



# Annual Financial Report **2021/2022**



NEW FOREST DISTRICT COUNCIL  
ANNUAL FINANCIAL REPORT - YEAR ENDED 31 MARCH 2022

**CHAIRMAN OF THE COUNCIL**  
Councillor A O'Sullivan

**LEADER OF THE COUNCIL**  
Councillor J Cleary

**CHIEF EXECUTIVE** Mrs K Ryan

**CHIEF FINANCE OFFICER (\$151)** 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 approved by Members of the Audit Committee at the meeting held on 24 March 2023 with formal approval by the Chairman on TBC.***

**Cllr A Alvey  
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 2022 and the income and expenditure for that year ended.***

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

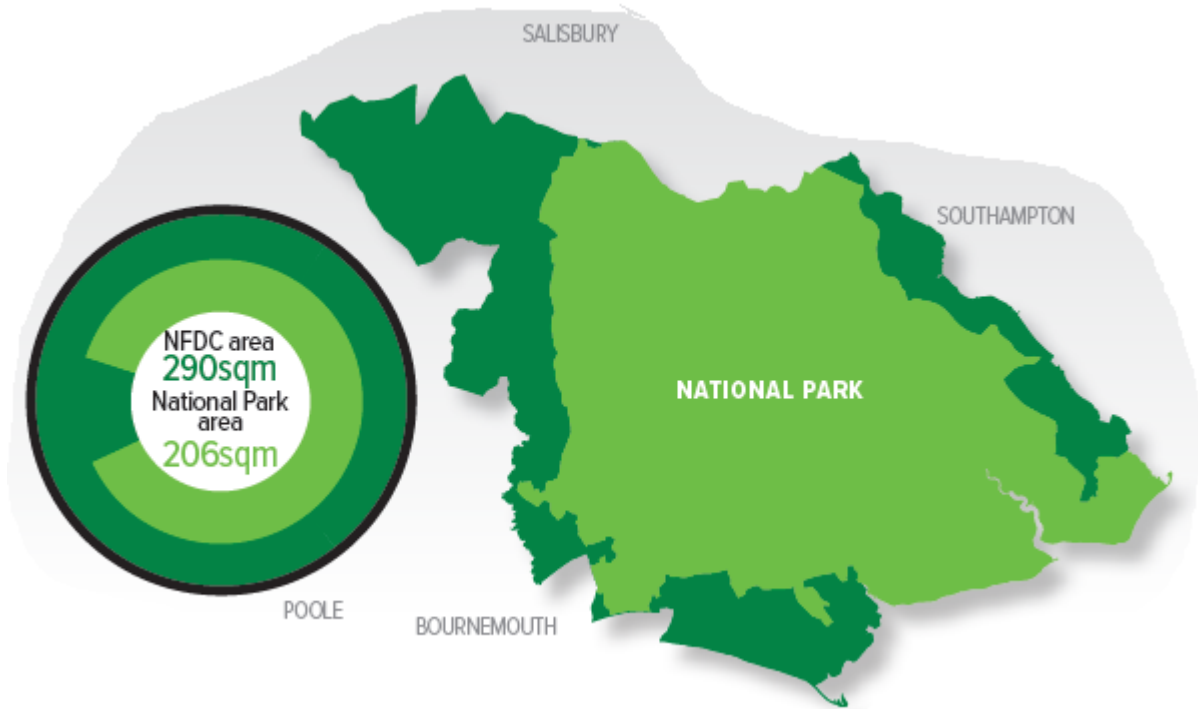
**Date TBC**

## 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 and has more businesses per head than both Hampshire and the UK. 89% of businesses in the district are micro in size employing fewer than 10 people. Self-employment is relatively high at over 19% 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 for New Forest residents are lower than the median for the South East. This, and the high average house price, results in significant cross commuting between those who work in the forest but cannot afford to live there, and those who can afford to live within the district but work elsewhere. The district council is located between the two major conurbations of Southampton and Bournemouth.

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

## **NARRATIVE STATEMENT**

### **Corporate Plan and Council Priorities**

The Council is led by 60 Councillors and elections took place in May 2019. The current Political make-up of the Council is: 44 Conservative, 13 Liberal Democrat and 3 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 plan's vision is to secure a vibrant and prosperous New Forest, guided by the people we serve and working in partnership with others to enhance the quality of lives for all by:

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

Key achievements realised during 2021/22 against the Portfolios are outlined in the Annual Performance Report, reported to Cabinet in July 2022.

### **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.

The latest Medium Term Financial Plan, that accompanied the setting of the 2022/23 budget, highlighted the likely impact that the Fair Funding Review and the potential that a 'hard' Business Rates reset will have on the Council's finances. Despite this, the plan outlined options to address the funding gap and demonstrate the ability to set a balanced budget through to 2025/26. Options include efficiency savings, income growth through yield, the generation of new additional income through the Commercial and Residential Property Strategies and Council Tax increases.

## **NARRATIVE STATEMENT**

### **COVID-19**

2021/22 was another challenging year full of financial uncertainty as a result of the Covid-19 pandemic. Income losses and additional costs within services have been largely offset through general and specific Government support.

In the year, the Council has administered over £31 million in emergency grants for businesses, as well as 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. Revenue expenditure for 2021/22 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 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.

### **Climate and Nature Emergency**

During 2021/22, the Council declared a Climate and Nature Emergency. An action plan was drawn up and was subsequently adopted by the Council. A new Climate Action Group has been established, and the Council has recently undertaken a recruitment exercise for a Climate Action Manager. Work in this important area will ramp up, once the new lead officer is in post.

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

Utility price increases and a high rate of inflation will put the Council's finances under some pressure during 2022/23. The impacts will be reported through the Council's regular Financial Monitoring cycle, as will the necessary mitigating actions. More will be covered on this within the 2022/23 Annual Financial Report.

## NARRATIVE STATEMENT

### 2. The Statement of Accounts

The accounts for 2021/22 comprise the following statements:

- **Comprehensive Income and Expenditure Statement**

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

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

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

- **Movement in Reserves Statement**

This statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and that statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The Net Increase/Decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments.

- **Balance Sheet**

This statement shows the value, as at the Balance Sheet date, of the Council's recognised assets and liabilities. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category is usable reserves, i.e. those reserves that the Council may use to provide services, subject to any statutory limitations and the need to maintain prudent reserve levels. The second category is reserves that the Council cannot use to provide services. This category includes reserves that hold unrealised gains and losses (e.g. the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".



## NARRATIVE STATEMENT

- **Cash Flow Statement**

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

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

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

- **Collection Fund**

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

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

As at 31 March 2022 the Council had net assets of £331 million.

The majority of this net worth is within Council Dwellings, valued at £419 million, offset with a debt liability of £123 million. Operational Land and Buildings total £62 million, Investment Properties £18 million and other long-term assets and investments total £32 million. Cash and short-term investments total £71 million. The Council has a net pension liability of £91 million. This is explained in more detail in section 4 of this narrative statement.

Usable reserves total £59 million (a reduction of £3 million from 2020/21), with £4 million of the total being earmarked to support the visible delivery of the General Fund (£3 million) and Housing Revenue Account (£1 million).

## NARRATIVE STATEMENT

- **General Fund**

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

The 2021/22 original net budget requirement for the General Fund was £18.868 million, a reduction of £326,000 from 2020/21. The Council's budget anticipated being funded £13.1 million from Council Tax (including a £5 increase) and £5.7 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 £138,000 to be credited from the Budget Equalisation Reserve.

Net income increases and expenditure savings in services during the year were £501,000 (£1.123 million in services offset by direct transfers to reserves of £622,000). Adjustments of £180,000 were made to capital financing, increased interest earnings of £162,000 were received and retained business rates were £612,000 below the original budget. These variations enabled £1.583 million to be transferred to the Capital Programme Reserve, an increase of £851,000 from the original budget.

	<b>Original Budget</b>	<b>Actual</b>	<b>Variation</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Net Service Expenditure	18,737	17,614	(1,123)
Revenue Financing of Capital	1,265	1,085	(180)
Interest Earnings (Net)	(569)	(731)	(162)
Unringfenced Government Grants	(576)	(1,240)	(664)
<b>Net Budget Requirement</b>	<b>18,857</b>	<b>16,728</b>	<b>(2,129)</b>
Transfer to/(from) Earmarked Revenue Reserves	(298)	324	622
Transfer to/(from) Capital Programme Reserve	732	1,583	851
Contributions to/(from) Reserves	434	1,907	1,473
<b>General Fund Budget</b>	<b>19,291</b>	<b>18,635</b>	<b>(656)</b>
Council Tax Support Grants	(423)	(379)	44
Council Taxpayers	(13,117)	(13,117)	0
Collection Fund from previous years - Council Tax	94	94	0
Non-Domestic Rates Redistribution	(6,131)	(5,757)	374
Collection Fund from previous years - Business Rates	424	11,295	10,871
Additional Business Rates Section 31 Grant	0	(5,603)	(5,603)
Transfer to/(from) Business Rates Equalisation Reserve	0	(5,030)	(5,030)
Transfer to/(from) Budget Equalisation Reserve	(138)	(138)	0
<b>(Increase)/Decrease in General Fund Balance</b>	<b>0</b>	<b>(0)</b>	<b>(0)</b>

## NARRATIVE STATEMENT

- **Housing Revenue Account**

The Housing Revenue account deficit for 2021/22 was £460,000 compared with an originally budgeted deficit of £350,000. Income was £295,000 lower than originally budgeted and there were increased levels of expenditure on Repairs and Maintenance of £662,000, offset by savings in Supervision and Management costs of £373,000 and £48,000 in capital financing costs. The balance on the account on 31 March 2022 was £1 million, after allowing for the transfer of £460,000 from earmarked reserves. The budget for 2022/23 anticipates a break-even position, after allowing for the transfer of £200,000 from reserves to cover earmarked projects.

	<b>Original Budget</b>	<b>Actual</b>	<b>Variation</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Income	(29,073)	(28,778)	295
Expenditure:			
Repairs and Maintenance	4,764	5,426	662
Supervision and Management	6,912	6,539	(373)
Capital Financing Costs	8,400	8,352	(48)
Other Expenditure	227	219	(8)
	(8,770)	(8,242)	528
Revenue Financing of Capital	9,120	8,702	(418)
<b>(Surplus)/Deficit</b>	<b>350</b>	<b>460</b>	<b>110</b>
Transfer to/(from) Earmarked Revenue Reserves	(350)	(460)	(110)
<b>(Increase)/Decrease in Housing Revenue Account Balance</b>	<b>(0)</b>	<b>(0)</b>	<b>(0)</b>

#### 4. Pension Liability

The Council's Balance Sheet shows a net pension liability of £91.020 million, a reduction of £25.684 million from 31 March 2021. 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 2021/22 net increases in asset values credited to the Income and Expenditure Statement were £2.683 million, but these were offset by capital expenditure not enhancing value of £10.847 million, to arrive at a net impairment of £8.164 million. This compares with a net impairment debit of £7.192 million in 2020/21. These items are reflected in the Net Cost of Services. In addition, a net £35.179 million was credited to the Revaluation Reserve (£4.863 million in 2020/21).

	2020/21	2021/22
	£000	£000
<b>Income and Expenditure Statement / Capital Adjustment Account</b>		
Revaluation Increases	(9,609)	(11,610)
Revaluation Decreases	1,650	8,927
Net Revaluation (Increases)/Decreases	(7,959)	(2,683)
Capital Expenditure not enhancing asset value	15,151	10,847
<b>Total Income and Expenditure Statement Impairments</b>	<b>7,192</b>	<b>8,164</b>
<b>Revaluation Reserve</b>		
Revaluation Increases	(5,688)	(37,530)
Revaluation Decreases	825	2,351
<b>Total Revaluation Reserve</b>	<b>(4,863)</b>	<b>(35,179)</b>
<b>Total Impairments/Revaluations</b>	<b>2,329</b>	<b>(27,015)</b>

## NARRATIVE STATEMENT

### 6. Capital Expenditure

The level of approved capital expenditure is reviewed regularly throughout the year, to ensure that it is achievable within the estimated resources available. The original Capital Programme for 2021/22 (including the gross value of the Coastal Regional Monitoring Programme) was £36.197 million. This was initially supplemented by rephasings of £488,000 from 2020/21. A review of the programme during the year, as reported through Financial Monitoring, reduced the approved budget to £31.828 million. Actual expenditure of £25.646 million was £6.182 million less than the last approved budget.

	Original Budget	Expenditure	Variance
	£000	£000	£000
<b>Housing Revenue Account</b>			
Major Repairs	6,050	5,115	(935)
Public Sector Disabled Adaptations	1,000	880	(120)
Acquisition and Development Programme	13,000	6,817	(6,183)
Environmental Enhancements	200	49	(151)
	20,250	12,861	(7,389)
<b>Environment and Regulatory Services</b>			
Coast Protection*	2,700	1,797	(903)
Public Conveniences	375	133	(242)
	3,075	1,930	(1,145)
<b>Finance, Corporate Services and Improvement</b>			
Depots	2,100	16	(2,084)
Commercial Property Investment	5,000	5,794	794
Residential Property Investment	0	333	333
Smarter Working	250	0	(250)
Information Technology	0	96	96
Vehicles, Plant and Equipment	3,462	3,084	(378)
	10,812	9,323	(1,489)
<b>Housing Services</b>			
Private Sector Disabled Adaptations/Home Repair Loans	1,200	901	(299)
	1,200	901	(299)
<b>Leisure and Wellbeing</b>			
Health and Leisure Centres	0	386	386
Open Space	265	226	(39)
	265	612	347
<b>Planning and Infrastructure</b>			
Mitigation Schemes	595	19	(576)
	595	19	(576)
	<b>36,197</b>	<b>25,646</b>	<b>(10,551)</b>
Less:			
Coastal Regional Monitoring Programme*	(2,096)	(1,630)	466
	<b>34,101</b>	<b>24,016</b>	<b>(10,085)</b>

## NARRATIVE STATEMENT

The actual expenditure of £24.016 million was financed by:

	£000	%
Capital Reserve	2,655	11.05
Revenue Contributions to Capital	386	1.61
Loan - General	7,583	31.58
Capital Receipts	2,779	11.57
Grant	1,666	6.94
Developers' Contributions	246	1.02
Other (HRA Repairs and Maintenance)	8,701	36.23
	<b>24,016</b>	<b>100.00</b>

### 7. Funding of Future Capital Expenditure

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

As at 31 March 2022 the Council had useable reserves/receipts of £44.007 million for capital expenditure purposes (Earmarked Reserves £11.729 million, Capital Programme Reserve £12.004 million, Developers' Contributions and Community Infrastructure Levy £12.378 million, Capital Grants Receipts in Advance £2.001 million and Capital Receipts Reserve £5.895 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 2022/23 is £42.074 million, including £24.900 million of schemes to be funded from Housing Revenue Account resources. The estimated total resources for 2022/23 will be sufficient to finance the Council's planned expenditure.

In February 2017, the Council approved a strategy to invest in commercial property. The strategy set out a £30 million fund and an intention to invest within the District for the purpose of economic redevelopment, support and regeneration, and income generation. 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 2021/22 accounts and as included in the setting of the 2022/23 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 £13.095 million. The Housing Acquisitions and Development Reserve is £11.729 million and the Housing Revenue Account balance is £1 million. In addition, the Housing Revenue Account ICT reserve is £240,000 as at 31 March 2022.

The Council's Medium Term Financial Plan as adopted in February 2022 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 2021/22 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 2022/23 but the additional S31 grant is credited to the Council's General Fund in 2021/22, 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 £5.906 million and £6.327 million has been transferred to a new Business Rates Reserve to be drawn down in 2022/23 to offset the charge from the Collection Fund in that year.

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Restated 2020/21				2021/22			
Gross Expend £000	Gross Income £000	Net Expend £000		Note	Gross Expend £000	Gross Income £000	Net Expend £000
256	(2)	254	Business, Tourism and High Streets		342	(3)	339
11,966	(4,997)	6,969	Environment and Coastal Services		10,414	(6,108)	4,306
39,035	(35,152)	3,883	Finance, Investment and Corporate Services		34,679	(31,562)	3,117
6,685	(4,651)	2,034	Housing and Homelessness Services		7,857	(5,296)	2,561
457	(16)	441	Leader		482	(5)	477
11,979	(2,969)	9,010	Partnering and Wellbeing		18,512	(2,171)	16,341
8,052	(4,838)	3,214	People and Places		8,520	(4,914)	3,606
4,558	(1,968)	2,590	Planning, Regeneration and Infrastructure		5,172	(2,043)	3,129
82,988	(54,593)	28,395	General Fund		85,978	(52,102)	33,876
24,767	(28,097)	(3,330)	Housing Revenue Account		21,037	(28,742)	(7,705)
<b>107,755</b>	<b>(82,690)</b>	<b>25,065</b>	<b>Cost of Services</b>		<b>107,015</b>	<b>(80,844)</b>	<b>26,171</b>
			<b>Other Operating Expenditure</b>				
6,519			Town and Parish Council Precepts		6,667		
662			Payments to the Government Housing Capital Receipts Pool		575		
	(1,072)		(Gains)/Losses on the disposal of Non-Current Assets			(2,723)	
		<b>6,109</b>	<b>Total Other Operating Expenditure</b>				<b>4,519</b>
			<b>Financing and Investment Income and Expenditure</b>				
			Interest Payable and Similar Charges:				
19			- General Fund		14		
4,245			- HRA		4,158		
3			Expected Credit (Gain)/Loss on Investments			(1)	
45	(1,177)		Changes in the fair value of Investments		152	(1,530)	
	(843)		Other Investment Income			(768)	
2,242			Net interest on the net defined benefit liability/(asset)	42	2,407		
7			Income, expenditure and changes in the fair value of Investment Properties	12		(937)	
		<b>4,541</b>	<b>Total Financing and Investment Income and Expenditure</b>				<b>3,495</b>
			<b>Taxation and Non-Specific Grant Income</b>				
	(19,339)		Council Tax Income (incl. Parish precepts)			(20,036)	
	(5,942)		Non-Domestic Rates Income and Expenditure	44		(5,095)	
	(6,816)		Unringfenced Government Grants	44		(1,619)	
	(3,714)		Capital Grants and Contributions	44		(2,103)	
		<b>(35,811)</b>	<b>Total Taxation and Non-Specific Grant Income</b>				<b>(28,853)</b>
121,497	(121,593)	<b>(96)</b>	<b>(Surplus)/Deficit on the Provision of Services</b>	5	120,988	(115,656)	<b>5,332</b>
	(4,863)		(Surplus)/Deficit arising from the revaluation of Property, Plant and Equipment Assets			(35,179)	
11,276			Re-measurement of the defined benefit liability/(asset)	42		(34,127)	
		<b>6,413</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>(69,306)</b>
		<b>6,317</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>(63,974)</b>

Total Comprehensive Income and Expenditure has moved by £70.291 million between 2020/21 and 2021/22. The reasons for this are detailed in Note 6. The Council adopted a new Portfolio structure in 2021/22, therefore the 2020/21 prior year comparators have been restated.

Mr A Bethune FCCA – Chief Finance Officer (S151)

Date TBC



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

	2021/22		
	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 State
	£000	£000	£000
<b>2021/22:</b>			
Business, Tourism and High Streets	276	63	339
Environment and Coastal Services	3,578	728	4,306
Finance, Investment and Corporate Services	2,384	733	3,117
Housing and Homelessness Services	2,001	560	2,561
Leader	401	76	477
Partnering and Wellbeing	5,757	10,584	16,341
People and Places	3,116	490	3,606
Planning, Regeneration and Infrastructure	2,084	1,045	3,129
<b>General Fund</b>	<b>19,597</b>	<b>14,279</b>	<b>33,876</b>
Housing Revenue Account	(7,841)	136	(7,705)
<b>Cost of Services</b>	<b>11,756</b>	<b>14,415</b>	<b>26,171</b>
Total Other Operating Expenditure	6,667	(2,148)	4,519
Total Financing and Investment Income and Expenditure	2,750	745	3,495
Total Taxation and Non-Specific Grant Income	(26,750)	(2,103)	(28,853)
<b>(Surplus)/Deficit on the Provision of Services</b>	<b>(5,577)</b>	<b>10,909</b>	<b>5,332</b>
Other Comprehensive Income and Expenditure	12,338	(81,644)	(69,306)
<b>Total Comprehensive Income and Expenditure</b>	<b>6,761</b>	<b>(70,735)</b>	<b>(63,974)</b>
Opening General Fund and HRA Balances	(4,000)		
Less Deficit/(Surplus) on General Fund and HRA in Year	6,761		
Transfer to/ (from) Earmarked Reserves	(6,761)		
<b>Closing General Fund and HRA Balances</b>	<b>(4,000)</b>		
<b>Restated 2020/21:</b>			
Business, Tourism and High Streets	216	38	254
Environment and Coastal Services	4,520	2,449	6,969
Finance, Investment and Corporate Services	3,007	876	3,883
Housing and Homelessness Services	1,686	347	2,033
Leader	373	69	442
Partnering and Wellbeing	7,540	1,470	9,010
People and Places	3,046	168	3,214
Planning, Regeneration and Infrastructure	1,931	659	2,590
<b>General Fund</b>	<b>22,319</b>	<b>6,076</b>	<b>28,395</b>
Housing Revenue Account	(7,986)	4,656	(3,330)
<b>Cost of Services</b>	<b>14,333</b>	<b>10,732</b>	<b>25,065</b>
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)
<b>(Surplus)/Deficit on the Provision of Services</b>	<b>(8,320)</b>	<b>8,224</b>	<b>(96)</b>
Other Comprehensive Income and Expenditure	(5,898)	12,311	6,413
<b>Total Comprehensive Income and Expenditure</b>	<b>(14,218)</b>	<b>20,535</b>	<b>6,317</b>
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		
<b>Closing General Fund and HRA Balances</b>	<b>(4,000)</b>		

See Note 5 for further analysis. The Council adopted a new Portfolio structure in 2021/22, therefore the 2020/21 prior year comparators have been restated.

## 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	£000	£000
<b>Balance at 31 March 2020</b>	<b>(3,000)</b>	<b>(19,314)</b>	<b>(1,000)</b>	<b>(10,297)</b>	<b>(4,618)</b>	<b>(5,212)</b>	<b>(4,247)</b>	<b>(47,688)</b>	<b>(225,488)</b>	<b>(273,176)</b>
<b><i>Movement in reserves during 2020/21</i></b>										
(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
<b>Total Comprehensive Income and Expenditure</b>	<b>586</b>	<b>0</b>	<b>(682)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(96)</b>	<b>6,413</b>	<b>6,317</b>
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
<b>Net (Increase)/Decrease Before Transfers to Earmarked Reserves</b>	<b>(15,561)</b>	<b>0</b>	<b>1,343</b>	<b>0</b>	<b>1,047</b>	<b>(786)</b>	<b>(361)</b>	<b>(14,318)</b>	<b>20,635</b>	<b>6,317</b>
Transfers to/(from) earmarked reserves (notes 9/10)	15,561	(12,372)	(1,343)	(1,846)	0	0	0	0	0	0
<b>(Increase) / Decrease in Year</b>	<b>0</b>	<b>(12,372)</b>	<b>0</b>	<b>(1,846)</b>	<b>1,047</b>	<b>(786)</b>	<b>(361)</b>	<b>(14,318)</b>	<b>20,635</b>	<b>6,317</b>
<b>Balance at 31 March 2021</b>	<b>(3,000)</b>	<b>(31,686)</b>	<b>(1,000)</b>	<b>(12,143)</b>	<b>(3,571)</b>	<b>(5,998)</b>	<b>(4,608)</b>	<b>(62,006)</b>	<b>(204,853)</b>	<b>(266,859)</b>
<b><i>Movement in reserves during 2021/22</i></b>										
(Surplus)/deficit on the provision of services	11,580	0	(6,248)	0	0	0	0	5,332	0	5,332
Other comprehensive income and expenditure	0	0	0	0	0	0	0	0	(69,306)	(69,306)
<b>Total Comprehensive Income and Expenditure</b>	<b>11,580</b>	<b>0</b>	<b>(6,248)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,332</b>	<b>(69,306)</b>	<b>(63,974)</b>
Adjustments between accounting basis and funding basis under regulations (note 8)	(6,210)	0	7,639	0	(2,324)	(1,025)	(182)	(2,102)	2,102	0
<b>Net (Increase)/Decrease Before Transfers to Earmarked Reserves</b>	<b>5,370</b>	<b>0</b>	<b>1,391</b>	<b>0</b>	<b>(2,324)</b>	<b>(1,025)</b>	<b>(182)</b>	<b>3,230</b>	<b>(67,204)</b>	<b>(63,974)</b>
Transfers to/(from) earmarked reserves (notes 9/10)	(5,370)	6,622	(1,391)	139	0	0	0	0	0	0
<b>(Increase) / Decrease in Year</b>	<b>0</b>	<b>6,622</b>	<b>0</b>	<b>139</b>	<b>(2,324)</b>	<b>(1,025)</b>	<b>(182)</b>	<b>3,230</b>	<b>(67,204)</b>	<b>(63,974)</b>
<b>Balance at 31 March 2022</b>	<b>(3,000)</b>	<b>(25,064)</b>	<b>(1,000)</b>	<b>(12,004)</b>	<b>(5,895)</b>	<b>(7,023)</b>	<b>(4,790)</b>	<b>(58,776)</b>	<b>(272,057)</b>	<b>(330,833)</b>

## BALANCE SHEET AS AT 31 MARCH

2020/21			2021/22	
£000	£000		£000	£000
		<b>Notes</b>		
		<b>Long-Term Assets</b>		
		Property, Plant and Equipment:		
384,811		Council Dwellings	11	418,832
67,842		Other Land and Buildings	11	61,911
2,437		Vehicles, Plant and Equipment	11	4,508
3,064		Infrastructure	11	2,771
537		Community Assets	11	537
3,286	461,977	Assets Under Construction	11	3,986
	12,384	Investment Property	12	18,463
	17,120	Long-Term Investments	14	16,824
	2,712	Long-Term Debtors	15	3,449
	<u>494,193</u>	<b>Total Long-Term Assets</b>		<u>531,281</u>
		<b>Current Assets</b>		
25,053		Short-Term Investments	16	46,530
267		Inventories	17	283
17,491		Short-Term Debtors	18	11,165
(2,987)		Bad Debt Provision	18	(2,718)
8,878		Cash and Cash Equivalents	19	24,572
	<u>48,702</u>	<b>Total Current Assets</b>		<u>79,832</u>
	<b>542,895</b>	<b>Total Assets</b>		<b>611,113</b>
		<b>Current Liabilities</b>		
(4,346)		Short-Term Borrowing	20	(4,345)
(27,435)		Short-Term Creditors	21	(60,024)
	(31,781)	<b>Total Current Liabilities</b>		(64,369)
		<b>Long-Term Liabilities</b>		
(122,605)		Long-Term Borrowing	22	(118,305)
(2,968)		Provisions	23	(4,020)
(1,401)		Capital Grants - Receipts in Advance	24	(2,001)
(577)		Developers' Contributions - Receipts in Advance	25	(565)
(116,704)		Net Pensions Liability	42	(91,020)
	(244,255)	<b>Total Long-Term Liabilities</b>		(215,911)
	<b>266,859</b>	<b>Net Assets</b>		<b>330,833</b>
		<b>Usable Reserves</b>		
3,000		General Fund Balance		3,000
31,686		Earmarked Reserves	9	25,064
1,000		Housing Revenue Account Balance		1,000
12,143		Capital Programme Reserve	10	12,004
3,571		Capital Receipts Reserve	26	5,895
5,998		Community Infrastructure Levy Unapplied	27	7,023
4,608	62,006	Developers' Contributions Unapplied	27	4,790
		<b>Unusable Reserves</b>		
46,595		Revaluation Reserve	28	81,324
286,484		Capital Adjustment Account	29	286,419
(90)		Financial Instruments Revaluation Reserve	30	1,288
444		Deferred Capital Receipts Reserve	31	476
(116,704)		Pensions Reserve	32	(91,020)
(11,283)		Collection Fund Adjustment Account	33	(5,906)
(593)	204,853	Accumulating Absences Adjustment Account	37	(524)
	<b>266,859</b>	<b>Total Reserves</b>		<b>272,057</b>
				<b>330,833</b>

Mr A Bethune FCCA – Chief Finance Officer (S151)

Date TBC

## CASH FLOW STATEMENT

2020/21		Notes	2021/22
£000			£000
(96)	Net (surplus) or deficit on the provision of services		5,332
(22,408)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	34	(42,606)
2,165	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	34	5,580
(20,339)	Net cash flows from Operating Activities		(31,694)
20,685	Investing Activities	35	34,015
9,329	Financing Activities	36	(18,015)
9,675	Net (increase) or decrease in cash and cash equivalents		(15,694)
(18,553)	Cash and cash equivalents at the beginning of the reporting period		(8,878)
(8,878)	<b>Cash and cash equivalents at the end of the reporting period</b>	19	(24,572)

## NOTES TO THE ACCOUNTS

### 1. ACCOUNTING POLICIES

#### i) General Principles

The Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its position at the year end of 31 March 2022. 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 2021/22 and the Service Reporting Code of Practice 2021/22 supported by International Financial Reporting Standards (IFRS).

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

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

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

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

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

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

## NOTES TO THE ACCOUNTS

### iii) Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature or can be called within 24 hours and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

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

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

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

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

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

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

**Changes in accounting estimates** are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

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

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

- Depreciation attributable to the assets used by the relevant service
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- Amortisation of intangible fixed assets attributable to the service

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

## NOTES TO THE ACCOUNTS

### vi) Contingent Assets

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

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

### vii) Contingent Liabilities

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

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

### viii) Employee Benefits

#### Benefits Payable During Employment

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

#### Termination Benefits

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

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

## NOTES TO THE ACCOUNTS

### Post Employment Benefits

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

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

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

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



## NOTES TO THE ACCOUNTS

### Re-measurements comprising

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

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

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

### ix) Events after the Balance Sheet Date

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

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

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

### x) Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

## NOTES TO THE ACCOUNTS

### xi) Financial Instruments

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

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

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

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

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

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

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

### xii) Foreign Currency Translation

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

### xiii) Government Grants and Contributions

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

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

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

## NOTES TO THE ACCOUNTS

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

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

### **xiv) Heritage Assets**

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

### **xv) Intangible Assets**

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

### **xvi) Inventories**

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

### **xvii) Investment Property**

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are re-valued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

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 2021/22 (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 2022
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	Up to 19 years
Coastal Protection Works	Up to 11 years
Land Drainage Works	Up to 23 years
Public Lighting Works	Up to 21 years
Residential Dwellings	An average of 46 years
Investment Properties	50+ years

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

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

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

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

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

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



## NOTES TO THE ACCOUNTS

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

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

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

### **xxiii) Provisions**

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

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

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

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

### **xxiv) Reserves**

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

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

## NOTES TO THE ACCOUNTS

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

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

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

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

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

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

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

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

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

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

## NOTES TO THE ACCOUNTS

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

The Code of Practice of Local Authority Accounting in the United Kingdom requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified. In addition, disclosure is required for the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code.

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

Annual improvements to IFRS Standards 2018-2020. The annual IFRS improvement programme notes 4 changed standards:

- IFRS 1 (First- time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
- IAS 37 (Onerous contracts) – clarifies the intention of the standard
- IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material
- IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS16)

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

### 3. JUDGEMENTS MADE IN APPLYING ACCOUNTING POLICIES

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

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

**Asset reclassifications** – the Council has made judgements on whether assets are classified as Investment Property or Property, Plant and Equipment. If the asset is used in the delivery of services or is occupied by third parties who are subsidised by the Council they are deemed to be Property, Plant and Equipment assets. If the asset is being held solely for capital appreciation or rental income, there is no subsidy and/or full market rent is being charged this would indicate that the asset is an Investment Property. The classification determines the valuation method to be used.

**Lease classifications** – the Council has made judgements on whether its lease arrangements are operating leases or finance leases. These judgements are based on a series of tests designed to assess whether the risks and rewards of ownership have been transferred from the lessor to the lessee. The results of the tests are taken “in the round” and a decision has been made. The accounting treatment for operating and finance leases is significantly different (see accounting policy on Leases) and could have a significant effect on the accounts.

## NOTES TO THE ACCOUNTS

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

**Providing for potential liabilities** – the Council has made judgements about the likelihood of pending liabilities and whether a provision should be made or whether there is a contingent liability. The judgements are based on the degree of certainty around the results of pending legal actions.

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

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

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

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions/Estimates
Doubtful Debt Allowances	The Council has made allowances for doubtful debts of £2.718 million in 2021/22 (£2.987 million in 2020/21) 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 £136,000 (£149,000 in 2020/21).

## NOTES TO THE ACCOUNTS

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if Actual Results Differ from Assumptions/Estimates</b>
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions' liability of changes in individual assumptions are detailed in Note 42. During 2021/22, the Council's actuaries advised that the net pension liability had increased by £1.094 million due to estimates being corrected, as a result of experience and reduced by £24.045 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 2021/22 is £524,000. A 5% increase in the accrual would amount to £26,200. This would not impact on the usable reserves of the Council.
Business Rates Appeals Provision	The provision of £3.400 million made by the Council is its 40% share of an overall provision of £8.499 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 £2.362 million before Safety Net Grant arrangements apply.

## NOTES TO THE ACCOUNTS

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if Actual Results Differ from Assumptions/Estimates</b>
Housing Stock Valuation	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.	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 2021/22, the NFDC Beacon indices totaled 9.3%, whereas the South East benchmark totaled 1.2%. The resultant difference in these figures equates to circa £32.8 million.
Property, Plant and Equipment	<p>The Council carries out a rolling programme of valuations for PPE and £468 million of assets were valued in 2021/22</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 £4.68 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 £172,000 if the useful lives were reduced by one year.</p>
Investment Properties	The Council values its investment properties annually and the fair value at 31 March 2022 was £18.5 million.	A 1% change in the valuation of investment properties would change the reported value by £185,000.
Britain leaving the European Union: asset values and pension liability	There is a high level of uncertainty about the implications of Britain leaving the European Union. The assumption has been made that any outcome arising from the transition, or on-going sticking points 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.	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.

## 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.

The Council adopted a new Portfolio structure in 2021/22, therefore the 2020/21 prior year comparators have been restated.

## NOTES TO THE ACCOUNTS

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

Adjustment between Funding and Accounting Basis				
	Adjustment for Capital Purposes	Net Change for the Pension Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000
<b>2021/22:</b>				
Business, Tourism and High Streets	0	63	0	63
Environment and Coastal Services	104	633	(9)	728
Finance, Investment and Corporate Services	111	635	(13)	733
Housing and Homelessness Services	1	559	0	560
Leader	0	79	(3)	76
Partnering and Wellbeing	9,200	1,410	(26)	10,584
People and Places	191	298	1	490
Planning, Regeneration and Infrastructure	0	1,052	(7)	1,045
<b>General Fund</b>	9,607	4,729	(57)	14,279
<b>Housing Revenue Account</b>	(1,158)	1,306	(12)	136
<b>Net Cost of Services</b>	<b>8,449</b>	<b>6,035</b>	<b>(69)</b>	<b>14,415</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	(46,678)	(31,718)	(6,754)	(85,150)
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(38,229)</b>	<b>(25,683)</b>	<b>(6,823)</b>	<b>(70,735)</b>
<b>Restated 2020/21:</b>				
Business, Tourism and High Streets	0	35	3	38
Environment and Coastal Services	2,067	348	34	2,449
Finance, Investment and Corporate Services	422	419	35	876
Housing and Homelessness Services	17	303	27	347
Leader	0	63	6	69
Partnering and Wellbeing	400	991	79	1,470
People and Places	(59)	216	11	168
Planning, Regeneration and Infrastructure	0	608	51	659
<b>General Fund</b>	2,847	2,983	246	6,076
<b>Housing Revenue Account</b>	3,858	731	67	4,656
<b>Net Cost of Services</b>	<b>6,705</b>	<b>3,714</b>	<b>313</b>	<b>10,732</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	(14,591)	13,518	10,875	9,802
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(7,886)</b>	<b>17,232</b>	<b>11,188</b>	<b>20,534</b>



## NOTES TO THE ACCOUNTS

### Expenditure and Income Analysed by Nature:

2020/21		2021/22
<b>£000</b>	<b>Expenditure</b>	<b>£000</b>
31,644	Employee benefits expenses	31,107
56,631	Other services expenses	55,090
2,727	Support Service recharges	2,476
16,798	Depreciation, amortisation and impairment	18,494
6,516	Interest Payments	6,579
6,519	Precepts and Levies	6,667
662	Payments to Housing Capital Receipts Pool	575
<b>121,497</b>	<b>Total Expenditure</b>	<b>120,988</b>
	<b>Income</b>	
(43,126)	Fees, charges and other service income	(43,657)
(1,072)	Gain on the disposal of assets	(2,723)
(2,020)	Interest and investment income	(3,235)
(19,339)	Income from council tax	(20,036)
(56,036)	Government grants and contributions	(46,005)
<b>(121,593)</b>	<b>Total Income</b>	<b>(115,656)</b>
<b>(96)</b>	<b>(Surplus) or Deficit on the Provision of Services</b>	<b>5,332</b>

### Segmental Income:

	Government Grant and Other Income	Fees, Charges and Other Service Income	Total
	£000	£000	£000
<b>2021/22:</b>			
Business, Tourism and High Streets	0	(3)	<b>(3)</b>
Environment and Coastal Services	(588)	(5,520)	<b>(6,108)</b>
Finance, Investment and Corporate Services	(29,545)	(2,017)	<b>(31,562)</b>
Housing and Homelessness Services	(2,274)	(3,022)	<b>(5,296)</b>
Leader	(2)	(3)	<b>(5)</b>
Partnering and Wellbeing	(274)	(1,897)	<b>(2,171)</b>
People and Places	(4,325)	(589)	<b>(4,914)</b>
Planning, Regeneration and Infrastructure	(179)	(1,864)	<b>(2,043)</b>
<b>General Fund</b>	<b>(37,187)</b>	<b>(14,915)</b>	<b>(52,102)</b>
<b>Housing Revenue Account</b>	<b>0</b>	<b>(28,742)</b>	<b>(28,742)</b>
	<b>(37,187)</b>	<b>(43,657)</b>	<b>(80,844)</b>
<b>Restated 2020/21:</b>			
Business, Tourism and High Streets	0	(2)	<b>(2)</b>
Environment and Coastal Services	(302)	(4,695)	<b>(4,997)</b>
Finance, Investment and Corporate Services	(33,451)	(1,701)	<b>(35,152)</b>
Housing and Homelessness Services	(1,604)	(3,047)	<b>(4,651)</b>
Leader	(11)	(5)	<b>(16)</b>
Partnering and Wellbeing	(174)	(2,795)	<b>(2,969)</b>
People and Places	(3,860)	(978)	<b>(4,838)</b>
Planning, Regeneration and Infrastructure	(160)	(1,808)	<b>(1,968)</b>
<b>General Fund</b>	<b>(39,562)</b>	<b>(15,031)</b>	<b>(54,593)</b>
<b>Housing Revenue Account</b>	<b>0</b>	<b>(28,097)</b>	<b>(28,097)</b>
	<b>(39,562)</b>	<b>(43,128)</b>	<b>(82,690)</b>

## NOTES TO THE ACCOUNTS

### 6. MATERIAL ITEMS OF INCOME AND EXPENDITURE

The Total Comprehensive Income and Expenditure Statement has a net income position of £63.974 million in 2021/22, a movement of £70.291 million from the £6.317 million net expenditure position in 2020/21. The main reasons for the variation, most of which do not impact on usable resources, are as follows:

	2020/21	2021/22	Variation
	£000	£000	£000
Depreciation and Revaluation/Impairment of Non Current Assets	8,448	9,965	1,517
Capital Grants and Contributions	(4,696)	(3,249)	1,447
Revenue Expenditure Funded from Capital	998	1,147	149
Payments to the Housing Pooled Capital Receipts	662	575	(87)
(Gains)/Losses on Non Current Asset Disposals	(1,072)	(2,723)	(1,651)
Movements in value of Investment Properties	150	(456)	(606)
Changes in Fair Value of Investments	(1,132)	(1,378)	(246)
Pension Fund Actuarial (Gains)/Losses	11,276	(34,127)	(45,403)
Other IAS19 Pension Adjustments	5,958	8,443	2,485
(Surplus)/Deficit arising from the revaluation of Property, Plant and Equipment (Revaluation)	(4,863)	(35,179)	(30,316)
Other Items	314	(70)	(384)
<b>Items Not Affecting Council Tax / Housing Rents</b>	<b>16,043</b>	<b>(57,052)</b>	<b>(73,095)</b>
Equipment Purchases	249	143	(106)
Dwellings Depreciation	8,703	8,701	(2)
Non-Ringfenced Government Grants	(12,758)	(6,714)	6,044
Interest Payable and Similar Charges	4,264	4,172	(92)
Investment Income	(843)	(768)	75
Other Items	(9,341)	(12,456)	(3,115)
<b>Items Affecting Council Tax / Housing Rents</b>	<b>(9,726)</b>	<b>(6,922)</b>	<b>2,804</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>6,317</b>	<b>(63,974)</b>	<b>(70,291)</b>

### 7. EVENTS AFTER THE REPORTING PERIOD

The draft key Accounting Statements were presented to the Audit Committee on 29 July 2022, and subsequently authorised for publication by the Chief Finance Officer s151.

Events taking place after the date the statements were presented to the Audit Committee are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2022, 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 2022.

## **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

2021/22	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
<b>Adjustments primarily involving the Capital Adjustment Account:</b>							
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>							
Charges for depreciation and impairment of non-current assets	(1,342)	(3)	0	(8,701)	0	0	10,046
Revaluation Gains / (Losses) on Property, Plant and Equipment	(8,809)	11,036	0	0	0	0	(2,227)
Capital Expenditure not enhancing value	(968)	(9,879)	0	0	0	0	10,847
Movements in the market value of Investment Properties	460	(4)	0	0	0	0	(456)
Expected Credit Loss on Investments	1	0	0	0	0	0	(1)
Movement in the Fair Value of Investments	1,378	0	0	0	0	0	(1,378)
Capital grants and contributions applied	1,101	576	0	0	0	0	(1,677)
Revenue expenditure funded from capital under statute	(1,147)	0	0	0	0	0	1,147
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(63)	(2,795)	0	0	0	0	2,858
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>							
Provision for the financing of capital investment	1,085	4,182	0	0	0	0	(5,267)
Capital expenditure charged against the General Fund and HRA balances	2,109	932	0	0	0	0	(3,041)
<b>Adjustments primarily involving the Capital Grants / Developers' Contributions Unapplied Account:</b>							
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1,441	0	0	0	(1,025)	(416)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	0	234	(234)

## NOTES TO THE ACCOUNTS

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

## NOTES TO THE ACCOUNTS

2021/22	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
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>							
Amount by which council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	5,376	0	0	0	0	0	(5,376)
<b>Adjustments primarily involving the Accumulating Absences Adjustment Account:</b>							
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	58	12	0	0	0	0	(70)
<b>Total Adjustments</b>	<b>(6,210)</b>	<b>7,639</b>	<b>(2,324)</b>	<b>0</b>	<b>(1,025)</b>	<b>(182)</b>	<b>2,102</b>

## NOTES TO THE ACCOUNTS

2020/21 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
<b>Adjustments primarily involving the Capital Adjustment Account:</b>							
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>							
Charges for depreciation and impairment of non-current assets	(1,404)	(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
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>							
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)
<b>Adjustments primarily involving the Capital Grants / Developers' Contributions Unapplied Account:</b>							
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	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 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
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement (net of administration costs of disposal)	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
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>							
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	3	(117)	0	0	0	114
<b>Adjustments primarily involving the Major Repairs Reserve:</b>							
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	8,704	0	0	(8,704)
<b>Adjustments primarily involving the Pension Reserve:</b>							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(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 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
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>							
Amount by which council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	(12,004)	0	0	0	0	0	12,004
<b>Adjustments primarily involving the Accumulating Absences Adjustment Account:</b>							
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(245)	(67)	0	0	0	0	312
<b>Total Adjustments</b>	<b>(16,147)</b>	<b>2,025</b>	<b>1,047</b>	<b>0</b>	<b>(786)</b>	<b>(361)</b>	<b>14,222</b>

## 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 2020 £000	Transfers Out 2020/21 £000	Transfers In 2020/21 £000	Balance 31 March 2021 £000	Transfers Out 2021/22 £000	Transfers In 2021/22 £000	Balance 31 March 2022 £000
Building Control Surplus	(44)	0	(127)	(171)	0	(87)	(258)
Business Rates Equalisation	(1,775)	0	(1,062)	(2,837)	138	0	(2,699)
Business Rates Reserve	0	0	(11,357)	(11,357)	11,357	(6,327)	(6,327)
Committed Schemes	(469)	469	(593)	(593)	593	(963)	(963)
Community Housing Fund	(920)	38	0	(882)	5	0	(877)
Contain Outbreak Management F	0	0	(103)	(103)	0	(160)	(263)
Council Tax Hardship Reserve	0	0	(162)	(162)	37	0	(125)
Historic Buildings	(7)	0	0	(7)	0	0	(7)
Household Support Fund	0	0	0	0	0	(41)	(41)
Housing Needs Survey	(108)	0	0	(108)	0	0	(108)
Leisure Development	(834)	0	0	(834)	386	0	(448)
Local Development Framework	(29)	9	(350)	(370)	0	0	(370)
Lymington Synthetic Turf Pitch	(187)	0	(20)	(207)	207	0	0
Open Space Maintenance	(83)	56	(447)	(474)	56	(6)	(424)
Private Housing Stock Condition Survey	(88)	29	0	(59)	0	0	(59)
Quadrennial Election	0	0	(44)	(44)	0	(44)	(88)
Treasury Management	0	0	(38)	(38)	0	0	(38)
<b>General Fund</b>	<b>(4,544)</b>	<b>601</b>	<b>(14,303)</b>	<b>(18,246)</b>	<b>12,779</b>	<b>(7,628)</b>	<b>(13,095)</b>
HRA ICT	(410)	59	0	(351)	111	0	(240)
Housing Acquisitions and Development	(14,360)	1,271	0	(13,089)	1,360	0	(11,729)
<b>Total Reserves</b>	<b>(19,314)</b>	<b>1,931</b>	<b>(14,303)</b>	<b>(31,686)</b>	<b>14,250</b>	<b>(7,628)</b>	<b>(25,064)</b>

## 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 2020 £000	Transfers Out 2020/21 £000	Transfers In 2020/21 £000	Balance 31 March 2021 £000	Transfers Out 2021/22 £000	Transfers In 2021/22 £000	Balance 31 March 2022 £000
Capital Programme	(10,297)	1,303	(3,149)	(12,143)	2,305	(2,166)	(12,004)
	<b>(10,297)</b>	<b>1,303</b>	<b>(3,149)</b>	<b>(12,143)</b>	<b>2,305</b>	<b>(2,166)</b>	<b>(12,004)</b>

### 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 2021/22 this work was carried out by the Council's valuer P. Marston, MRICS, Registered Valuer. The revaluation programme for 2021/22 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.

2020/21		2021/22
5,168	Council Dwellings	5,162
2	Main Office Blocks	2
2	Other Offices	2
5	Depots and Administrative Buildings	5
5	Health and Leisure Centres	5
51	Car Parks	52
9	Cemeteries	9
23	Public Conveniences	23
234	Vehicles	218
1,788	Garages	1,751

## 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
<b>Carried at Historic Cost (Net of Depreciation)</b>			4,508	2,771		3,986	<b>11,265</b>
<b>Valued at Fair Value as at:</b>							
2021/22	418,512	50,552					<b>469,064</b>
2020/21		3,146					<b>3,146</b>
2019/20	320	2,167			537		<b>3,024</b>
2018/19		2,090					<b>2,090</b>
2017/18		3,956					<b>3,956</b>
<b>Total Cost or Valuation</b>	<b>418,832</b>	<b>61,911</b>	<b>4,508</b>	<b>2,771</b>	<b>537</b>	<b>3,986</b>	<b>492,545</b>

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

## NOTES TO THE ACCOUNTS

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

Purchases and disposals during the year were as follows:

<b>Movements in 2021/22:</b>	<b>Council Dwellings</b>	<b>Other Land and Buildings</b>	<b>Vehicles, Plant and Equipment</b>	<b>Infrastructure</b>	<b>Community Assets</b>	<b>Assets Under Construction</b>	<b>Total Property, Plant and Equipment</b>
<b>Cost or Valuation</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 April 2021	384,811	67,843	10,525	19,839	537	3,286	<b>486,841</b>
Additions	11,794	536	3,085	166	0	1,067	<b>16,648</b>
Revaluation increases / (decreases) recognised in the Revaluation Reserve	31,959	3,213	0	0	0	0	<b>35,172</b>
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	2,335	(8,809)	0	0	0	0	<b>(6,474)</b>
Capital Expenditure not enhancing value recognised in the Surplus / Deficit on the Provision of Services	(9,879)	(535)	0	(167)	0	0	<b>(10,581)</b>
Derecognition - disposals	(2,794)	0	(1,593)	0	0	0	<b>(4,387)</b>
Other movements in cost or valuation	606	(239)	0	0	0	(367)	<b>0</b>
<b>At 31 March 2022</b>	<b>418,832</b>	<b>62,009</b>	<b>12,017</b>	<b>19,838</b>	<b>537</b>	<b>3,986</b>	<b>517,219</b>
<b>Accumulated Depreciation and Impairment</b>							
At 1 April 2021	0	(1)	(8,088)	(16,775)	0	0	<b>(24,864)</b>
Depreciation charge	(8,701)	(103)	(950)	(292)	0	0	<b>(10,046)</b>
Depreciation written out to the Revaluation Reserve	0	6	0	0	0	0	<b>6</b>
Depreciation written out to the Surplus / Deficit on the Provision of Services	8,701	0	0	0	0	0	<b>8,701</b>
Derecognition - disposals	0	0	1,529	0	0	0	<b>1,529</b>
<b>At 31 March 2022</b>	<b>0</b>	<b>(98)</b>	<b>(7,509)</b>	<b>(17,067)</b>	<b>0</b>	<b>0</b>	<b>(24,674)</b>
<b>Net Book Value</b>							
<b>at 31 March 2022</b>	<b>418,832</b>	<b>61,911</b>	<b>4,508</b>	<b>2,771</b>	<b>537</b>	<b>3,986</b>	<b>492,545</b>
<b>at 31 March 2021</b>	<b>384,811</b>	<b>67,842</b>	<b>2,437</b>	<b>3,064</b>	<b>537</b>	<b>3,286</b>	<b>461,977</b>

## NOTES TO THE ACCOUNTS

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

## NOTES TO THE ACCOUNTS

### d) Impairments

Valuation reductions of Property, Plant and Equipment Assets in 2021/22 were £11.272 million (Garages £174,000, Health and Leisure Centres £10.317 million and other General Fund Assets £781,000), but valuation increases were £49.134 million (Council Dwellings £43.171 million and General Fund Assets £5.963 million).

Offsetting the net valuation increases was non-enhancing capital expenditure of £9.879 million on Council Dwellings, and £968,000 on General Fund Assets, which was impaired via the Comprehensive Income and Expenditure Statement in the year.

Net valuation increases of Investment Properties in 2021/22 were £456,000.

### e) Capital Expenditure Contract Commitments

As at 31 March 2022, the Council was committed through contracts to future capital expenditure in respect of the following major schemes:

	Period of investment	£000
<b>Environment and Coastal Services</b>		
Hydrodynamics	2022/23	435
Geodata	2022/23	80
Aerial Photography	2022/23	111
<b>Finance, Investment and Corporate Services</b>		
Crow Lane Industrial Site	2022/23	7,080
Crow Lane Industrial Site	2023/24	107
Vehicles	2022/23	2,087
<b>Housing and Homelessness Services</b>		
Christchurch Road	2022/23	120
Gorse Close	2022/23	767
Ladycross Road	2022/23	1,600
<b>People and Places</b>		
Public Conveniences	2022/23	131
<b>Total</b>		<b>12,518</b>

## 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:

2020/21		2021/22
£000		£000
(512)	Rental income from investment property	(690)
16	Direct operating expenses arising from investment property	38
353	Capital expenditure not enhancing value	171
150	Net (gains)/losses from fair value adjustments	(456)
<b>7</b>	<b>Net (gain)/loss</b>	<b>(937)</b>

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

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

2020/21		2021/22
£000		£000
<b>9,454</b>	<b>Balance at start of the year</b>	<b>12,384</b>
	Additions:	
3,433	Purchases	5,794
(353)	Capital expenditure not enhancing value	(171)
(150)	Net gains/(losses) from fair value adjustments	456
<b>12,384</b>	<b>Balance at end of the year</b>	<b>18,463</b>

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.

2020/21		2021/22
£000		£000
<b>0</b>	<b>Opening Balance</b>	<b>0</b>
268	Additions	95
(268)	Capital Expenditure not enhancing value	(95)
<b>0</b>	<b>Closing Balance</b>	<b>0</b>



## 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 2022 the Council had 8 loans which had a remaining maturity term of more than one year.

2020/21		2021/22
£000		£000
18,636	<b>Opening Balance</b>	17,120
387	Purchases	333
1,151	Revaluations Gains	1,532
(46)	Revaluations Losses	(122)
(8)	Repayments	(1)
(3,000)	Transfers to Short-Term Investments	(2,038)
<b>17,120</b>	<b>Closing Balance</b>	<b>16,824</b>

### 15. LONG-TERM DEBTORS

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

31 March 2021		31 March 2022
£000		£000
5	Car Loans	2
502	Lymington Harbour Commissioners - Principal	301
439	Rent to Mortgages House Purchases	473
1,766	Appletree Property Holdings	2,673
<b>2,712</b>	<b>Total</b>	<b>3,449</b>

## 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.

2020/21		2021/22
£000		£000
20,062	<b>Opening Balance</b>	25,053
75,500	Purchases	100,970
30	Revaluations Gains	16
0	Revaluations Losses	(30)
(35)	Movement in Accrued Interest	(29)
(73,502)	Repayments	(81,488)
(2)	Expected Credit Loss	0
3,000	Transfers from Long-Term Investments	2,038
<b>25,053</b>	<b>Closing Balance</b>	<b>46,530</b>

### 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.

2020/21		2021/22
£000		£000
285	<b>Balance at 1 April</b>	267
1,974	Purchases	2,352
(1,973)	Recognised as an expense in the year	(2,331)
(19)	Written off balances	(5)
<b>267</b>	<b>Balance at 31 March</b>	<b>283</b>

## 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 2021		31 March 2022
£000		£000
6,283	Central Government Bodies (a)	975
	Local Authorities:	
2,599	Hampshire County Council (b)	1,605
2	Police and Crime Commissioner for Hampshire	29
213	Hampshire and Isle of Wight Fire and Rescue Service (b)	73
45	New Forest National Park Authority	20
258	Other Local Authorities	68
4	NHS Bodies	0
148	Public Corporations and Trading Funds	102
	Other Entities and Individuals:	
637	Council Tax Payers	656
599	Business Rate Payers	541
1,027	Housing Tenants' Rents	1,082
5,676	Other Debtors and Payments in Advance ©	6,014
<b>17,491</b>	<b>Total</b>	<b>11,165</b>

Short-term debtors were lower at the 31 March 2022 by £6.326 million when compared to 31 March 2021, the main contributing factors to this were:

- (a) Central Government Bodies debtors decreased by £5.308 million. This was principally due to the following: the reimbursement of benefits from the Department of Works and Pensions was a debtor of £1.944 million at the end of 2020/21 and moved to being a creditor of £0.809 million at 31 March 2022; at 31 March 2021 coast protection grants due were £1.389 million and the Local Government Income Compensation Scheme for lost sales, fees and charges as a result of COVID-19 was £1.677 million, as at 31 March 2022 there were no debtors for either of these.
- (b) Hampshire County Council and the Hampshire and Isle of Wight Fire and Rescue Service have decreased mainly due to National Non-Domestic Rates reducing by £1.263 million and £140,000 respectively since 31 March 2021.
- (c) Other Debtors and Payments in Advance has increased in the main due to an increase in the value of outstanding Accounts Receivable balances.

The bad debts provision is shown below:

31 March 2021		31 March 2022
£000		£000
(258)	Council Tax Payers	(265)
(279)	Business Rate Payers	(118)
(755)	Housing Tenants' Rents	(772)
(1,695)	Other Debtors	(1,563)
<b>(2,987)</b>	<b>Total</b>	<b>(2,718)</b>

## 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 2021		31 March 2022
£000		£000
8	Cash held by the Council	6
549	Bank current accounts	493
8,321	Short-Term deposits with building societies/banks and other financial institutions	24,073
<b>8,878</b>	<b>Total</b>	<b>24,572</b>

### 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 £43,922 on short-term and long-term borrowing is also payable within 12 months and is included in this category.

2020/21		2021/22
£000		£000
<b>(4,348)</b>	<b>Balance at 1 April</b>	<b>(4,346)</b>
4,301	Loans Repaid	4,301
(4,301)	Transferred from Long-Term Borrowing	(4,301)
2	Movement in accrued interest on all Borrowing	1
<b>(4,346)</b>	<b>Balance at 31 March</b>	<b>(4,345)</b>

## 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 2021		31 March 2022
£000		£000
(17,728)	Central Government Bodies (a)	(44,849)
	Local Authorities:	
(601)	Hampshire County Council (b)	(2,238)
(58)	Police and Crime Commissioner for Hampshire	(336)
(10)	Hampshire and Isle of Wight Fire and Rescue Service	(98)
(4)	New Forest National Park Authority	(31)
(162)	Developers' Contributions Open Space Maintenance	(163)
(833)	Other Local Authorities (c)	(3,191)
(3)	Public Corporations and Trading Funds	(29)
	Other Entities:	
(345)	Council Tax Payers	(349)
(265)	Business Rate Payers	(446)
(7,426)	Other Creditors and Receipts in Advance (d)	(8,294)
<b>(27,435)</b>	<b>Total</b>	<b>(60,024)</b>

Short term creditors have increased by £32.589 million from 2020/21 to 2021/22:

- (a) The Central Government Bodies balance is £27.121 million higher principally due to £18.915 million regarding National Non-Domestic Rates (Business Rates) and grants received in advance for the Council Tax Energy Rebate scheme of £8.206 million.
- (b) Hampshire County Council is higher at 31 March 2022 mainly due to the Collection Fund re Council Tax having increased by £1.635 million.
- (c) Other Local Authorities is higher at 31 March 2022 by £2.358 million principally with regard to the regional coastal monitoring programme.
- (d) Other Creditors and Receipts in Advance have increased by £0.868 million. This was due, in the main, to increases on accruals for Housing Maintenance of £0.541 million and Industrial Site works of £0.877 million, offset by lower Sundry Creditors outstanding invoice amounts of £0.634 million.

## NOTES TO THE ACCOUNTS

### 22. LONG-TERM BORROWING

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

At 1 April 2021 the Council was holding long-term debt of £122.605 million. This comprises 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 2022 £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 £118.304 million was outstanding at the year end.

2020/21		2021/22
£000		£000
(126,906)	Balance at 1 April	(122,605)
4,301	Transferred to Short-Term Borrowing	4,301
<b>(122,605)</b>	<b>Balance at 31 March</b>	<b>(118,304)</b>

## NOTES TO THE ACCOUNTS

### 23. 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 2020	Additional Provisions Made 2020/21	Amounts Used 2020/21	Unused Amounts Reversed 2020/21	Balance 31 March 2021	Additional Provisions Made 2021/22	Amounts Used 2021/22	Unused Amounts Reversed 2021/22	Balance 31 March 2022
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Business Rates	(3,828)	(797)	1,729	0	(2,896)	(1,990)	1,486	0	(3,400)
Health and Leisure Centres	0	0	0	0	0	(539)	0	0	(539)
Private Sector Leasing Dilapidations	(50)	0	0	0	(50)	0	0	0	(50)
Redundancy	0	(22)	0	0	(22)	(32)	23	0	(31)
<b>Total Provisions</b>	<b>(3,878)</b>	<b>(819)</b>	<b>1,729</b>	<b>0</b>	<b>(2,968)</b>	<b>(2,561)</b>	<b>1,509</b>	<b>0</b>	<b>(4,020)</b>

#### Business Rates

On 1 April 2013 the Government introduced the Business Rates Retention Scheme, which required the Council to make a provision in the Collection Fund for successful appeals against rating valuations. The total provision made at 31 March 2022 was £8.499 million, of which £3.400 million relates to this Council's share of anticipated refunds.

#### Health and Leisure Centres

The Health and Leisure Centre management contract includes an open book arrangement which allows the Council to make additional payments to the contractor. Recovery from COVID has been slower than anticipated and therefore, based on performance to the end of March 2022, provision has been made for an additional payment of £539,000.

#### Private Sector Leasing Dilapidations

The Council is responsible for ensuring the repair of private sector houses that are leased. The Council had possible obligations on 119 properties at 31 March 2022. A revenue budget of £152,000 exists in 2022/23 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

### 24. 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:

2020/21				2021/22		
Government Grants	Other Grants/Contributions	Total		Government Grants	Other Grants/Contributions	Total
£000	£000	£000		£000	£000	£000
(544)	0	(544)	Balance at 1 April	(1,401)	0	(1,401)
(3,862)	(45)	(3,907)	New Receipts	(2,239)	(27)	(2,266)
3,005	45	3,050	Financing of Capital Expenditure	1,639	27	1,666
<b>(1,401)</b>	<b>0</b>	<b>(1,401)</b>	<b>Balance at 31 March</b>	<b>(2,001)</b>	<b>0</b>	<b>(2,001)</b>

### 25. 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.

2020/21		2021/22
£000		£000
(625)	Balance at 1 April	(577)
48	Financing of Capital Expenditure	12
<b>(577)</b>	<b>Balance at 31 March</b>	<b>(565)</b>

### 26. 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.

2020/21		2021/22
£000		£000
(4,618)	Balance at 1 April	(3,571)
(2,325)	New Receipts (including interest)	(5,678)
662	Transfers to Government	575
2,710	Financing of Capital Expenditure	2,779
<b>(3,571)</b>	<b>Balance at 31 March</b>	<b>(5,895)</b>



## NOTES TO THE ACCOUNTS

### 27. 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.

2020/21			2021/22	
CIL	DCs		CIL	DCs
£000	£000		£000	£000
(5,212)	(4,247)	<b>Balance at 1 April</b>	<b>(5,998)</b>	<b>(4,608)</b>
(1,055)	(941)	New Receipts	(1,317)	(585)
0	405	Financing of Capital Expenditure	0	234
63	175	Financing of Revenue Expenditure	74	169
206	0	Payments to Town and Parish Councils	218	0
<b>(5,998)</b>	<b>(4,608)</b>	<b>Balance at 31 March</b>	<b>(7,023)</b>	<b>(4,790)</b>

### 28. 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.

2020/21				2021/22		
General Fund	Housing Revenue Account	Total		General Fund	Housing Revenue Account	Total
£000	£000	£000	£000	£000	£000	
(20,040)	(21,824)	(41,864)	<b>Balance at 1 April</b>	<b>(20,139)</b>	<b>(26,456)</b>	<b>(46,595)</b>
(617)	(5,071)	(5,688)	Upward revaluation of assets	(5,396)	(32,134)	(37,530)
519	306	825	Downward revaluation of assets and impairment losses not charged to Surplus/Deficit on the Provision of Services	2,177	174	2,351
(98)	(4,765)	(4,863)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(3,219)	(31,960)	(35,179)
0	132	132	Accumulated gains on assets sold or scrapped	0	450	450
<b>(20,138)</b>	<b>(26,457)</b>	<b>(46,595)</b>	<b>Balance at 31 March</b>	<b>(23,358)</b>	<b>(57,966)</b>	<b>(81,324)</b>

## NOTES TO THE ACCOUNTS

### 29. 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.

2020/21			2021/22	
£000	£000		£000	£000
	(283,315)	<b>Balance at 1 April</b>		(286,484)
		<b>Reversal of items relating to capital expenditure or credited to the Comprehensive Income and Expenditure Statement:</b>		
10,110		Charges for depreciation and impairment of non-current assets	10,046	
(8,109)		Revaluation (Gains) / Losses on Property, Plant and Equip.	(2,228)	
15,151		Capital Expenditure not enhancing value	10,847	
998		Revenue expenditure funded from capital under statute	1,147	
961		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	2,408	
	19,111	Net written out amount of the cost on non-current assets consumed in the year		22,220
		<b>Capital financing applied in the year:</b>		
(2,710)		Use of the Capital Receipts Reserve to finance new capital expenditure	(2,779)	
(8,704)		Use of the Major Repairs Reserve to finance new capital expenditure	(8,701)	
(3,098)		Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(1,677)	
(405)		Application of grants / contributions to capital financing from the Capital Grant / Developers' Contributions Unapplied Accounts	(234)	
(1,135)		Provision for the financing of capital investment charged against the General Fund balance	(1,167)	
(4,100)		Provision for the financing of capital investment charged against the HRA balance	(4,100)	
(2,278)		Capital expenditure charged against the General Fund and HRA balances	(3,041)	
	(22,430)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(21,699)
	150			(456)
	<b>(286,484)</b>	<b>Balance at 31 March</b>		<b>(286,419)</b>

## NOTES TO THE ACCOUNTS

### 30. 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.

2020/21		2021/22
£000		£000
1,219	<b>Balance at 1 April</b>	90
(1,177)	Upward revaluation of investments	(1,529)
45	Downward revaluation of investments	152
3	Expected credit loss on investments	(1)
(1,129)	(Surplus) or deficit on revaluation of investments	(1,378)
<b>90</b>	<b>Balance at 31 March</b>	<b>(1,288)</b>

### 31. 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.

2020/21		2021/22
£000		£000
(558)	<b>Balance at 1 April</b>	(444)
(4)	New Receipts/Revaluations	(33)
118	Transfer to the Capital Receipts Reserve upon receipt of cash	1
<b>(444)</b>	<b>Balance at 31 March</b>	<b>(476)</b>

## NOTES TO THE ACCOUNTS

### 32. 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 42.

2020/21 £000		2021/22 £000
99,470	<b>Balance at 1 April</b>	116,704
11,276	Remeasurement of the net defined liability / (asset)	(34,127)
10,434	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	13,138
(4,476)	Employer's pensions contributions and direct payments to pensioners payable in the year	(4,324)
0	Health and Leisure Contractor Payment into Fund	(371)
<b>116,704</b>	<b>Balance at 31 March</b>	<b>91,020</b>

### 33. 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 2021				31 March 2022		
Business Rates	Council Tax	Total		Business Rates	Council Tax	Total
£000	£000	£000		£000	£000	£000
14,197	0	14,197	Central Government	7,909	0	7,909
2,555	(401)	2,154	Hampshire County Council	1,424	(2,076)	(652)
0	(72)	(72)	Police and Crime Commissioner for Hampshire	0	(354)	(354)
284	(19)	265	Hampshire Fire and Rescue Authority	158	(110)	48
17,036	(492)	16,544	New Forest District Council	9,491	(2,540)	6,951
11,357	(74)	11,283		6,327	(421)	5,906
<b>28,393</b>	<b>(566)</b>	<b>27,827</b>		<b>15,818</b>	<b>(2,961)</b>	<b>12,857</b>

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

## NOTES TO THE ACCOUNTS

### 34. CASH FLOW STATEMENT – OPERATING ACTIVITIES

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

2020/21 £000		2021/22 £000
(10,110)	Charges for depreciation and impairment	(10,046)
8,109	Revaluation Gains/(Losses) on Property, Plant and Equipment	2,228
1	Revaluation/Movement in Deferred Debtors	35
1,132	Revaluation Gains/(Losses) on Investments	1,396
(15,151)	Capital Expenditure not enhancing value	(10,847)
(150)	Movements in the value of Investment Properties	456
3,714	Capital grants applied to the financing of Capital Expenditure	2,103
(1,093)	Carrying amount of Non-Current Assets sold	(2,858)
(18)	Increase/(Decrease) in Inventories	16
5,829	Increase/(Decrease) in Debtors	(6,326)
(35)	Increase/(Decrease) in Investments Accrued Interest	(29)
(322)	(Increase)/Decrease in impairment for Provision for Bad Debts	269
(9,211)	(Increase)/Decrease in Creditors	(10,861)
(55)	Adjustment to Creditors re Capital Expenditure	1,353
(5,958)	Movement in Pension Liability	(8,443)
910	Other non-cash items charged to the net surplus or deficit on the provision of services	(1,052)
<b>(22,408)</b>	<b>Adjustment to Net Surplus or Deficit on the Provision of Services for Non-Cash Movements</b>	<b>(42,606)</b>

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

2020/21 £000		2021/22 £000
2,165	Proceeds adjustment from the sale of property, plant and equipment and investment property	5,580
<b>2,165</b>		<b>5,580</b>

The cash flows for operating activities include the following items:

2020/21 £000		2021/22 £000
(926)	Investment interest received	(827)
4,264	Loan interest paid	4,169
<b>3,338</b>		<b>3,342</b>

## NOTES TO THE ACCOUNTS

### 35. CASH FLOW STATEMENT - INVESTING ACTIVITIES

2020/21		2021/22
£000		£000
22,944	Purchase of property, plant and equipment, investment property and intangible assets	21,183
75,887	Purchase of short-term and long-term investments	101,303
1,461	Other payments for investing activities	909
(2,165)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(5,580)
(73,510)	Proceeds from short-term and long-term investments	(81,490)
(3,932)	Other receipts from investing activities	(2,310)
<b>20,685</b>	<b>Net cash flows from investing activities</b>	<b>34,015</b>

### 36. CASH FLOW STATEMENT - FINANCING ACTIVITIES

2020/21		2021/22
£000		£000
0	Other receipts from financing activities	(22,316)
4,301	Repayments of short and long-term borrowing	4,301
5,028	Other payments for financing activities	0
<b>9,329</b>	<b>Net cash flows from financing activities</b>	<b>(18,015)</b>

### 37. 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.

2020/21			2021/22	
£000	£000		£000	£000
	282	<b>Balance at 1 April</b>		593
(282)		Settlement or cancellation of accrual made at the end of the preceding year	(594)	
593		Amounts accrued at the end of the current year	525	
	311	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		(69)
	<b>593</b>	<b>Balance at 31 March</b>		<b>524</b>

## NOTES TO THE ACCOUNTS

### 38. AGENCY SERVICES

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

2020/21		2021/22		
Net Expenditure £000		Gross Expenditure £000	Income £000	Net Expenditure £000
0	Hampshire County Council - Highways	315	(315)	0
<b>0</b>	<b>Agency Expenditure</b>	<b>315</b>	<b>(315)</b>	<b>0</b>

### 39. CONTINGENT ASSETS

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

### 40. 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 2022 no such guarantee has been exercised.

The Health and Leisure staff transferred to Freedom Leisure in July 2021 but remain in the Hampshire County Council Government Pension Scheme under a pooling arrangement with the Council. As such, assets and liabilities relating to those staff remain on the Council's balance sheet and Freedom Leisure operate with defined contributions. In addition, New Forest District Council act as guarantor for any contributions to the Pension Fund should they not be paid by Freedom Leisure. No such guarantee has been exercised as at 31 March 2022.

### 41. 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 £919,000 in 2021/22 and was charged to the General Fund together with £166,000 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 £82,000 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.

	2020/21		2021/22	
	£000	£000	£000	£000
<b>Opening Capital Financing Requirement</b>		140,052		141,896
<b>Capital Investment</b>				
Property, Plant and Equipment Assets	22,621		22,441	
Long-Term Investments	387		333	
Intangible Assets	268		95	
REFCUS	998	24,274	1,147	24,016
<b>Sources of Finance</b>				
Capital Receipts	(2,710)		(2,779)	
Government Grants	(3,050)		(1,666)	
Revenue Contributions	(2,278)		(3,041)	
Major Repairs Reserve	(8,704)		(8,701)	
Developers' Contributions	(453)	(17,195)	(246)	(16,433)
<b>Other Adjustments for the Repayment of Debt</b>				
Repayment of Loan Principal		(4,100)		(4,100)
Revenue Provision		(1,135)		(1,167)
<b>Closing Capital Financing Requirement</b>		<b>141,896</b>		<b>144,212</b>

Explanation of movements in Year	2020/21	2021/22
	£000	£000
Increase in underlying need to borrow (unsupported by Government financial assistance)	7,079	7,583
Reduction (-)/increase in need to borrow because of:		
- Repayment of Loan Principal	(4,100)	(4,100)
- Revenue Provision	(1,135)	(1,167)
	1,844	2,316



## NOTES TO THE ACCOUNTS

### 42. 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:

	2020/21	2021/22
	£ million	£ million
<b>Comprehensive Income and Expenditure Statement</b>		
<b>Cost of Services</b>		
<b>Service cost comprising:</b>		
Current service cost	8.161	10.511
Past service cost	0.032	0.220
<b>Financing and Investment Income and Expenditure</b>		
Net Interest expense	2.241	2.407
<b>Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services</b>	10.434	13.138
<b>Other Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>		
<b>Remeasurement of the net defined benefit liability comprising:</b>		
Return on plan assets (excluding the amount included in the net interest expense)	(40.139)	(11.176)
Actuarial (Gains) / Losses arising on changes in demographic assumptions	0.000	(3.309)
Actuarial (Gains) / Losses arising on changes in financial assumptions	54.743	(20.736)
Actuarial (Gains) / Losses due to liability experience	(3.328)	1.094
<b>Total Net Defined Benefit Liability Re-measured</b>	11.276	(34.127)
<b>Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>	21.710	(20.988)
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code	(17.234)	25.313
<b>Actual amount charged against the General Fund</b>		
<b>Balance for pensions in the year</b>		
Employer's contributions payable to scheme	<b>4.476</b>	<b>4.324</b>

## NOTES TO THE ACCOUNTS

### c) Pensions Assets and Liabilities Recognised in the Balance Sheet

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

Assets and Liabilities	31 March 2021	31 March 2022
	£ million	£ million
Present value of the defined benefit obligation	(336.912)	(324.609)
Fair value of plan assets	220.208	233.589
<b>Net liability arising from defined benefit obligation</b>	<b>(116.704)</b>	<b>(91.020)</b>

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment retirement benefits. The total net liability of £91.020 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)

	2020/21	2021/22
	£ million	£ million
<b>Opening balance at 1 April</b>	(276.663)	(336.912)
Current Service Cost	(8.161)	(10.511)
Past Service Cost	(0.032)	(0.220)
Interest Cost	(6.299)	(7.002)
Contributions from scheme Participants	(1.471)	(1.514)
Remeasurement (Gains) and Losses:		
Actuarial Gains/(Losses) arising from changes in financial assumptions	(54.743)	20.736
Actuarial Gains/(Losses) due to liability experience	3.328	(1.094)
Actuarial Gains/(Losses) arising from changes in demographic assumptions	0.000	3.309
Benefits Paid	7.129	8.599
<b>Closing balance at 31 March</b>	<b>(336.912)</b>	<b>(324.609)</b>

## NOTES TO THE ACCOUNTS

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

	2020/21	2021/22
	£ million	£ million
<b>Opening fair value of scheme assets at 1 April</b>	177.193	220.208
Interest Income	4.058	4.595
<b>Remeasurement gain/(loss):</b>		
The return on plan assets, excluding the amount included in the net interest expense	40.139	11.176
Contributions from employer	4.476	4.324
Contributions from employees into the scheme	1.471	1.514
Contributions from Health and Leisure Contract Employer	0.000	0.371
Benefits paid	(7.129)	(8.599)
<b>Closing fair value of scheme assets at 31 March</b>	<b>220.208</b>	<b>233.589</b>

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

31 March 2021		Assets	31 March 2022	
£ million	%		£ million	%
3.08	1.4	Cash and Cash Equivalents	2.10	0.9
125.52	57.0	Equity Investments	132.91	56.9
38.10	17.3	Government Bonds	40.18	17.2
13.43	6.1	Property	16.12	6.9
0.00	0.0	Multi Asset Credit	21.02	9.0
40.08	18.2	Other Assets	21.26	9.1
<b>220.21</b>	100.0	<b>Total Assets</b>	<b>233.59</b>	100.0

### e) Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The liabilities have been assessed by AON Solutions UK Limited, an independent firm of actuaries, estimates for the Fund being based on the latest full valuation of the scheme as at 31 March 2019.

The main assumptions used in their calculations have been:

Financial Assumptions	31 March 2021	31 March 2022
	%	%
Rate of inflation - CPI	2.7	3.0
Rate of increase in salaries	3.7	4.0
Rate of increase in pensions	2.7	3.0
Pension Accounts Revaluation Rate	2.7	3.0
Rate of discounting scheme liabilities	2.1	2.7

## NOTES TO THE ACCOUNTS

Mortality Assumptions	31 March 2021	31 March 2022
	Years	Years
Pensioner member aged 65 at accounting date		
Males	23.1	22.9
Females	25.5	25.4
Active member aged 45 at accounting date		
Males	24.8	24.7
Females	27.3	27.1

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)	10.86	(10.86)
Rate of inflation (increase or decrease by 0.1%)	5.75	(5.75)
Rate of increase in salaries (increase or decrease by 0.1%)	0.64	(0.64)
Rate of increase in pensions (increase or decrease by 0.1%)	5.75	(5.75)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(6.39)	6.39

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

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

The Council anticipates paying standard contributions of £4.089 million to the fund for the accounting period ending 31 March 2022. In addition, estimated Strain on Fund contributions will be £364,000.

The weighted average duration of the defined benefit obligation for scheme members is 20.3 years (20.3 years 2020/21).

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

### 43. EXTERNAL AUDIT COSTS

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

2020/21		2021/22
£000		£000
43	External audit services carried out by the appointed auditor	43
12	Certification of grant claims and returns	25
<b>55</b>		<b>68</b>

In addition, the external auditor submitted fee variations to Public Sector Audit Appointments Limited for 2020/21.

### 44. GRANTS INCOME

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

2020/21		2021/22
£000		£000
	<b>Service Specific Revenue Grants and Contributions (included in cost of services)</b>	
	<u>Department for Levelling Up, Housing and Communities</u>	
(141)	Council Tax Benefits Admin	(144)
(3,047)	Covid 19 Additional Restrictions Grant Discretionary Scheme	(3,895)
(583)	Covid 19 New Burdens/Compliance	(1,025)
(886)	Covid 19 Hardship Fund	0
0	Covid 19 Welcome Back Fund	(188)
(510)	Disabled Facilities Grants	(895)
(79)	Family Annex Grant	(88)
(364)	Flexible Homelessness Support	0
(1,059)	Furlough Scheme	0
0	Homelessness Prevention Grant	(620)
(155)	New Burdens Homelessness Reduction Act	0
(257)	Next Steps Accommodation	(72)
(275)	NNDR Collection	(276)
0	Protect and Vaccinate Programme	(93)
(247)	Rough Sleepers	(460)
0	Support to Vulnerable Renters	(130)
(77)	Other DLUHC	(82)
	<u>Department for Health and Social Care</u>	
0	Covid Marshalls/Contain Outbreak Management Fund	(203)
	<u>Department for Work and Pensions</u>	
(340)	Housing and Council Tax Benefit Administration	(368)
(30,703)	Housing Benefit Subsidy	(27,290)
(368)	Discretionary Housing Payments	(263)
(109)	Other DWP	(87)
	<u>Other Government Grants</u>	
(11)	Individual Electoral Registration	0
(44)	Apprenticeship Levy	(35)
(1)	Other	(19)
<b>(39,256)</b>	<b>Total Government Grants</b>	<b>(36,233)</b>

## NOTES TO THE ACCOUNTS

2020/21		2021/22
<b>£000</b>	<u>Other Grants and Contributions</u>	<b>£000</b>
(303)	Project Integra - Recycling	(588)
(1,075)	Developers' Contributions	(420)
(19)	Disabled Facilities Grants	(5)
<b>(1,397)</b>	<b>Total Other Grants and Contributions</b>	<b>(1,013)</b>
<b>(40,653)</b>	<b>Total Service Revenue Grants and Contributions</b>	<b>(37,246)</b>
	<b>Non-Ringfenced Revenue Government Grants</b>	
	<u>Non Domestic Rates Income and Expenditure</u>	
24,518	Tariff	24,802
(11,566)	Retention Scheme Income	(17,095)
(3,513)	Surplus Business Rates Distributed from Pool	(3,077)
(15,381)	S31 Grant (New Forest District Council proportion)	(9,725)
<b>(5,942)</b>		<b>(5,095)</b>
	<u>Department for Levelling Up, Housing and Communities</u>	
(286)	New Homes Grant	(276)
(8)	Council Tax Freeze Grant	0
(21)	Council Tax Income Grant	0
0	Council Tax Support Grant	(209)
(4,263)	Covid Income Loss Reimbursement Grant	(964)
(2,238)	Covid Emergency Grant	0
0	Lower Tier Services Grant	(170)
<b>(6,816)</b>		<b>(1,619)</b>
<b>(12,758)</b>	<b>Total Non-Ringfenced Revenue Government Grants</b>	<b>(6,714)</b>
	<b>Capital Grants and Contributions</b>	
(1,548)	Coast Protection	(167)
(947)	Housing Acquisitions and Development	(378)
0	HRA Energy Efficiency Scheme	(198)
(26)	Public Sector Disabled Facilities Grants	0
0	Lymington Quay - Harbour Commissioners	(23)
(361)	Developers' Contributions	(182)
(786)	Community Infrastructure Levy	(1,025)
(46)	Capital Receipts	(130)
<b>(3,714)</b>	<b>Total Capital Grants and Contributions</b>	<b>(2,103)</b>
<b>(57,125)</b>	<b>Total Grants and Contributions Income</b>	<b>(46,063)</b>

The Council has received additional grant funding as part of the government's response to the COVID-19 pandemic, some to cover the Council's own expenditure/income shortfalls and some for passing on to local businesses and individuals. The Council has made judgements about whether it is acting as principal or agent in relation to this funding. Where the Council is acting as principal the grant receipts have been recognised as income and associated payments as expenditure. Where the Council is acting as agent the grant receipts and corresponding payments are not included in the Comprehensive Income and Expenditure Statement, other than any element of the funding relating to administration costs.

The table above excludes agent grants for 2021/22 from Central Government of £16 million (2020/21 was £89.7 million) for business support grants where the Council is acting as an agent of the Government in administering the funds and £13.6 million of S31 Business Rate Reliefs grant (£27.1 million for 2020/21). The latter was paid to the Council so that it continues to pay relevant parties their share of business rates income as without suffering cash flow problems due to the award of significant additional reliefs to support particular business sectors during the pandemic.

## NOTES TO THE ACCOUNTS

### 45. LEASES

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

In 2021/22 there were no rental payments to lessors for Finance Leases.

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

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

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

	31 March 2021	31 March 2022
	£000	£000
Not later than one year	151	143
Later than one year but not later than 5 years	471	419
Later than 5 years	453	364
<b>Total Lease Rentals</b>	<b>1,075</b>	<b>926</b>

Expenditure of £151,069 was charged to the Comprehensive Income and Expenditure Statement during the year (£144,360 in 2020/21).

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

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

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

	31 March 2021	31 March 2022
	£000	£000
Not later than one year	1,163	1,135
Later than one year but not later than 5 years	3,399	3,008
Later than 5 years	27,792	28,501
<b>Total Lease Rentals</b>	<b>32,354</b>	<b>32,644</b>

The portion of the lease rental for Hythe Marina that is based on a profit share basis has not been included in this table. As the profit cannot be accurately projected over the 999-year term of the lease any estimate will be inaccurate and therefore has been omitted. The income for 2021/22 was £137,568 (2020/21 £139,386).

There are 11 leases that are not included in this table, that have little value or contain an immediate break clause.



## NOTES TO THE ACCOUNTS

### 46. MEMBERS' ALLOWANCES

During 2021/22, payments to Members of the Council amounted to £542,724. For 2020/21 the equivalent amount was £533,158.

### 47. 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.

### 48. 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 2021	31 March 2022	31 March 2021	31 March 2022
	£000	£000	£000	£000
Loans at amortised cost:				
PWLB principal sum borrowed	122,605	118,305	4,301	4,301
Accrued Interest	0	0	46	44
<b>Total Borrowing</b>	<b>122,605</b>	<b>118,305</b>	<b>4,347</b>	<b>4,345</b>
Liabilities at amortised cost:				
Trade Creditors	0	0	7,105	8,426
<b>Total Financial Liabilities</b>	<b>122,605</b>	<b>118,305</b>	<b>11,452</b>	<b>12,771</b>

## NOTES TO THE ACCOUNTS

### Financial Assets

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

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

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

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

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

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

FINANCIAL ASSETS	Long-Term		Short-Term	
	31 March 2021	31 March 2022	31 March 2021	31 March 2022
	£000	£000	£000	£000
At amortised cost:				
Principal	3,040	1,002	23,000	44,536
Accrued Interest	0	0	51	22
Credit Loss Allowance	(1)	0	(2)	(2)
At fair value through profit & loss:				
Fair value	14,081	15,822	2,004	1,973
<b>Total Investments</b>	<b>17,120</b>	<b>16,824</b>	<b>25,053</b>	<b>46,529</b>
At amortised cost				
Cash	0	0	557	499
Cash equivalents	0	0	3,090	3,910
Accrued interest	0	0	2	4
Loss Allowance	0	0	(1)	(1)
At fair value through profit & loss:				
Fair value	0	0	5,230	20,160
<b>Total Cash and Cash Equivalents</b>	<b>0</b>	<b>0</b>	<b>8,878</b>	<b>24,572</b>
Loans and receivables:				
Trade Debtors	0	0	4,927	6,709
<b>Total Financial Assets</b>	<b>17,120</b>	<b>16,824</b>	<b>38,858</b>	<b>77,810</b>

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

## NOTES TO THE ACCOUNTS

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

	2020/21			2021/22			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	4,268	0	0	4,268	4,167	0	4,167
Losses from change in fair value	0	0	45	45	0	0	152
Impairment losses	0	3	0	3	0	2	0
<b>Interest payable and similar charges</b>	<b>4,268</b>	<b>3</b>	<b>45</b>	<b>4,316</b>	<b>4,167</b>	<b>2</b>	<b>4,321</b>
Interest Income	0	(197)	0	(197)	0	(64)	0
Dividend Income	0	0	(626)	(626)	0	0	(568)
Gains from changes in fair value	0	0	(1,177)	(1,177)	0	0	(1,530)
Impairment loss reversals	0	(7)	0	(7)	0	(3)	0
<b>Interest and Investment Income</b>	<b>0</b>	<b>(204)</b>	<b>(1,803)</b>	<b>(2,007)</b>	<b>0</b>	<b>(67)</b>	<b>(2,098)</b>
<b>Net Impact on surplus/deficit on provision of services</b>	<b>4,268</b>	<b>(201)</b>	<b>(1,758)</b>	<b>2,309</b>	<b>4,167</b>	<b>(65)</b>	<b>(1,946)</b>
<b>Impact on Other Comprehensive Income and Expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net (Gain)/Loss for the year</b>	<b>4,268</b>	<b>(201)</b>	<b>(1,758)</b>	<b>2,309</b>	<b>4,167</b>	<b>(65)</b>	<b>(1,946)</b>

### Financial Instruments Key Risks

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

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

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

## NOTES TO THE ACCOUNTS

The main risks covered are:

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

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

### Credit Risk - Investments

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

A limit of £10 million of the total portfolio is placed on the amount of money that can be invested with a single counterparty (other than the UK Government). For unsecured investments in banks, building societies, registered providers and companies, a smaller limit of £5 million applies. The Council also sets limits on investments in certain sectors. No more than £40 million in total can be invested for a longer period than one year. These limits were set and implemented for 2021/22 on 25 February 2021.

The credit quality of £22.715 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 2022					
	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	3,914	0	275	0	0	4,189
Money Market Funds	20,160	0	0	0	0	20,160
Local Authorities/Housing Associations	0	1,500	4,502	1,001	0	7,003
Bonds	0	0	11,058	15,718	1,002	27,778
Certificates of Deposit	0	7,502	0	0	0	7,502
Treasury Bills	0	0	3,000	0	0	3,000
Pooled Funds	1,973	0	0	0	14,896	16,869
Appletree Property Holdings	0	0	0	0	926	926
<b>Total</b>	<b>26,047</b>	<b>9,002</b>	<b>18,835</b>	<b>16,719</b>	<b>16,824</b>	<b>87,427</b>

## NOTES TO THE ACCOUNTS

Bond Ratings	Long-term		Short-term	
	31 March 2021	31 March 2022	31 March 2021	31 March 2022
	£000	£000	£000	£000
AAA	3,039	1,002	0	25,774
AA-	0	0	0	6,432
A+	0	0	0	4,538
A	0	0	9,104	4,723
AAA Money Market Funds	0	0	5,230	20,160
Unrated local authorities	0	0	17,037	7,003
<b>Total</b>	<b>3,039</b>	<b>1,002</b>	<b>31,371</b>	<b>68,630</b>
Credit Rate Not Applicable	14,081	15,822	2,003	1,973
<b>Total Investments</b>	<b>17,120</b>	<b>16,824</b>	<b>33,374</b>	<b>70,603</b>

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

Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies, multiplied by 67% (2021 131%) 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 2022, £3,000 (2021: £4,000) 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 2022	Historical experience of default	Market Conditions at 31 March 2022	Estimated maximum exposure to default
	£000	%	%	£000
Trade Debtors	6,709	0.74%	0.03%	2
<b>Total</b>	<b>6,709</b>			<b>2</b>

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

## NOTES TO THE ACCOUNTS

### Trade Debtors

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

	<b>31 March 2021</b>	<b>31 March 2022</b>
	<b>£000</b>	<b>£000</b>
Less than three months	2,040	3,248
Three months to one year	829	1,095
More than one year	2,058	2,366
<b>Total</b>	<b>4,927</b>	<b>6,709</b>

The Council initiates a legal charge on property where tenants have amounts due on a Council mortgage used for the purchase of their Council dwelling. The total collateral at 31 March 2022 was £3,331.

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

### Liquidity Risk

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

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

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

	<b>31 March 2021</b>	<b>31 March 2022</b>
	<b>£000</b>	<b>£000</b>
Less than one year	33,320	70,577
Between one and two years	2,038	1,002
Between two and three years	1,002	0
No fixed maturity date	14,081	15,822
<b>Total</b>	<b>50,441</b>	<b>87,401</b>

All trade and other payables (£6.709 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 2021/22		Actual 31 March 2021		Actual 31 March 2022	
	£m	%	£m	%	£m	%
Less than one year	51	25	4.3	3	4.3	4
Between one and two years	52	25	4.3	3	4.3	4
Between two and five years	51	25	12.5	10	12.3	10
Between five and ten years	52	25	20.5	16	20.5	17
Between ten and twenty years	206	100	41.0	33	41.0	33
Between twenty and forty years	206	100	44.3	35	40.2	32
Over forty years	206	100	0.0	0	0.0	0
<b>Total</b>			<b>126.9</b>	<b>100</b>	<b>122.6</b>	<b>100</b>

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

### Market Risk

**Interest rate risk** – The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

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

## NOTES TO THE ACCOUNTS

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

The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates. At 31 March 2022, all the £122.605 million (2021: £126.906 million) of principal borrowed was at fixed rates.

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

	2020/21	2021/22
	£000	£000
Increase in interest receivable on variable rate investments	(300)	(591)
Decrease in fair value of investments held at FVPL	63	84
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>(237)</b>	<b>(507)</b>
Decrease in fair value of investments held at FVOCI	0	0
<b>Impact on Comprehensive Income and Expenditure Account</b>	<b>(237)</b>	<b>(507)</b>
Decrease in fair value of loans and investments at amortised cost*	43	78
Decrease in fair value of fixed rate borrowing*	(17,064)	(13,879)

\* 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 2022 would result in a £0.42 million (2021: £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 2022 would result in a £0.10 million (2021: £0.19 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 the Council is no longer a guarantor.

### 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 2022, 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 2021		31 March 2022	
		Balance Sheet £000	Fair value £000	Balance Sheet £000	Fair value £000
<b>Financial liabilities held at amortised cost:</b>					
Loans from PWLB	2	(126,952)	(151,733)	(122,650)	(131,405)
<b>Total</b>		<b>(126,952)</b>	<b>(151,733)</b>	<b>(122,650)</b>	<b>(131,405)</b>
<b>Total Financial Liabilities</b>		<b>(126,952)</b>		<b>(122,650)</b>	
Recorded on balance sheet as:					
Short-term borrowing		(4,347)		(4,345)	
Long-term borrowing		(122,605)		(118,305)	
<b>Total Financial Liabilities</b>		<b>(126,952)</b>		<b>(122,650)</b>	

## NOTES TO THE ACCOUNTS

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

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

	Fair Value Level	31 March 2021		31 March 2022	
		Balance Sheet £000	Fair value £000	Balance Sheet £000	Fair value £000
<b>Financial assets held at fair value:</b>					
Money market funds	1	5,230	5,230	20,160	20,160
Bond, equity and multi-asset funds	1	8,022	8,022	8,174	8,174
Property Funds	2	7,470	7,470	8,696	8,696
Appletree Property Holdings	1	593	593	926	926
<b>Financial assets held at amortised cost:</b>					
Corporate, covered and government bonds	1	3,039	3,053	1,002	1,004
Long-term loans to local authorities, housing associations, harbour commissioner and Appletree Property Holdings	2	2,712	2,736	3,449	3,452
<b>Total</b>		<b>27,065</b>	<b>27,104</b>	<b>42,406</b>	<b>42,412</b>
Assets for which fair value is not disclosed*		31,625		55,678	
<b>Total Financial Assets</b>		<b>58,690</b>		<b>98,084</b>	
Recorded on balance sheet as:					
Long-term investments		17,120		16,824	
Long-term debtors		2,712		3,449	
Short-term investments		25,053		46,530	
Cash and cash equivalents		8,878		24,572	
Short-term trade debtors		4,927		6,709	
<b>Total Financial Assets</b>		<b>58,690</b>		<b>98,084</b>	

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

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

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

## NOTES TO THE ACCOUNTS

### 49. OFFICERS' REMUNERATION

The senior employees whose salary exceeded £50,000 per annum for 2021/22 are shown in the table below.

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

The Employer's Pension Contributions were 18.40% for 2021/22 and 2020/21. There were no Bonuses or Benefits in Kind paid in 2021/22 or 2020/21.

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

## NOTES TO THE ACCOUNTS

The figures for 2020/21 were:

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	f	121,371	0	121,371	22,332	143,703
Returning Officer	f	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
		<b>545,175</b>	<b>0</b>	<b>545,175</b>	<b>99,990</b>	<b>645,165</b>

- f) 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			
	2020/21		2021/22	
	Left During Year	Total	Left During Year	Total
£ 50,000 - £ 54,999	0	10	1	16
£ 55,000 - £ 59,999	0	3	0	4
£ 60,000 - £ 64,999	0	13	1	4
£ 65,000 - £ 69,999	0	3	0	10
£ 70,000 - £ 74,999	0	0	0	1
	0	29	2	35

## NOTES TO THE ACCOUNTS

### 50. TERMINATION BENEFITS

The Council terminated the contracts of 14 employees in 2021/22, incurring costs of £222,997 (48 employees, £175,179 in 2020/21). At the end of 2021/22 the redundancy provision made was £31,000 for future terminations.

Exit Package Cost Band (including special payments)	Number of Compulsory Redundancies	Number of Other Departures Agreed	Total Number of Exit Packages by Cost Band	Total Cost of Exit Packages in Each Band £
<b>2021/22</b>				
£0 - £20,000	0	10	10	24,718
£20,000-£100,000	2	2	4	198,279
<b>Total</b>	<b>2</b>	<b>12</b>	<b>14</b>	<b>222,997</b>
<b>2020/21</b>				
£0 - £60,000	0	48	48	175,179
<b>Total</b>	<b>0</b>	<b>48</b>	<b>48</b>	<b>175,179</b>

### 51. 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 44.

The Council has a wholly owned group subsidiary consisting of an active holding company, that has two subsidiaries, one of which has been active since 2019/20. Each has the same Board of Directors comprised solely of Council members and officers. As 31 March 2022 the Council had a long-term debtor of £2.673 million (as at 31 March 2021, £1.766 million) and investment of £0.926 million (at 31 March 2021, this was £0.593 million).

## NOTES TO THE ACCOUNTS

During 2021/22 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 2021/22 was £313,000 (£355,000 for 2020/21). Income due at 31 March 2022 amounted to £20,000. The New Forest National Park Authority provided Ranger and Archaeology services to the Council which amounted to £56,300 for 2021/22 (in 2020/21 £54,000). £8,270 was owed to the New Forest National Park Authority at 31 March 2022.

Members of the Council have direct control over the Council's financing and operating policies. The total of members' allowances paid is shown in note 47. During 2021/22 £85,708 was paid to two companies in which two members had an interest, in 2020/21 no money was paid to companies in which members had an interest. In 2021/22 and 2020/21, 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.

### 52. 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 2022.

### 53. 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.

	<b>Charged to revenue 2021/22</b>	<b>Capital resource funding 2021/22</b>
	<b>£000</b>	<b>£000</b>
General Fund		
- Housing Private Sector Disabled Adaptations/Home Repair Loans	901	901
- Leisure Schemes	227	227
- Open Space	19	19
	<b>1,147</b>	<b>1,147</b>

### 54. ASSETS HELD FOR SALE

There were no assets held for sale at 31 March 2022.

## NOTES TO THE ACCOUNTS

### 55. GOING CONCERN

These accounts have been prepared on a going concern basis that the authority will continue in operational existence for the foreseeable future.

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

The agreed balanced budget for 2022/23 and the Medium Term outlook to 2025/26 are supported by robust financial planning, estimates and assumptions. The Council has plans to address the forecast deficit over the period and as confirmed within the Section 25 statement of the Medium Term Financial Plan, adequate reserves will be maintained above minimum levels. The updated Treasury Management and Investment Strategies pick up on the forecast cashflow position, taking into account the Council's Capital Programme aspirations, covering the period to the end of April 2024. The Council will optimise the cash balances it has and has the option to prudentially borrow to support Capital Programme financing when required but will not need to do so during 2022/23.

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

### 56. AUTHORISATION OF ACCOUNTS FOR ISSUE

This Statement of Accounts was authorised for issue on TBC by Cllr A Alvey and Mr A Bethune.

## HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

2020/21		Notes	2021/22
£000			£000
	<b>Income</b>		
(26,360)	Dwelling rents		(26,993)
(711)	Non-dwelling rents		(659)
(654)	Charges for services and facilities		(695)
(372)	Contributions towards expenditure		(395)
<b>(28,097)</b>			<b>(28,742)</b>
	<b>Expenditure</b>		
5,024	Repairs and maintenance	3	5,426
6,825	Supervision and management		7,690
90	Rents, rates, taxes and other charges		169
12,562	Depreciation, impairment and revaluation of non-current assets	4	7,544
12	Debt Management Costs		12
108	Movement in the allowance for bad debts		50
<b>24,621</b>			<b>20,891</b>
<b>(3,476)</b>	<b>Net (Income) / Expenditure of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>		<b>(7,851)</b>
146	HRA services' share of Corporate and Democratic Core		146
<b>(3,330)</b>	<b>Net (Income) / Expenditure for HRA Services</b>		<b>(7,705)</b>
	<b>HRA share of the Operating Income and Expenditure included in the whole authority Comprehensive Income and Expenditure Statement</b>		
(1,008)	(Gain) / Loss on sale of HRA non-current assets		(2,525)
4,245	Interest payable and similar charges		4,158
(17)	Interest and investment income		(23)
441	Net interest on the net defined benefit liability / (asset)	5	521
(13)	Income and expenditure in relation to investment properties and changes in their fair value		(9)
(1,000)	Capital Grants and Contributions Receivable		(665)
<b>(682)</b>	<b>(Surplus) or Deficit for the year on HRA services</b>		<b>(6,248)</b>



## NOTES TO THE HOUSING REVENUE ACCOUNT

### 1. HOUSING REVENUE ACCOUNT ASSETS

#### a) Categorised by type of accommodation

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

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
<b>Total</b>	<b>2,819</b>	<b>880</b>	<b>1,469</b>	<b>5,168</b>

#### b) Vacant Possession Value of Dwellings

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

	1 April 2020	1 April 2021
	£000	£000
<b>Council Housing Assets</b>		
Standard Dwellings	1,025,559	1,047,599
Restricted Housing	74,636	75,845
Special Housing	3,761	5,633
Garages	8,747	8,441
	<b>1,112,703</b>	<b>1,137,518</b>
<b>Other Assets</b>		
Investment Property	183	183
Land and Other Buildings	1,408	1,143
Community Centre	77	0
	<b>1,668</b>	<b>1,326</b>
	<b>1,114,371</b>	<b>1,138,844</b>

## NOTES TO THE HOUSING REVENUE ACCOUNT

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

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

	1 April 2021		31 March 2022	
	Number of Units	Value £000	Number of Units	Value £000
<b>Council Housing Assets</b>				
Standard Dwellings	4,583	345,708	4,569	376,140
Restricted Housing	540	25,029	540	27,364
Special Housing	45	5,633	53	7,061
Garages	1,788	8,441	1,755	8,267
	<b>6,956</b>	<b>384,811</b>	<b>6,917</b>	<b>418,832</b>
<b>Other Assets</b>				
Investment Property	1	183	1	179
Land and Other Buildings	15	1,143	12	927
Community Centre	1	0	0	0
	<b>17</b>	<b>1,326</b>	<b>13</b>	<b>1,106</b>
<b>Total</b>	<b>6,973</b>	<b>386,137</b>	<b>6,930</b>	<b>419,938</b>

### d) Capital Expenditure

Housing Revenue Account capital expenditure was applied to:

	2020/21	2021/22
	£000	£000
Major Repairs	5,585	5,115
Environmental Enhancements	131	49
Acquisition and Development Programme	10,396	6,817
Disabled Adaptations	641	880
<b>Total</b>	<b>16,753</b>	<b>12,861</b>

### e) Funding of HRA Capital Expenditure

	2020/21	2021/22
	£000	£000
Revenue Contributions	975	932
Major Repairs Reserve	8,704	8,701
Loan	4,100	0
Grant	974	576
Capital Receipts	2,000	2,652
<b>Total</b>	<b>16,753</b>	<b>12,861</b>

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 2. RENT ARREARS

	31 March 2021	31 March 2022
	£000	£000
Rent Arrears	583	604
- current tenants	444	478
- former tenants	<b>1,027</b>	<b>1,082</b>
Less provision for bad debts	(755)	(772)
<b>Anticipated collectable arrears of rent</b>	<b>272</b>	<b>310</b>

### 3. HOUSING REPAIRS

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

	2020/21	2021/22
	£000	£000
Cyclical Maintenance	1,321	1,386
Reactive Maintenance	3,703	4,040
<b>Total</b>	<b>5,024</b>	<b>5,426</b>

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

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

#### a) Depreciation

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

	2020/21	2021/22
	£000	£000
Standard Accommodation	8,030	7,992
Restricted Accommodation	584	579
Special Housing	89	130
	<b>8,703</b>	<b>8,701</b>
Other (included in Supervision and Management costs)	1	1
<b>Total</b>	<b>8,704</b>	<b>8,702</b>

## NOTES TO THE HOUSING REVENUE ACCOUNT

### b) Impairment

In 2021/22 there was a net increase in Housing asset values credited to the Housing Revenue Account of £11.032 million but these were offset by capital expenditure not enhancing value of £9.879 million to arrive at a net valuation increase of £1.153 million. This compares to a net impairment of £3.859 million in 2020/21. In 2021/22 other net Housing asset valuation increases credited to the Revaluation Reserve were £31.960 million (£4.765 million in 2020/21).

	2020/21 £000	2021/22 £000
<b>Housing Revenue Account/Capital Adjustment Account</b>		
Revaluation Increases	(9,103)	(11,036)
Revaluation Decreases	661	4
Net Revaluation (Increases)/Decreases	(8,442)	(11,032)
Capital Expenditure not enhancing asset value	12,301	9,879
<b>Total Housing Revenue Account Impairment</b>	<b>3,859</b>	<b>(1,153)</b>
<b>Revaluation Reserve</b>		
Revaluation Increases	(5,071)	(32,134)
Revaluation Decreases	306	174
<b>Total Revaluation Reserve</b>	<b>(4,765)</b>	<b>(31,960)</b>
<b>Total HRA Impairments/Revaluations</b>	<b>(906)</b>	<b>(33,113)</b>

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

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

	2020/21 £000	2021/22 £000
Net Cost of Services:		
Current service cost	1,588	2,252
Net Operating Expenditure:		
Net Interest Expense	441	521
Amounts to be met from Government Grants and Local Taxation		
Movement on pensions reserve	(1,172)	(1,907)
<b>Actual amount charged against dwelling rents for pensions in the year:</b>		
Employers' contributions payable to scheme	<b>857</b>	<b>865</b>

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 6. MAJOR REPAIRS RESERVE

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

	2020/21	2021/22
	£000	£000
<b>Balance 1 April</b>	<b>0</b>	<b>0</b>
Transferred to Reserve	8,704	8,701
Debits in respect of capital expenditure on land, houses and other property	(8,704)	(8,701)
<b>Balance 31 March</b>	<b>0</b>	<b>0</b>

### 7. CAPITAL RECEIPTS

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

	2020/21	2021/22
	£000	£000
Sale of Council Houses	2,094	5,084
Discount Repaid	18	18
Shared Ownership	0	236
Mortgages Repaid	0	1
Disabled Facilities Grants	5	0
Rent to Mortgage	29	0
<b>Total Capital Receipts</b>	<b>2,146</b>	<b>5,339</b>
Payments due to Government	(662)	(575)
<b>Usable Capital Receipts</b>	<b>1,484</b>	<b>4,764</b>

## COLLECTION FUND

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

### COLLECTION FUND – COUNCIL TAX

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

2020/21			2021/22	
£000	£000		£000	£000
		<b>Income</b>		
	(131,839)	Income from Council Tax		(139,629)
		Transfers to / (from) General Fund:		
(699)		Hardship Relief	(37)	
(71)		Family Annex Relief	(92)	
0	(770)	Transitional Relief	1	(128)
	<b>(132,609)</b>	<b>Total Income</b>		<b>(139,757)</b>
		<b>Expenditure</b>		
		Precepts:		
91,960		Hampshire County Council	96,609	
15,118		Police and Crime Commissioner for Hampshire	16,201	
4,937		Hampshire and Isle of Wight Fire And Rescue Service	5,038	
19,271		New Forest District Council (including	19,785	
	131,286	town and parish council requirements)		137,633
		Bad and Doubtful Debts		
261		Write-offs	273	
546	807	Increase / (decrease) in provisions	95	368
		Contributions:		
	1,485	Previous year's estimated council tax surplus / (deficit)		(639)
	<b>133,578</b>	<b>Total Expenditure</b>		<b>137,362</b>
	<b>969</b>	<b>Movement on fund balance</b>		<b>(2,395)</b>
	(1,535)	(Surplus) / Deficit at 1 April		(566)
	969	Movement on fund balance for year		(2,395)
	<b>(566)</b>	<b>(Surplus) / Deficit at 31 March</b>		<b>(2,961)</b>

## COLLECTION FUND

### COLLECTION FUND – BUSINESS RATES

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

2020/21			2021/22	
£000	£000		£000	£000
		<b>Income</b>		
	(40,348)	Income collectable from Business Ratepayers Current System		(55,299)
	316	Transitional Protection Payments		258
	<b>(40,032)</b>	<b>Total Income</b>		<b>(55,041)</b>
		<b>Expenditure</b>		
34,462		Payments to Government - Business Rates Retention	34,692	
27,569		New Forest District Council	27,754	
6,203		Hampshire County Council	6,245	
689		Hampshire and Isle of Wight Fire And Rescue Service	694	
275		Costs of Collection	276	
11		NFDC - Renewable Energy Schemes	12	
	69,209			69,673
		Bad and Doubtful Debts		
168		Write-offs	174	
391		Increase / (decrease) in provisions	(403)	
(2,330)		Appeals Provision	1,259	
	(1,771)			1,030
	2,229	Contributions: Previous year's estimated business rates surplus / (deficit)		(28,237)
	<b>69,667</b>	<b>Total Expenditure</b>		<b>42,466</b>
	<b>29,635</b>	<b>Movement on fund balance</b>		<b>(12,575)</b>
(1,242)		(Surplus) / Deficit at 1 April		28,393
29,635		Movement on fund balance for year		(12,575)
	<b>28,393</b>	<b>(Surplus) / Deficit at 31 March</b>		<b>15,818</b>

The significant deficit on the Collection Fund for the 2020/21 and 2021/22 years are reflective of the business rate reliefs awarded by the Government, funded by new S31 grant, as a measure to help provide financial assistance to certain rate paying businesses significantly impacted by reduced trade as a result of the pandemic. 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	28.250	5/9	15.90
A	5,861.275	6/9	3,907.70
B	10,665.700	7/9	8,295.80
C	16,435.600	8/9	14,609.60
D	17,602.295	9/9	17,602.50
E	12,481.805	11/9	15,255.80
F	6,581.655	13/9	9,507.10
G	4,277.165	15/9	7,128.80
H	557.665	18/9	1,115.50
Total	74,491.410		77,438.70
Less: Adjustment for collection rates			1,056.70
Less: Council Tax Reduction Scheme			4,843.30
Council Tax Base			71,538.70

\* 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 2021/22 was a £0.566 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 2022, the Council included the £2.961 million surplus on a disaggregated basis as a creditor of £2.540 million and a £421,000 attributable surplus within the Collection Fund Adjustment Account balance.



## NOTES TO THE COLLECTION FUND

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

2020/21				2021/22		
Precept £000	Share of Surplus £000	Total £000		Precept £000	Share of Surplus £000	Total £000
91,960	400	92,360	Hampshire County Council	96,609	2,076	98,685
15,118	72	15,190	Police and Crime Commissioner for Hampshire	16,201	354	16,555
4,937	19	4,956	Hampshire and Isle of Wight Fire and Rescue Service	5,038	110	5,148
19,271	75	19,346	New Forest District Council (including town and parish council requirements)	19,785	421	20,206
<b>131,286</b>	<b>566</b>	<b>131,852</b>		<b>137,633</b>	<b>2,961</b>	<b>140,594</b>

### 5. INCOME FROM BUSINESS RATEPAYERS

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

The total non-domestic rateable value at 31 March 2022 was £171.005 million. The national non-domestic multiplier was 51.2p. This gave a potential business rate yield of £87.555 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 £55.299 million.

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

The 2021/22 year end deficit balance on the Collection Fund was £15.818 million. The Council's share is a deficit of £6.327 million and Central Government, Hampshire County Council and Hampshire and Isle of Wight Fire and Rescue Service share a deficit balance of £9.491 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

2020/21				2021/22		
Demand	Share of	Total		Demand	Share of	Total
£000	£000	£000		£000	£000	£000
34,462	(14,197)	20,265	Central Government	34,692	(7,909)	26,783
6,203	(2,555)	3,648	Hampshire County Council	6,245	(1,424)	4,821
689	(284)	405	Hampshire and Isle of Wight Fire and Rescue Service	694	(158)	536
27,569	(11,357)	16,212	New Forest District Council	27,754	(6,327)	21,427
<b>68,923</b>	<b>(28,393)</b>	<b>40,530</b>		<b>69,385</b>	<b>(15,818)</b>	<b>53,567</b>

## NEW FOREST DISTRICT COUNCIL SUPPLEMENTARY STATEMENTS GROUP ACCOUNTS

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

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

	<b>Page</b>
Group Comprehensive Income and Expenditure Statement	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.

2020/21				2021/22		
Gross Expend £000	Gross Income £000	Net Expend £000		Gross Expend £000	Gross Income £000	Net Expend £000
256	(2)	254	Business, Tourism and High Streets	342	(3)	339
11,966	(4,997)	6,969	Environment and Coastal Services	10,414	(6,108)	4,306
39,241	(35,169)	4,072	Finance, Investment and Corporate Services	34,938	(31,648)	3,290
6,685	(4,651)	2,034	Housing and Homelessness Services	7,857	(5,296)	2,561
457	(16)	441	Leader	482	(5)	477
11,979	(2,969)	9,010	Partnering and Wellbeing	18,512	(2,171)	16,341
8,052	(4,838)	3,214	People and Places	8,520	(4,914)	3,606
4,558	(1,968)	2,590	Planning, Regeneration and Infrastructure	5,172	(2,043)	3,129
83,194	(54,610)	28,584	General Fund	86,237	(52,188)	34,049
24,767	(28,097)	(3,330)	Housing Revenue Account	21,037	(28,742)	(7,705)
<b>107,961</b>	<b>(82,707)</b>	<b>25,254</b>	<b>Cost of Services</b>	<b>107,274</b>	<b>(80,930)</b>	<b>26,344</b>
			<b>Other Operating Expenditure</b>			
6,519			Town and Parish Council Precepts	6,667		
662			Payments to the Government Housing Capital Receipts Pool	575		
	(1,072)		(Gains)/Losses on the disposal of Non-Current Assets		(2,723)	
		<b>6,109</b>	<b>Total Other Operating Expenditure</b>			<b>4,519</b>
			<b>Financing and Investment Income and Expenditure</b>			
			Interest Payable and Similar Charges:			
			- General Fund	14		
19			- HRA	4,158		
4,245			Expected Credit (Gain)/Loss on Investments		(1)	
3			Changes in the fair value of Investments	152	(1,530)	
45	(1,177)		Other Investment Income		(668)	
	(809)		Net interest on the net defined benefit liability/(asset)	2,407		
2,242			Income, expenditure and changes in the fair value of		(937)	
7			Investment Properties			
		<b>4,575</b>	<b>Total Financing and Investment Income and Expenditure</b>			<b>3,595</b>
			<b>Taxation and Non-Specific Grant Income</b>			
	(19,339)		Council Tax Income (incl. Parish precepts)		(20,036)	
	(5,942)		Non-Domestic Rates Income and Expenditure		(5,095)	
	(6,816)		Unringfenced Government Grants		(1,619)	
	(3,714)		Capital Grants and Contributions		(2,103)	
		<b>(35,811)</b>	<b>Total Taxation and Non-Specific Grant Income</b>			<b>(28,853)</b>
121,703	(121,576)	127	<b>(Surplus)/Deficit on the Provision of Services</b>	121,247	(115,642)	5,605
	(4,869)		(Surplus)/Deficit arising from the revaluation of Property, Plant and Equipment Assets		(35,179)	
11,276			Re-measurement of the defined benefit liability/(asset)		(34,127)	
		<b>6,407</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(69,306)</b>
		<b>6,534</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(63,701)</b>

## GROUP MOVEMENT IN RESERVES STATEMENT

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

	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Council's share of the Reserves of Subsidiaries	TOTAL GROUP RESERVES
	£000	£000	£000	£000	£000
<b>Balance at 31 March 2020</b>	(47,688)	(225,488)	(273,176)	89	(273,087)
<b><i>Movement in Reserves during 2020/21</i></b>					
(Surplus)/deficit on the provision of services	(58)	0	(58)	185	127
Other comprehensive income and expenditure	0	6,413	6,413	(6)	6,407
<b>Total Comprehensive Income and Expenditure</b>	<b>(58)</b>	<b>6,413</b>	<b>6,355</b>	<b>179</b>	<b>6,534</b>
Adjustment between group accounts and authority accounts	(38)	0	(38)	38	0
<b>Net (Increase)/Decrease before transfers</b>	<b>(96)</b>	<b>6,413</b>	<b>6,317</b>	<b>217</b>	<b>6,534</b>
Adjustments between accounting basis and funding basis under regulations	(14,222)	14,222	0	0	0
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>(14,318)</b>	<b>20,635</b>	<b>6,317</b>	<b>217</b>	<b>6,534</b>
Transfers to/(from) Earmarked Reserves	0	0	0	0	0
<b>(Increase) / Decrease in Year</b>	<b>(14,318)</b>	<b>20,635</b>	<b>6,317</b>	<b>217</b>	<b>6,534</b>
<b>Balance at 31 March 2021</b>	<b>(62,006)</b>	<b>(204,853)</b>	<b>(266,859)</b>	<b>306</b>	<b>(266,553)</b>
<b><i>Movement in Reserves during 2021/22</i></b>					
(Surplus)/deficit on the provision of services	5,444	0	5,444	161	5,605
Other comprehensive income and expenditure	0	(69,306)	(69,306)	0	(69,306)
<b>Total Comprehensive Income and Expenditure</b>	<b>5,444</b>	<b>(69,306)</b>	<b>(63,862)</b>	<b>161</b>	<b>(63,701)</b>
Adjustment between group accounts and authority accounts	(112)	0	(112)	112	0
<b>Net (Increase)/Decrease before transfers</b>	<b>(112)</b>	<b>0</b>	<b>(63,974)</b>	<b>273</b>	<b>(63,701)</b>
Adjustments between accounting basis and funding basis under regulations	(2,102)	2,102	0	0	0
<b>Net (Increase)/Decrease Before Transfers to Earmarked Reserves</b>	<b>3,230</b>	<b>(67,204)</b>	<b>(63,974)</b>	<b>273</b>	<b>(63,701)</b>
Transfers to/(from) Earmarked Reserves	0	0	0	0	0
<b>(Increase) / Decrease in Year</b>	<b>3,230</b>	<b>(67,204)</b>	<b>(63,974)</b>	<b>273</b>	<b>(63,701)</b>
<b>Balance at 31 March 2022</b>	<b>(58,776)</b>	<b>(272,057)</b>	<b>(330,833)</b>	<b>579</b>	<b>(330,254)</b>

## GROUP BALANCE SHEET

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

2020/21			2021/22	
£000	£000		£000	£000
		<b>Long-Term Assets</b>		
		Property, Plant and Equipment:		
384,811		Council Dwellings	418,832	
69,638		Other Land and Buildings	65,002	
2,437		Vehicles, Plant and Equipment	4,508	
3,064		Infrastructure	2,771	
537		Community Assets	537	
3,286	463,773	Assets Under Construction	3,986	495,636
	12,384	Investment Property		18,463
	16,527	Long-Term Investments		15,898
	946	Long-Term Debtors		776
	<u>493,630</u>	<b>Total Long-Term Assets</b>		<u>530,773</u>
		<b>Current Assets</b>		
25,053		Short-Term Investments	46,530	
267		Inventories	283	
17,732		Short-Term Debtors	11,055	
(2,987)		Bad Debt Provision	(2,718)	
8,898		Cash and Cash Equivalents	24,623	
	<u>48,963</u>	<b>Total Current Assets</b>		<u>79,773</u>
	<b>542,593</b>	<b>Total Assets</b>		<b>610,546</b>
		<b>Current Liabilities</b>		
(4,346)		Short-Term Borrowing	(4,345)	
(27,439)		Short-Term Creditors	(60,036)	
	<u>(31,785)</u>	<b>Total Current Liabilities</b>		<u>(64,381)</u>
		<b>Long-Term Liabilities</b>		
(122,605)		Long-Term Borrowing	(118,305)	
(2,968)		Provisions	(4,020)	
(1,401)		Capital Grants - Receipts in Advance	(2,001)	
(577)		Developers' Contributions - Receipts in Advance	(565)	
(116,704)		Net Pensions Liability	(91,020)	
	<u>(244,255)</u>	<b>Total Long-Term Liabilities</b>		<u>(215,911)</u>
	<b>266,553</b>	<b>Net Assets</b>		<b>330,254</b>
		<b>Usable Reserves</b>		
3,000		General Fund Balance	3,000	
31,686		Earmarked Reserves	25,064	
1,000		Housing Revenue Account Balance	1,000	
12,092		Capital Programme Reserve	11,880	
3,571		Capital Receipts Reserve	5,895	
5,998		Community Infrastructure Levy Unapplied	7,023	
4,608	61,955	Developers' Contributions Unapplied	4,790	58,652
		<b>Unusable Reserves</b>		
46,601		Revaluation Reserve	81,330	
286,203		Capital Adjustment Account	285,938	
(70)		Financial Instruments Revaluation Reserve	1,308	
444		Deferred Capital Receipts Reserve	476	
(116,704)		Pensions Reserve	(91,020)	
(11,283)		Collection Fund Adjustment Account	(5,906)	
(593)	204,598	Accumulating Absences Adjustment Account	(524)	271,602
	<b>266,553</b>	<b>Total Reserves</b>		<b>330,254</b>

## GROUP CASH FLOW STATEMENT

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

2020/21 £000		2021/22 £000
127	Net (surplus) or deficit on the provision of services	5,605
(22,348)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(43,165)
2,165	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	5,580
(20,056)	Net cash flows from Operating Activities	(31,980)
20,399	Investing Activities	34,270
9,329	Financing Activities	(18,015)
9,672	Net (increase) or decrease in cash and cash equivalents	(15,725)
(18,570)	Cash and cash equivalents at the beginning of the reporting period	(8,898)
(8,898)	<b>Cash and cash equivalents at the end of the reporting period</b>	(24,623)

## 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 2021/22 group accounts the Appletree Property Holdings Group Limited is included.

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



## NOTES TO THE GROUP ACCOUNTS

### 2. ACCOUNTING POLICIES

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

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

#### Consolidation of Subsidiaries

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

#### Alignment of accounting framework and policies

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

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

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

#### Company losses Accounting Treatment:

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

## NOTES TO THE GROUP ACCOUNTS

### 3. GROUP PROPERTY, PLANT AND EQUIPMENT

#### Valuation of Property, Plant and Equipment

The Council subsidiary operates an annual programme of property revaluations; in 2021/22 this work was carried out by the Council's valuer P. Marston, MRICS, Registered Valuer.

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

Purchases and disposals during the year were as follows:

<b>Movements in 2021/22:</b>	<b>Council Property, Plant and Equipment</b>	<b>Council Share of Subsidiary Property, Plant and Equipment</b>	<b>Total Group Property, Plant and Equipment</b>
<b>Cost or Valuation</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 April 2021	486,841	1,796	<b>488,637</b>
Additions	16,648	1,495	<b>18,143</b>
Revaluation increases / (decreases) recognised in the Revaluation Reserve	35,172	0	<b>35,172</b>
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(6,474)	(130)	<b>(6,604)</b>
Capital Expenditure not enhancing value recognised in the Surplus / Deficit on the Provision of Services	(10,581)	(70)	<b>(10,651)</b>
Derecognition - disposals	(4,387)	0	<b>(4,387)</b>
Other movements in cost or valuation	0	0	<b>0</b>
<b>At 31 March 2022</b>	<b>517,219</b>	<b>3,091</b>	<b>520,310</b>
<b>Accumulated Depreciation and Impairment</b>			
At 1 April 2021	(24,864)	0	<b>(24,864)</b>
Depreciation charge	(10,046)	0	<b>(10,046)</b>
Depreciation written out to the Revaluation Reserve	6	0	<b>6</b>
Depreciation written out to the Surplus / Deficit on the Provision of Services	8,701	0	<b>8,701</b>
Derecognition - disposals	1,529	0	<b>1,529</b>
<b>At 31 March 2022</b>	<b>(24,674)</b>	<b>0</b>	<b>(24,674)</b>
<b>Net Book Value</b>			
<b>At 31 March 2022</b>	<b>492,545</b>	<b>3,091</b>	<b>495,636</b>
<b>At 31 March 2021</b>	<b>461,977</b>	<b>1,796</b>	<b>463,773</b>

## NOTES TO THE GROUP ACCOUNTS

<b>Movements in 2020/21:</b>	<b>Council Property, Plant and Equipment</b>	<b>Council Share of Subsidiary Property, Plant and Equipment</b>	<b>Total Group Property, Plant and Equipment</b>
<b>Cost or Valuation</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 April 2020	479,748	425	480,173
Additions	19,188	1,562	20,750
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)	(130)	(979)
Capital Expenditure not enhancing value recognised in the Surplus / Deficit on the Provision of Services	(14,529)	(67)	(14,596)
Derecognition - disposals	(1,402)	0	(1,402)
Other movements in cost or valuation	0	0	0
<b>At 31 March 2021</b>	<b>486,841</b>	<b>1,796</b>	<b>488,637</b>
<b>Accumulated Depreciation and Impairment</b>			
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
<b>At 31 March 2021</b>	<b>(24,864)</b>	<b>0</b>	<b>(24,864)</b>
<b>Net Book Value</b>			
<b>At 31 March 2021</b>	<b>461,977</b>	<b>1,796</b>	<b>463,773</b>
<b>At 31 March 2020</b>	<b>455,550</b>	<b>425</b>	<b>455,975</b>

## NOTES TO THE GROUP ACCOUNTS

### 4. GROUP ACCOUNTS LONG TERM DEBTORS

Group long term debtors were as follows:

<b>31 March 2021</b>		<b>31 March 2022</b>
<b>£000</b>		<b>£000</b>
5	Car Loans	2
502	Lymington Harbour Commissioners - Principal	301
439	Rent to Mortgages House Purchases	473
0	Appletree Property Holdings	0
<b>946</b>	<b>Total</b>	<b>776</b>

## **GLOSSARY OF TERMS**

### **Budget**

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

### **Capital Expenditure**

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

### **Capital Financing**

The raising of money to pay for capital expenditure.

### **Capital Receipts**

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

### **Direct Revenue Financing**

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

### **General Fund**

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

### **Housing Revenue Account**

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

### **Impairment**

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

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

Accounting practices recommended by the major accounting bodies.

### **Lease**

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

### **Long-term Assets**

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

## **GLOSSARY OF TERMS**

### **Long-term Investments**

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

### **PWLB Debt**

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

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

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

### **Revenue Expenditure/Income**

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

### **Short-term Investments**

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

### **Short-term Loans**

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

### **Support Services**

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