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(5,961)	0	(5,961)
Capital Expenditure not enhancing value recognised in the Surplus / Deficit on the Provision of Services	(12,606)	0	(12,606)
Derecognition - disposals	(2,141)	0	(2,141)
Other movements in cost or valuation	0	0	0
At 31 March 2020	479,748	0	479,748
Accumulated Depreciation and Impairment			
At 1 April 2019	(22,886)	0	(22,886)
Depreciation charge	(9,983)	0	(9,983)
Depreciation written out to the Surplus / Deficit on the Provision of Services	8,334	0	8,334
Derecognition - disposals	337	0	337
At 31 March 2020	(24,198)	0	(24,198)
Net Book Value			
at 31 March 2020	455,550	0	455,550
at 31 March 2019	454,066	0	468,303

NOTES TO THE GROUP ACCOUNTS

4. GROUP ACCOUNTS LONG TERM DEBTORS

Group accounts were prepared for the first time for the year ending 31 March 2021.

31 March 2020		31 March 2021
£000		£000
8	Car Loans	5
602	Lymington Harbour Commissioners - Principal	502
553	Rent to Mortgages House Purchases	439
304	Appletree Property Holdings	0
1,467	Total	946

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.