



# **STATEMENT OF ACCOUNTS 2022/23**

**(subject to audit)**

DRAFT UNAPPROVED

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# NARRATIVE STATEMENT

This narrative statement provides a brief explanation of the Council's overall financial position and some key messages which aim to assist the readers in the interpretation of the accounting statements.

## **The Borough of Test Valley**

Test Valley covers 62,758 hectares on the western side of Hampshire. The borough contains a mixture of urban, semi-urban and rural areas, with a large proportion of residents living in either Andover or Romsey and the surrounding areas, or in towns and villages scattered across the borough.

### **Key facts about Test Valley**

Population 134,900 (Small Area Population Forecast 2022 base)<sup>1</sup>

Average house price £403,500 March 2023 (£304,200 National Average)<sup>2</sup>

77.7% of 16 – 64 Year olds in employment (75.6% National Average)<sup>3</sup>

Average gross weekly (full time) earnings £698.00 (£642.20 National Average)<sup>3</sup>

1,460 (1.8%) of working age residents claiming universal credit (3.7% National Average)<sup>3</sup>

6,010 Business Enterprises<sup>3</sup>

15,427 tonnes of waste recycled or composted in 2022/23

1,600 planning applications received in 2022/23

Source:

1. *Hampshire County Council*
2. *www.gov.uk*
3. *NOMIS – Official Labour Market Statistics*

### **Governance**

During 2022/23, Test Valley Borough Council consisted of 43 elected Councillors representing 20 wards. The political structure at the end of the year was:

Conservative 24  
Liberal Democrat 13  
Independent 4  
Andover Alliance 1  
Liberal party 1

Full details of the governance arrangements in place at the Council are contained in the Annual Governance Statement accompanying these accounts.

### **Council Priorities, Corporate Plan and Performance**

Test Valley's Corporate Plan '*Growing Our Potential*' outlines the Council's vision and strategic priorities for the four year period 2019 – 2023. The Corporate Plan focuses on how we can build upon the strengths of the borough so that we can grow the potential of:

- *Town Centres* to adapt and be attractive, vibrant and prosperous places
- *Communities* to be empowered, connected and able to build upon their strengths
- *People* to be able to live well and fulfil their aspirations
- *The Local Environment* for current and future generations

The Corporate Plan is underpinned by a Corporate Action Plan (CAP) which runs for the lifetime of the plan and is updated annually. It shows in detail how the Council is making progress against these priority aims and includes a range of corporate performance indicators.

Each year, a review is undertaken to update the CAP to ensure it continues to highlight the significant projects that the Council is taking forward in pursuit of its four corporate priorities.

In April 2023, the council launched its new Corporate Plan, *A Place for Everyone – Supporting our Communities to Thrive*, which sets the authority's strategic direction from 2023 through to 2027. The plan includes the following strategic priorities:

- *Sustainability*, delivering lasting benefits for our communities.
- *Connection*, building upon the identity, strengths and ambitions of our communities.
- *Inclusion*, working together to create opportunities for our communities.
- *Prosperity*, economic growth that impacts positively on our communities.
- *Environment*, a greener borough for our communities.

More information on our Corporate Plan can be found on our website: [www.testvalley.gov.uk/corporateplan](http://www.testvalley.gov.uk/corporateplan)

### **Achievements against the Corporate Action Plan**

Work has continued on the projects within the CAP over the last year. Given the scale and scope of the projects that form the CAP, it is expected that most projects that feature on the CAP will do so for multiple years.

Headline examples of progress in year four include:

- Continued to work to deliver the two ambitious masterplans for Andover Town Centre and the South of Town Centre area in Romsey.
- As part of the Andover Town Centre Masterplan, we have commissioned Hemingway Design and their partners, CTConsults, to create a new place brand for the town that will bring to life all of the really positive things that come to mind when we think about Andover and helps us to define how we want the town to develop and be perceived.
- The council allocated £6.5M for the Western Avenue project, this means it can now proceed. Meanwhile, the Andover Public Realm Design Guide Supplementary Planning Document (SPD) has now been adopted by the council and will be used as a tool to ensure quality development in the Town Centre. The Design Guide for Developers and Occupiers SPD will follow.
- Meanwhile in Romsey, work is continuing on the more detailed plans for public realm improvements at Sterling Walk and Holbrook Stream. Consultants are also working up plans for the re-provision of the Crosfield Hall. This is a vital first step in providing a larger, multi-functional community facility for the town.
- We continued to make our green spaces more wildlife friendly, leaving some areas across the borough unmown to allow wildlife to thrive.
- The majority of work to prepare the site at Bury Hill has been completed, with just a few final touches to be finished. It is expected that the site will officially open in summer 2023 for community use.

- Whilst there is a delay in publishing recycling data nationally, in the most recent figures (from 2021/22, published in March 2023) we achieved a 38.5% recycling rate, our highest ever and the 4th highest in Hampshire. In addition to this, our contamination rate was 14.3%, which was the lowest in the county. In the past year, to allow us to respond to both the Environment Act and the county-wide Joint Municipal Waste Management Strategy, Cabinet approved the introduction of weekly food waste collections, and an alternating collection of 'fibres', 'containers', and 'non-recyclable household waste' from as early as 2024.
- Test Valley has supported over 250 Ukrainian households to settle in the borough with residents offering up their homes to provide accommodation. The council has a dedicated Ukrainian refugee team to work with guests and their hosts to support sponsorships, prevent homelessness and enable community integration.
- Ganger Farm Sports Pavilion was opened. Bookings for the first six months at Ganger Farm were really strong and the team have and continue to work closely with local sports clubs and groups to establish a consistent programme of use. The team have also started to expand the use through engagement with Triathlon England, walking for health, and local holiday clubs to begin to plan for further site use.
- The council continued to support the work of the borough's two community partnerships, Andover Vision and Romsey Future. In Romsey, the council endorsed Romsey Future's new vision document and is now working collaboratively with partners to bring about their shared vision for the town. Meanwhile, in Andover, the partnership saw the completion of the Andover Youth Assembly engagement project, working with and hearing from young people in Andover about their experiences living in the town and how to improve them. The partnership also supported work with colleagues in health to set up and open the Health Hub in the Chantry Centre.
- In 2022/23 the council enabled the delivery of 140 new affordable homes. Whilst this is below the target of 200 homes per year set out in the Housing Strategy 2020-25, the delivery over the preceding three years of the Corporate Plan by far exceeded the target, bringing the average delivery so far over the period of the Plan to 279 new affordable homes per annum.
- In response to the cost of living crisis, we processed the Energy Bill Rebate, a one-off payment of £150 to all households in council Tax bands A to D, supplementing this with a Discretionary Scheme to support the most vulnerable households.
- We also established a Cost of Living Grant Scheme that has provided over £60,000 across 57 grants to help organisations that are supporting people who are struggling with rising costs.
- The Council has provided over £400,000 worth of funding for a number local charity and voluntary organisations to enable them to support local residents.
- We have unlocked access to £1M of funding from the government's UK Shared Prosperity Fund to help local partner organisations to deliver six major projects in the area, including creating a new health hub in Andover and supporting community schemes in Romsey. This funding is already going towards a number of projects across the borough.

### **Financial Performance**

The Council monitors its budgets under two major headings: Revenue and Capital. Revenue spending relates to items consumed in the year and is financed from Council Tax, business rates, fees & charges, government grants and other income. Capital spending creates assets with a life of longer than one year and is financed from the sale of assets, government grants, developer contributions and transfers from the revenue account.

### **Revenue Outturn for 2022/23**

The initial forecast of General Fund revenue requirements began soon after the budget for 2021/22 was approved. A significant range of essential savings / improved income opportunities were identified and included in the budget and this is likely to be required again in the medium term.

The detailed budget was approved by Council on 25<sup>th</sup> February 2022. The approved net expenditure forecast for 2022/23 totalled £9.376M.

The actual outturn for 2022/23 reported to Cabinet on 7<sup>th</sup> June 2023 was £695,000 better than expected. The main reasons for this variance were:

- £712,000 lower than budgeted employee costs
- £193,000 additional income from services
- £295,000 additional investment income
- £148,000 lower than budgeted supplies & services costs
- £378,000 higher than anticipated costs due to the impact of inflation on fuel and utility costs

Due to the above variances, a budgeted draw from reserves of £250,000 in respect of income was not taken.

The surplus of £695,000 was transferred to the Budget Equalisation Reserve. This reserve is used to mitigate against additional budget pressures.

A summary of the approved budget and final outturn for revenue activities is shown in the following table.

	<b>Approved Budget 2022/23 £'000</b>	<b>Actual 2022/23 £'000</b>	<b>Variance £'000</b>
Service expenditure (including investment property income and expenditure)	15,511	16,901	(1,390)
<b>Corporate Items</b>			
Reversal of capital charges including depreciation	(4,554)	(3,852)	(702)
Investment income, borrowing and MRP	(1,441)	(1,736)	295
Non-service related grants	(8,104)	(7,584)	(520)
Business rates levy	2,559	2,235	324
Retention of business rates for renewable energy schemes	(399)	(394)	(5)
Transfers to earmarked / capital reserves	5,804	7,075	(1,271)
Transfers to earmarked reserves arising from surplus in year	0	695	(695)
Transfer to / (from) Pension Reserve	0	(3,946)	3,946
Other	0	(18)	18
<b>GENERAL FUND REQUIREMENTS</b>	<b>9,376</b>	<b>9,376</b>	<b>0</b>
<b>Met By</b>			
Locally retained business rates	3,079	3,079	0
Council Tax	8,242	8,242	0
Other Collection Fund	(1,945)	(1,945)	0
<b>TOTAL REVENUE RESOURCES</b>	<b>9,376</b>	<b>9,376</b>	<b>0</b>

### Accounting for Business Rates

Under the accounting arrangements for business rates, the Council retains 40% of the business rates collected; this was estimated in the original estimate to be £20.230M for 2022/23. From this amount the Council was required to pay the government a 'tariff' of £17.151M, leaving net budgeted income from rates' growth in the year of £698,000 compared to a baseline of £2.381M.

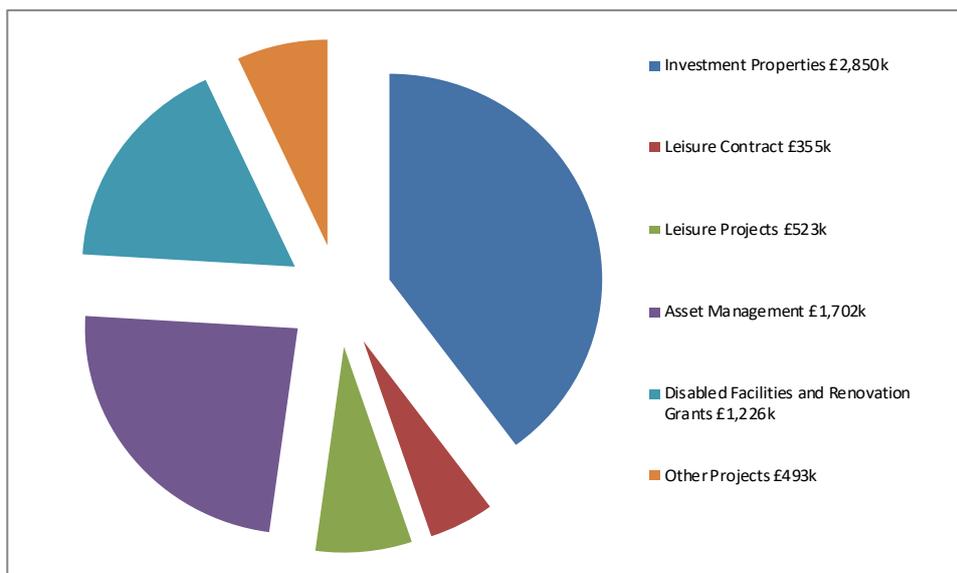
A complicated system of grants in respect of small business rates and other reliefs along with a levy for growth over the baseline figure is also in place. The budget assumed, after taking account of these reliefs and grants, a growth above the baseline of £5.119M resulting in a levy of £2.559M being payable. The actual retained income after taking account of the grants was £6.737M, a growth of £4.356M over the baseline figure. Of this, 50% is payable to the government as a levy on growth, after which the Council will retain a net surplus of £2.178M.

A summary of the position is shown in the following table.

	<b>£'000</b>
Total retained income from business rates	6,737
Baseline	(2,381)
<b>Net growth on business rates</b>	<b>4,356</b>
Levy @ 50% payable to government	(2,178)
<b>Income retained by Test Valley</b>	<b>2,178</b>

### Capital Programme

Capital spending for the year totalled £7.149M, as summarised in the following chart:



The Council has invested substantially in capital projects in the year. The most significant was expenditure on investment properties with a total value of £2.850M.

The Council finances its capital expenditure from a mixture of usable capital receipts, capital grants and contributions, and borrowing. In 2022/23, 62% came from contributions from revenue (£4.408M). The remainder of the capital expenditure was funded from capital grants and contributions (£1.855M) and capital receipts (£886,000). The Council has set aside reserves for the future maintenance of its assets; budgeted asset management costs in 2023/24 and beyond will be funded from these reserves.

Major capital investment is planned over the next financial year as follows:

	<b>2023/24 £'000</b>
Asset Management Projects	2,354
Disabled Facilities & Renovation Grants	1,250
Sports & Recreation	1,552
Community & Leisure Projects	981
Regeneration Projects	1,000
Investment Properties	2,910
External projects funded from CIL	2,241
UK & Rural Prosperity Funds	240
Public Sector Decarbonisation Scheme	435
Other Capital Projects	2,616
<b>TOTAL</b>	<b>15,579</b>

### Financial Position at the Year End

General Fund reserves stood at £2.604M at 1<sup>st</sup> April 2022. This is considered to be a prudent minimum level of general reserves and this figure remains unchanged at 31<sup>st</sup> March 2023.

In addition to the General Fund balances mentioned above, the Council held earmarked reserves of £37.067M available for specific revenue purposes and capital reserves of £16.366M available to spend on capital schemes.

## **Valley Housing Limited**

On 30<sup>th</sup> April 2016, Valley Housing Limited, a Housing Development and Management Company which is a wholly owned subsidiary of Test Valley Borough Council was incorporated. Group accounts have not been prepared for the year ended 31<sup>st</sup> March 2023 as the value of transactions is not considered to be material.

## **Conclusion**

Persistently high inflation levels and the cost-of-living crisis have had a significant impact on the Council's budgets and on many of our communities. The Council has responded by introducing a cost-of-living grant scheme to support those organisations who are directly helping our most vulnerable households.

Despite the pressures of rapidly increasing prices, the Council has been able to commit significant funding towards delivery of its regeneration programme and to meet the capital requirements of major service reform in waste collection.

I remain confident that the Council's level of reserves and overall financial position is comparatively strong when compared across the sector and that service provision in the medium term is secure.

I would like to extend my appreciation to all those that have contributed to the production of this year's Statement of Accounts.

**Carl Whatley FCCA**  
Head of Finance & Revenues

# EXPLANATION OF THE ACCOUNTING STATEMENT

The purpose of the Council's Statement of Accounts is to give interested parties clear information about the Council's finances.

There have been no major changes in accounting policy in 2022/23.

The accounts for 2022/23 consist of the following key statements:

- **The Statement of Responsibilities** declares the respective responsibilities of the Council and the Head of Finance & Revenues for the production of the Statement of Accounts.
- **The Expenditure and Funding Analysis** is a note to the financial statements, rather than a key statement. It shows all income and expenditure incurred by the Council throughout the year under statutory funding provisions and the adjustments that are required to these figures to produce the Comprehensive Income & Expenditure Statement under generally accepted accounting practices.
- **The Comprehensive Income & Expenditure Statement** shows all income and expenditure incurred by the Council throughout the year; it includes day-to-day transactions from running the organisation as well as gains / losses on assets and pension liabilities. The total comprehensive income and expenditure shown represents the total movement in the Council's reserves during the year.
- **The Movement in Reserves Statement** summarises the changes in balances on the Council's reserves in the year. Reserves are classified as either usable or unusable. Usable reserves include the unallocated General Fund Balance, Earmarked Revenue Reserves and the Capital Receipts Reserve. These are the reserves that the Council can apply to future expenditure subject to statutory conditions (e.g. the Capital Receipts Reserve can only be used to finance capital expenditure). Unusable reserves such as the Capital Adjustment Account and Revaluation Reserve generally reflect the timing differences between the purchase and the consumption of economic benefits of assets.
- **The Balance Sheet** shows the financial position of the Council and discloses the assets and liabilities for all Council Services. At the balance sheet date the net worth of the Council was £334.3M.
- **The Cash Flow Statement** summarises the Council's cash transactions for the year.
- **The Collection Fund** records all income from Council Tax and business rates. Expenditure includes payments to central government, Hampshire County Council (HCC), Hampshire and Isle of Wight Fire & Rescue Service (HIWFRS) and the Council's General Fund in respect of business rates' income; and precepts to HCC, HIWFRS, Hampshire Police and Crime Commissioner, local parish/town councils and the Council's own demand on the Collection Fund in respect of Council Tax. The Collection Fund is not incorporated within the Comprehensive Income & Expenditure Statement as it reflects the statutory requirement for billing authorities to maintain a separate Collection Fund.

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

**The Annual Governance Statement** accompanies the Statement of Accounts and explains how the Council ensures that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. It is not covered by the auditor's opinion but is considered by the auditor and reported on by exception in the auditor's report if it is not compliant with proper practice.

The accounts are supported by the notes to the financial statements. These notes include a summary of significant accounting policies, further detail relating to matters in the main financial statements, assumptions made about the future and major estimations made.

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# STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS 2022/23

## The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Head of Finance & Revenues.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts

## The Head of Finance & Revenues' Responsibilities

The Head of Finance & Revenues is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code).

In preparing this Statement of Accounts, the Head of Finance & Revenues has:

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

The Head of Finance & Revenues has also:

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

## Certification of the Head of Finance & Revenues

I hereby certify that the Statement of Accounts gives a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31<sup>st</sup> March, 2023.

Signed ..... Date.....  
**Carl Whatley, FCCA, Head of Finance & Revenues**

Signed ..... Date.....  
**Cllr Carl Borg-Neal, Chairman of the Audit Committee**

## EXPENDITURE AND FUNDING ANALYSIS YEAR ENDED 31<sup>ST</sup> MARCH 2023

The Expenditure and Funding Analysis is a note to the financial statements, rather than a key statement. It shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by the Council in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement on page 12.

2021/22			2022/23			Note
Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	
£'000	£'000	£'000	£'000	£'000	£'000	
1,796	1,357	3,153	435	2,058	2,493	
3,682	2,137	5,819	4,196	2,150	6,346	
2,287	602	2,889	2,582	516	3,098	
1,266	2,294	3,560	114	1,762	1,876	
1,244	619	1,863	1,673	609	2,282	
1,152	187	1,339	1,258	391	1,649	
(8,757)	8,836	79	(8,614)	8,272	(342)	
(36)	(15)	(51)	100	(55)	45	
4,789	675	5,464	5,606	515	6,121	
3,151	(1,588)	1,563	3,129	(3,828)	(699)	
<b>10,574</b>	<b>15,104</b>	<b>25,678</b>	<b>10,479</b>	<b>12,390</b>	<b>22,869</b>	5
(11,349)	(23,635)	(34,984)	(15,429)	(29,279)	(44,708)	5
<b>(775)</b>	<b>(8,531)</b>	<b>(9,306)</b>	<b>(4,950)</b>	<b>(16,889)</b>	<b>(21,839)</b>	5,8
<b>(37,484)</b>		<b>Opening General Fund</b>	<b>(38,259)</b>			
<b>(775)</b>		<b>Surplus on General Fund in Year</b>	<b>(4,950)</b>			
<b>(38,259)</b>		<b>Closing General Fund</b>	<b>(43,209)</b>			

2021/22 £'000		2022/23 £'000
(2,604)	General Fund Balance	(2,604)
(35,655)	Earmarked Reserves Balance	(40,605)
<b>(38,259)</b>	<b>Total General Fund</b>	<b>(43,209)</b>

## COMPREHENSIVE INCOME & EXPENDITURE STATEMENT YEAR ENDED 31 MARCH 2023

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

2021/22		Net Exp.	Services	2022/23		Net Exp.	Note
Exp.	Income £'000	2021/22 £'000		Exp. £'000	Income £'000	2022/23 £'000	
4,348	(1,195)	3,153	Community & Leisure	5,314	(2,821)	2,493	
7,847	(2,028)	5,819	Environmental Service	8,582	(2,236)	6,346	
5,043	(2,154)	2,889	Finance & Revenues	4,289	(1,191)	3,098	
5,220	(1,660)	3,560	Housing & Environmental Health	5,026	(3,150)	1,876	
3,541	(1,678)	1,863	Planning & Building	3,610	(1,328)	2,282	
1,386	(47)	1,339	Planning Policy & Economic Development	1,721	(72)	1,649	
5,179	(5,100)	79	Property & Asset Management	4,975	(5,317)	(342)	
19,313	(19,364)	(51)	Benefits	18,974	(18,929)	45	
6,484	(1,020)	5,464	Corporate & Support	6,824	(703)	6,121	
3,394	(1,831)	1,563	Central Costs	3,314	(4,013)	(699)	
<b>61,755</b>	<b>(36,077)</b>	<b>25,678</b>	<b>Net Cost of Services</b>	<b>62,629</b>	<b>(39,760)</b>	<b>22,869</b>	
			<b>Other Operating Income and Expenditure</b>				
0	(1,120)	(1,120)	Profit on disposal of Property, Plant & Equipment	0	(856)	(856)	20
1,763	(1,763)	0	Parish Precepts	1,848	(1,848)	0	
			<b>Financing and Investment Income and Expenditure</b>				
0	(448)	(448)	Interest Income	0	(2,087)	(2,087)	31
155	0	155	Interest Payable	151	0	151	31
193	0	193	Impairment Losses / (Gains)	202	0	202	
4,464	(2,961)	1,503	Pension Fund Interest Costs	5,432	(4,073)	1,359	14
0	(6,187)	(6,187)	Changes in Fair Value of Investment Properties	0	(4,253)	(4,253)	17
309	(8,053)	(7,744)	Net Investment Property Income	347	(8,177)	(7,830)	17
<b>68,639</b>	<b>(56,609)</b>	<b>12,030</b>	<b>Net Operating Expenditure</b>	<b>70,609</b>	<b>(61,054)</b>	<b>9,555</b>	
			<b>Taxation and non-specific grant income</b>				
0	(7,980)	(7,980)	Council Tax Income	0	(8,374)	(8,374)	9
26,846	(27,542)	(696)	Business Rates Income & Expenditure	21,546	(22,532)	(986)	9
0	(9,262)	(9,262)	Non Ringfenced Government Grants	0	(7,585)	(7,585)	9
0	(3,398)	(3,398)	Capital Grants and Contributions	0	(14,449)	(14,449)	9,21
<b>95,485</b>	<b>(104,791)</b>	<b>(9,306)</b>	<b>Surplus on the provision of services</b>	<b>92,155</b>	<b>(113,994)</b>	<b>(21,839)</b>	
			<b>Other comprehensive income and expenditure</b>				
0	(3,413)	(3,413)	Net gains on revaluation of Property, Plant & Equipment	0	(5,077)	(5,077)	16
0	(27,161)	(27,161)	Re-measurement of the net defined benefit pension liability	0	(45,497)	(45,497)	14
<b>95,485</b>	<b>(135,365)</b>	<b>(39,880)</b>	<b>Total comprehensive income and expenditure</b>	<b>92,155</b>	<b>(164,568)</b>	<b>(72,413)</b>	

## MOVEMENT IN RESERVES STATEMENT YEAR ENDED 31 MARCH 2023

This statement shows the movement in the year on the different reserves held by the Council, analysed into "usable reserves" (i.e. those that can be applied to fund expenditure or local taxation) and "unusable reserves".

The statement shows how the movements in the year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to Council Tax for the year. The Net Increase / (Decrease) line shows the statutory General Fund Balance movements in the year following those adjustments.

	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000	Note
<b><u>Movements during 2021/22</u></b>							
Balance as at 31st March 2021	37,484	10,817	6,072	54,373	171,206	225,579	
Total Comprehensive Income & Expenditure	9,306	0	0	9,306	30,574	39,880	
Adjustments between accounting basis and funding basis under regulations	(8,531)	(2,881)	977	(10,435)	10,435	0	8
<b>Increase / (Decrease) in Year</b>	<b>775</b>	<b>(2,881)</b>	<b>977</b>	<b>(1,129)</b>	<b>41,009</b>	<b>39,880</b>	29,30
Balance as at 31st March 2022	38,259	7,936	7,049	53,244	212,215	265,459	
<b><u>Movements during 2022/23</u></b>							
Total Comprehensive Income & Expenditure	21,839	0	0	21,839	50,574	72,413	
Adjustments between accounting basis and funding basis under regulations	(16,889)	(6)	1,387	(15,508)	15,508	0	8
<b>Increase / (Decrease) in Year</b>	<b>4,950</b>	<b>(6)</b>	<b>1,387</b>	<b>6,331</b>	<b>66,082</b>	<b>72,413</b>	29,30
Balance as at 31st March 2023	43,209	7,930	8,436	59,575	278,297	337,872	

2021/22 £'000		2022/23 £'000
2,604	General Fund Balance	2,604
35,655	Earmarked Reserves Balance	40,605
<b>38,259</b>	<b>Total General Fund</b>	<b>43,209</b>

## BALANCE SHEET AS AT 31 MARCH 2023

The Balance Sheet summarises the assets and liabilities recognised by the Council as at the Balance Sheet date. The net assets are matched by a combination of usable and unusable reserves. These are shown in more detail in notes 29 and 30.

2021/22			2022/23		Note
£'000	£'000		£'000	£'000	
93,735		Land & Buildings	109,802		16
3,312		Vehicles, Plant & Equipment	3,822		16
12,595		Community Assets	12,821		16
634		Infrastructure Assets	604		16
320		Surplus Assets	315		16
	110,596	<b>Property, Plant &amp; Equipment (PPE)</b>		127,364	
	157,181	<b>Investment Properties</b>		166,245	17
	108	<b>Intangible Assets</b>		92	18
710		Long-Term Debtors	674		31
15,411		Long-Term Investments	25,496		31
	16,121	<b>Long-Term Assets</b>		26,170	
5,386		Cash and Cash Equivalents	16,299		22
75,507		Short-Term Investments	50,954		31
1,711		Inventories	1,695		23
15,610		Debtors	14,810		24
(2,496)		Less: Impairment Allowance	(2,553)		24
	95,718	<b>Current Assets</b>		81,205	
(54,037)		Creditors	(44,112)		25
(269)		Short-Term Borrowing	(272)		31
(1,814)		Provisions	(1,194)		26
	(56,120)	<b>Current Liabilities</b>		(45,578)	
	<b>323,604</b>	<b>Total Assets less Current Liabilities</b>		<b>355,498</b>	
(6,543)		Long-Term Borrowing	(6,299)		31
(51,602)		Net Liability to Pension Fund	(11,327)		14
	(58,145)	<b>Long-Term Liabilities</b>		(17,626)	
	<b>265,459</b>	<b>Net Assets</b>		<b>337,872</b>	
		<b>Usable Reserves</b>			
2,604		General Fund Balance	2,604		29
35,655		Revenue and Earmarked Reserves	40,605		29
7,936		Capital Receipts Reserve	7,930		29
7,049		Capital Grants Unapplied	8,436		29
	<b>53,244</b>	<b>Total Usable Reserves</b>		<b>59,575</b>	
		<b>Unusable Reserves</b>			
32,589		Revaluation Reserve	37,088		30
231,921		Capital Adjustment Account	251,423		30
7		Deferred Credits	7		30
(504)		Collection Fund Adjustment Account	1,322		30
(196)		Accumulated Absences Account	(216)		30
(51,602)		Pension Fund Reserve	(11,327)		30
	<b>212,215</b>	<b>Total Unusable Reserves</b>		<b>278,297</b>	
	<b>265,459</b>	<b>Total Equity</b>		<b>337,872</b>	

## CASH FLOW STATEMENT YEAR ENDED 31 MARCH 2023

This statement summarises the movements in the Council's cash transactions. It shows the volume of financial activity that takes place between the Council and its stakeholders.

The Cash Flow Statement is different to the other statements because it is on a cash basis and some of the figures may not agree with other figures in the accounts which are all on an accruals basis (i.e. based on amounts payable and receivable rather than actually paid or received). The bottom section of the statement shows a reconciliation of the movement in Cash and Cash Equivalents in the year to the figures shown in the Balance Sheet.

2021/22			2022/23		Note
£'000	£'000		£'000	£'000	
	9,306	<b>Revenue Activities</b>			
		Net surplus on the provision of services		21,839	
		<b>Adjustments for non-cash transactions</b>			
3,024		Depreciation of PPE / Amortisation of intangibles	3,143		16,18
(6,187)		Revaluation Gains on Investment Properties	(4,253)		17
(1,286)		Impairment & downward / (upward) Valuations of PPE & intangibles	(967)		16,18
5,830		Pension Fund Transfers	5,222		14
(273)		Other non-cash items	(11,310)		28
	1,108			(8,165)	
	(4,518)	<b>Adjustments in respect of Investing Activities</b>		(4,090)	
		<b>Adjustments for items on an accruals basis</b>			
5,966		Decrease in Debtors	488		
(1,509)		(Increase) / Decrease in Inventories	16		
7,941		Increase / (Decrease) in Creditors	(15,821)		
	12,398			(15,317)	
	<b>18,294</b>	<b>Net Cash Inflow / (Outflow) from Operating Activities</b>		<b>(5,733)</b>	
		<b>Investing Activities</b>			
(104,986)		Purchase of Short-term and Long-term Investments	(74,971)		
70,000		Proceeds from Short-term and Long-term Investments	90,000		
(4,836)		Purchase of Assets	(5,505)		
66		Sale of Assets	20		
3,965		Other Capital Cash Received	4,291		
	<b>(35,791)</b>	<b>Net Investing Activity Cashflow</b>		<b>13,835</b>	
		<b>Financing Activities</b>			
(230)		Cash payments to reduce outstanding borrowing	(240)		
7,282		Other receipts / (payments) for financing activities	3,051		28
	<b>7,052</b>	<b>Net Financing Activity Cashflow</b>		<b>2,811</b>	
	<b>(10,445)</b>	<b>Net Increase in Cash and Cash Equivalents</b>		<b>10,913</b>	
	<b>15,831</b>	<b>Cash and Cash Equivalents at the start of the reporting period</b>		<b>5,386</b>	
	<b>5,386</b>	<b>Cash and Cash Equivalents at the end of the reporting period</b>		<b>16,299</b>	

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# NOTES TO THE FINANCIAL STATEMENTS

## 1. **Accounting Policies**

1.1. This note sets out the accounting policies followed in compiling the Council's accounts. The aim of the note is to explain the basis of the figures in the accounts and to disclose policies that are significant and relevant to the Council.

### 1.2. **General Principles**

The Statement of Accounts summarises the Council's transactions for the 2022/23 financial year and its position at the year-end of 31 March 2023. The Council is required to prepare an annual Statement of Accounts (by the Accounts and Audit regulations 2015) in accordance with proper accounting practices.

These practices primarily comprise; the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ('the Code') and the Service Reporting Code of Practice 2022/23 supported by International Financial Reporting Standards (IFRS) and statutory guidance.

The Statement of Accounts has been prepared on a going concern basis. 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.

### 1.3. **Prior Period Adjustments**

Prior period adjustments may arise as a result of a change in accounting policy or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or performance.

### 1.4. **Accruals of Income & Expenditure**

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

- Revenue from contracts from service recipients, whether for services or the provision of goods, is accounted for when (or as) the goods or service are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services provided are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments is accounted for 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 and 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 it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

#### 1.5. **Cash and Cash Equivalents**

Cash is represented by cash in hand.

Cash equivalents are deposits with financial institutions payable without penalty or notice, maturing in not more than one day and are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement the 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.

#### 1.6. **Provisions, Contingent Liabilities and Contingent Assets**

##### Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits and a reliable estimate of the potential liability can be reasonably calculated.

Provisions are charged as an expense to the Comprehensive Income & Expenditure Statement in the year that the Council recognises the obligation and are shown at the best estimate of the eventual outcome at the Balance Sheet date.

Payments to settle the obligation are charged against the provision. Any difference between the provision and the actual settlement figure are charged to the Comprehensive Income & Expenditure Statement when the obligation is settled.

##### 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 where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount cannot be measured reliably.

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

##### Contingent Assets

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

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

## 1.7. Reserves

The Council sets aside specific and general amounts as reserves for future 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 revenue account in that year to be included in the surplus / deficit on the provision of services in the Comprehensive Income & Expenditure Statement. The reserve is then appropriated back in to 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 to manage the accounting processes for non-current assets and retirement benefits and do not represent usable resources to the Council. Transactions with these reserves are explained in the relevant accounting policies below.

## 1.8. 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 / contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income & Expenditure Statement until conditions attached to the grant / 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 / contribution are required to be consumed by the Council as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants / contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors.

When conditions are satisfied, the grant / contribution is credited to the relevant Service line or Taxation and Non-Specific Grant income in the Comprehensive Income & Expenditure Statement.

Where capital grants are credited to the Comprehensive Income & Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. When the grant has been applied, it is posted to the Capital Adjustment Account.

### Business Improvement District

A business improvement district (BID) scheme applies across Andover Town Centre. The scheme is funded by a BID levy paid by non-domestic ratepayers. The Council acts as an agent under this scheme. Only the following amounts are recognised in the Council's Comprehensive Income & Expenditure Statement:

- BID levy amounts payable on the Council's properties within the BID scheme area are shown as service expenditure under the relevant service.
- BID levy collection costs are shown in the net cost of services under the relevant service.

## Community Infrastructure Levy

The Council has elected to charge a Community Infrastructure Levy (CIL). The levy is charged on new builds (chargeable developments for the Council) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy is used to fund infrastructure projects to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a small proportion of the charges (5% for the Council) may be used to fund revenue expenditure.

### 1.9. **Employee Benefits**

#### Benefits Payable During Employment

Short-term employee benefits are those due to be settled within twelve months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

An accrual is made for the cost of holiday entitlement and accrued flexible working hours (based on an average per employee) earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is charged to the surplus or deficit on the provision of services but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year that 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 and are charged on an accruals basis to the appropriate service line in the net cost of services in the Comprehensive Income & Expenditure Statement.

#### Post-Employment Benefits

The Council's employees are entitled to join the Local Government Pension Scheme administered by Hampshire County Council. This scheme provides defined benefits to members (retirement lump sums and pensions) earned as employees work for the Council.

The liabilities of the pension fund attributable to the Council are included in the Balance Sheet based on an actuarial valuation.

Full details of the valuation method are shown in note 14 to the core financial statements.

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 standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pension Reserve to remove notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners. The negative balance that arises on the Pension 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.

#### 1.10. **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 end of 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.

#### 1.11. **VAT**

Income and expenditure excludes any amounts related to VAT to the extent that it is recoverable from HM Revenue & Customs.

#### 1.12. **Overheads and Support Services**

The cost of overheads and support services are accounted for under two separate headings, Corporate & Support and Central Costs, in the Expenditure & Funding Analysis and the Comprehensive Income & Expenditure Statement as part of the net cost of services. They are not charged to service segments.

#### 1.13. **Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council (e.g. software licences) is capitalised when it is expected that the future economic benefits will flow to the Council.

Intangible assets are measured initially at cost. The balance is amortised over the useful life of the asset to the relevant service line in the Comprehensive Income & Expenditure Statement to reflect the pattern of consumption of benefits.

Amortisation is not permitted to have an impact on the General Fund Balance. These charges are reversed out of the General Fund balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

#### 1.14. **Investment Property**

Investment properties are those that are used solely to earn rental income and / or capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Investment properties are not depreciated but are revalued annually according to market conditions. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure section in the Comprehensive Income & Expenditure Statement. The same treatment is applied to gains / 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 respect of leases on investment properties are credited to the financing and investment income section and result in a gain for the General Fund balance. However, revaluation and disposal gains / losses are not permitted to have an impact on the General Fund balance. The gains / losses are therefore reversed out of the General Fund balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for sale proceeds) the Capital Receipts Reserve.

#### 1.15. **Property, Plant and Equipment**

Assets that have physical substance and are held for use in the provision of services, for rental to others or for administrative purposes on a continuing basis are classified as property, plant and equipment (PPE).

##### Recognition

Expenditure on the acquisition, creation or enhancement of PPE is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably.

Expenditure that secures but does not add to an asset's potential to deliver future economic benefits (i.e. repairs and maintenance) is charged as an expense when it is incurred.

A de minimis level of £10,000 is applied to capital expenditure. Any expenditure on land, equipment or other chattels below this amount is not recognised as an asset.

##### 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

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

- infrastructure and community assets – depreciated historical cost
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost 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 revalued 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. (Exceptionally, gains might be credited to the Comprehensive Income & 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 as follows:

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

The Revaluation Reserve contains revaluation gains recognised since 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 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 lines in the Comprehensive Income & Expenditure Statement.

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

#### Disposals

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to Other Operating Expenditure line in the Comprehensive Income & 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 & 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 in excess of £10,000 are categorised as capital receipts. Receipts are required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council Tax, as the cost of 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.

### Depreciation

Depreciation is provided for on all assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets).

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

Componentisation of an asset will be considered where:

- The carrying value of an asset is greater than £1M and
- The component is at least 20% of the carrying value of the asset and
- The change in depreciation after componentisation is greater than £10,000 per annum.

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.

#### **1.16. Heritage Assets**

Heritage assets are assets held primarily for their historical, artistic, scientific, technological, geophysical or environmental qualities and maintained for their contribution to knowledge and culture.

The Council does not have a policy in respect of the purchase, preservation, management and disposal of Heritage Assets.

Heritage assets are either excluded from the Balance Sheet or included within Community Assets, valued at historic cost. The Code requires Heritage Assets to be classified separately on the Balance Sheet and to be valued at fair value. The Council has not re-stated Heritage Assets in accordance with the Code due to their immaterial overall value. The impact of this is explained in note 19.

#### **1.17. Charges to Revenue for Non-Current Assets**

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding 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 losses can be written off.
- Amortisation of intangible assets attributable to the service.

The Council is not required to raise Council Tax to cover depreciation, impairment losses, revaluation or amortisation. Depreciation, impairment losses, revaluation and amortisation are therefore replaced in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserve Statement.

#### 1.18. 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 & Expenditure Statement in the year. Where the Council has determined to meet the cost of these charges from existing capital resources, a transfer in the Movement in Reserves Statement from the General Fund balance to the Capital Adjustment Account then reverses out the amounts charged so there is no impact on the level of Council Tax.

#### 1.19. 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.

##### Criteria for determining whether a lease is finance or operating in nature

A number of factors are considered in determining whether a lease should be classified as finance or operating. Three of these are over-riding, the remainder are considered holistically to assess the nature of a lease.

Leases of land will be considered operating leases unless the land will be permanently impaired as a result of the lease (e.g. the land is used for mining).

Where it is almost certain that the lessee will retain the asset in perpetuity or until the end of the asset's useful economic life, the lease will be classified as a finance lease.

Where the Council leases a building to a tenant, the building element of the lease will be considered to be operating in nature if the lessee is required to return the building in a repaired condition at the end of the lease.

Factors that indicate a lease might be a finance lease include:

- Where the net present value of lease payments is more than 80% of the asset's purchase price.
- Where the lease period is longer than 75% of the asset's useful life.
- Where there are options to extend the primary lease at rates substantially lower than market rents.
- Where ownership transfers to the lessor at the end of the lease or there are options to buy the asset at the end of the lease term on favourable conditions which are reasonably certain to be taken up.
- Terms included in the lease which penalise the lessee more than the lessor in the event that the lessee cancels the lease.

### Council as Lessee – Finance Leases

Assets held under finance leases are recognised on the Balance Sheet at the commencement of the lease at fair value measured at the lease's inception (or the present value of the minimum lease payments if lower). The asset recognised is matched by a liability for the obligation to pay the lessor.

Lease payments are apportioned between;

- a charge for the acquisition of the interest in the asset – applied to write down the lease liability and
- a finance charge (debited to the financing and investment income and expenditure line in the Comprehensive Income & Expenditure Statement).

Assets recognised under finance leases are accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation, revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

### Council as Lessee – Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income & Expenditure Statement as an expense of the services benefitting from the use of leased assets. Charges are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

### Council as Lessor – Finance Leases

There are no leases that qualify as finance leases where the Council is the lessor.

### Council as Lessor – Operating Leases

Where the Council grants an operating lease over an asset, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income & Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease).

## **1.20. Financial Instruments**

### Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at their fair value and subsequently carried at their amortised cost. Annual charges to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the

instrument. The effective rate is the rate that exactly discounts future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income & Expenditure Statement is the amount payable for the year according to the loan agreement.

### Financial Assets

Financial Assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- Amortised cost
- Fair value through profit or loss (FVPL), and
- Fair value through other comprehensive income and expenditure (FVOCI).

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

### Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at their fair value. They are subsequently measured at their amortised cost. Annual credits to the financing and investment income and expenditure line in the Comprehensive Income & Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective interest rate for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income & Expenditure Statement is the amount receivable for the year in the loan agreement.

Where the Council makes a soft loan (i.e. at less than market rate or with an interest free period), the loan will be shown in the balance sheet at carrying value rather than amortised value unless the value of the advance is greater than £500,000 or there is significant discounting of interest rates.

Any gains or losses that arise on the derecognition of an asset are credited or debited to the financing and investment income and expenditure line in the CIES.

### Expected Credit Loss Model

The Council recognises expected credit losses on all its financial assets held at amortised cost either on a 12-month or lifetime basis. Only lifetime losses are recognised for trade receivables.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where the risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

## Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at Fair Value through Profit or Loss are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- Instruments with quoted market price – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement.

### 1.21. **Inventories**

Inventories are included in the Balance Sheet at the lower of cost or net realisable value.

### 1.22. **Fair Value Measurement**

The Council measures some of its non-financial assets such as surplus assets and investment properties, and some of its financial instruments, such as equity share holdings, 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 using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act 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 it 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 and unknowns. This takes into account the three levels of categories for inputs to valuations for fair value assets:

- Level 1 – quoted prices in active markets for identical assets or liabilities that the Council can access at the measurement date.
- 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.

## **2. Accounting Standards that have been issued but have not yet been adopted**

The Code requires the Council to identify Accounting Standards that have been issued but have yet to be adopted. The Council is also required to assess the possible impact that application of the Standards will have when they are applied.

There are no Accounting Standards that have been issued but not yet adopted that would have a material effect on this year's Statement of Accounts were they in effect for the year ended 31<sup>st</sup> March 2023, nor are they expected to have a material effect on the Statement of Accounts for the year ended 31<sup>st</sup> March 2024.

## **3. Critical Judgements in Applying Accounting Policies**

In applying the accounting policies set out in Note 1, 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 classifications** – the Council has made judgements on whether assets are classified as Investment Property or PPE. These judgements are based on the main reason that the Council is holding the asset. If the asset is used in the delivery of services or is occupied by third parties who are subsidised by the Council they are deemed to be PPE assets whereas if full market rent is being charged this would indicate that the asset is an Investment Property. The classification determines how revalued amounts are shown in the accounts and whether depreciation is chargeable on the asset.

**Future funding for local government** - there is a high degree of uncertainty about future levels of funding for local government. The Council has determined that this uncertainty is not sufficient to provide an indication that its assets might be impaired as a result of a need to close facilities and reduce levels of service provision.

**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 concerning future and past events and the Council's control over them.

## **4. Assumptions made about the Future and Other Major Sources of Estimation Uncertainty**

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant

factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31<sup>st</sup> March 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are explained in the following table.

Item	Uncertainties	Effect if actual results differ from assumptions
Impairment Allowance	The Council has made allowances for doubtful debts of £2.553M in 2022/23 (2021/22 £2.496M) based on what it believes to be a prudent but realistic level.	If collection rates were to deteriorate or improve, a 5% change would require an adjustment to the allowance of £127,700 (2021/22 £124,800).
Pension Liability	Estimation of the net liability to pay pensions depends on a number of complex judgments relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns from pension fund assets. A firm of actuaries is engaged by the pension fund administrator to provide expert advice about the assumptions to be applied.	More information can be found in Note 14 about the sensitivity to changes in assumptions in respect of: <ul style="list-style-type: none"> <li>• The discount rate used</li> <li>• Salary inflation</li> <li>• Rates of increase to pensions in payment</li> <li>• Mortality rates</li> </ul>
Provisions	The Council has made a provision of £1.194M in 2022/23 (2021/22 £1.814M) in respect of its share of appeals made by ratepayers for past business rates' costs. It is not certain how many of the appeals will be upheld.	A 10% increase or decrease in the actual number of appeals upheld would result in a change to the provision of £119,400 (2021/22 £181,400).
Property, Plant & Equipment	The Council carries out a rolling programme of valuations for PPE required to be measured at current value and £109.8M of assets were valued at current value in 2022/23.	Every 1% change in the valuation of land and buildings would require an adjustment of £1.098M.
Investment Properties	<p>The Council values its investment properties annually and the fair value at 31<sup>st</sup> March 2023 was £166.245M.</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>Every 1% change in the valuation of investment properties would require an adjustment of £1.662M.</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 buildings would increase by £230,000 if the useful lives were reduced by one year.</p>

## 5. Note to the Expenditure and Funding Analysis

This note provides a reconciliation of the main adjustments to Net Expenditure Chargeable to the General Fund 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.

### Transactions in 2022/23

<b>Adjustments between Funding and Accounting Basis</b>				
<b>2022/23</b>				
<b>Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts</b>	<b>Adjustments for Capital Purposes (Note a)</b>	<b>Net change for the Pensions Adjustments (Note b)</b>	<b>Other Differences (Note c)</b>	<b>Total Adjustments</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Community & Leisure	1,397	355	306	2,058
Environmental Service	677	1,060	413	2,150
Finance & Revenues	0	516	0	516
Housing & Environmental Health	1,326	436	0	1,762
Planning & Building	87	522	0	609
Planning Policy & Economic Development	235	156	0	391
Property & Asset Management	55	387	7,830	8,272
Benefits	0	0	(55)	(55)
Corporate & Support	84	431	0	515
Central Costs	0	0	(3,828)	(3,828)
<b>Net Cost of Services</b>	<b>3,861</b>	<b>3,863</b>	<b>4,666</b>	<b>12,390</b>
<b>Other income and expenditure from the Expenditure and Funding Analysis</b>	<b>(24,167)</b>	<b>1,359</b>	<b>(6,471)</b>	<b>(29,279)</b>
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(20,306)</b>	<b>5,222</b>	<b>(1,805)</b>	<b>(16,889)</b>

Comparative Transactions for 2021/22

<b>Adjustments between Funding and Accounting Basis</b>				
<b>2021/22</b>				
	<b>Adjustments for Capital Purposes (Note a)</b>	<b>Net change for the Pensions Adjustments (Note b)</b>	<b>Other Differences (Note c)</b>	<b>Total Adjustment s</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Community & Leisure	748	355	254	1,357
Environmental Service	629	1,095	413	2,137
Finance & Revenues	0	602	0	602
Housing & Environmental Health	1,829	465	0	2,294
Planning & Building	2	617	0	619
Planning Policy & Economic Development	0	187	0	187
Property & Asset Management	678	415	7,743	8,836
Benefits	0	0	(15)	(15)
Corporate & Support	84	591	0	675
Central Costs	5	0	(1,593)	(1,588)
<b>Net Cost of Services</b>	<b>3,975</b>	<b>4,327</b>	<b>6,802</b>	<b>15,104</b>
<b>Other income and expenditure from the Expenditure and Funding Analysis</b>	<b>(13,122)</b>	<b>1,503</b>	<b>(12,016)</b>	<b>(23,635)</b>
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(9,147)</b>	<b>5,830</b>	<b>(5,214)</b>	<b>(8,531)</b>

a) Adjustments for Capital Purposes

This column adds in depreciation and impairment, revaluation gains and losses and revenue expenditure financed by capital under statute in the services lines, and for:

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amount written off for those assets
- **Financing and investment income and expenditure** – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for conditions which were satisfied throughout the year. The taxation and non-specific grant income and expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

b) Net Change for the Pensions Adjustments

This column shows the net change for the removal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and income:

- For **services** – this represents the removal of the employer pension contributions made by the authority under statute and the replacement with current service costs and past service costs.
- For **Financing and investment income and expenditure** – the net interest on the defined benefit liability is charged to the Comprehensive Income & Expenditure Statement.

c) Other differences

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

- For **services** – this represents items not reported to management in the revenue outturn report, such as Section 106 commuted income and the movement in the untaken leave accrual, and amounts which were reported to management but are not included in the net cost of services in the Comprehensive Income & Expenditure Statement.

Committed income from Section 106 grants of £3.683M was received in the year from developers but not included in the report to management. This is transferred to earmarked reserves to pay for future maintenance of community facilities, parks and open spaces as required under the terms of those Section 106 agreements. The amount used to pay for maintenance in the year was £719,000.

- For **Financing and investment income and expenditure** – this column recognises adjustments to the General Fund for net investment property income of £7.830M which is reported in the General Fund in Net Cost of Services.
- For **Taxation and non-specific grant income and expenditure** - this column represents the difference of £1.826M between what is chargeable under statutory regulations for Council Tax and NDR that was projected to be received at the beginning of the year and the income recognised under generally accepted accounting practices in the Code of Practice. This is a timing difference, as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

6. Segmental Income

Income received from external customers is analysed on a segmental basis in the following table:

<b>Service</b>	<b>2021/22 Revenues from external customers £'000</b>	<b>2022/23 Revenues from external customers £'000</b>
Community & Leisure	940	2,782
Environmental Service	2,028	2,236
Finance & Revenues	271	290
Housing & Environmental Health	682	682
Planning & Building	1,678	1,328
Planning Policy & Economic Development	(3)	31
Property & Asset Management	13,141	13,494
Benefits	481	540
Corporate & Support	931	649
Central	1,424	3,684
<b>Total income analysed on a segmental basis</b>	<b>21,573</b>	<b>25,716</b>

**7. Expenditure and Income analysed by nature**

The Council's expenditure and income is analysed in the following table:

<b>Expenditure / Income</b>	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>
<b>Expenditure</b>		
Employee benefits expenses	23,835	25,026
Other service expenses	34,322	34,235
Depreciation, amortisation, impairment	1,738	2,176
Other capital charges	2,232	1,673
Interest payable	155	151
Precepts and levies	1,763	1,848
Pension fund interest costs	1,503	1,359
<b>Total expenditure</b>	<b>65,548</b>	<b>66,468</b>
<b>Income</b>		
Fees, charges and other service income	(21,573)	(25,716)
Interest and investment income	(448)	(2,087)
Changes in fair value of investment properties	(6,187)	(4,253)
Income from council tax and non-domestic rates	(10,439)	(11,208)
Government grants and contributions	(35,087)	(44,187)
Gain on the disposal of assets	(1,120)	(856)
<b>Total income</b>	<b>(74,854)</b>	<b>(88,307)</b>
<b>Surplus on the Provision of Services</b>	<b>(9,306)</b>	<b>(21,839)</b>

**8. Adjustments between accounting basis and funding basis under regulation**

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.

## Transactions in 2022/23

	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Reserve	Total Usable Reserves	Unusable Reserves	Note
	£'000	£'000	£'000	£'000	£'000	
<b>Adjustments primarily involving the Capital Adjustment Account</b>						
Depreciation of non-current assets	3,127	0	0	3,127	(3,127)	16
Amortisation of intangible assets	16	0	0	16	(16)	18
Impairment of non-current assets	(967)	0	0	(967)	967	16
Movement in the fair value of investment property	(4,253)	0	0	(4,253)	4,253	17
Profit on disposal of non-current assets	(856)	0	0	(856)	856	20
Revenue expenditure funded from capital under statute	461	(358)	(103)	0	0	30
Impairment of capital loans	4	0	0	4	(4)	30
Statutory provision for the repayment of debt	(200)	0	0	(200)	200	30
Capital grants, contributions and income in relation to donated assets credited to the CI&ES	(11,215)	0	0	(11,215)	11,215	21
<b>Adjustments primarily involving the Capital Receipts Reserve</b>						
Proceeds from disposal of non-current assets	0	867	0	867	(867)	29
Capital loan repayments	0	23	0	23	(23)	29
Financing of new capital expenditure	(4,938)	(538)	0	(5,476)	5,476	21
<b>Adjustments primarily involving the Capital Grants Unapplied Reserve</b>						
Capital grants credited to CIES for which expenditure has not yet been incurred	(1,485)	0	1,485	0	0	29
Capital loan repayments transferred to Capital Grants Unapplied reserve for future use	0	0	5	5	(5)	29
<b>Adjustments primarily involving the Pensions Reserve</b>						
Reversal of items relating to retirement benefits charged to the CI&ES	7,920	0	0	7,920	(7,920)	14
Employer's contribution to pension fund / directly to pensioners	(2,698)	0	0	(2,698)	2,698	14
<b>Adjustments primarily involving the Collection Fund Adjustment Account</b>						
Amount by which Council Tax and Business Rates income credited to the CI&ES is different from Council Tax and Business Rates income calculated for the year in accordance with statutory requirements.	(1,826)	0	0	(1,826)	1,826	30
<b>Adjustments primarily involving the Accumulated Absences Account</b>						
Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	20	0	0	20	(20)	30
<b>Insertion of items not shown in the Comprehensive Income &amp; Expenditure Statement</b>						
Other adjustments	1	0	0	1	(1)	
	<b>(16,889)</b>	<b>(6)</b>	<b>1,387</b>	<b>(15,508)</b>	<b>15,508</b>	

## Comparative Transactions for 2021/22

	<b>General Fund Balance</b>	<b>Capital Receipts Reserve</b>	<b>Capital Grants Unapplied Reserve</b>	<b>Total Usable Reserves</b>	<b>Unusable Reserves</b>	<b>Note</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	
<b>Adjustments primarily involving the Capital Adjustment Account</b>						
Depreciation of non-current assets	3,012	0	0	<b>3,012</b>	(3,012)	16
Amortisation of intangible assets	12	0	0	<b>12</b>	(12)	18
Impairment of non-current assets	(1,286)	0	0	<b>(1,286)</b>	1,286	16
Movement in the fair value of investment property	(6,187)	0	0	<b>(6,187)</b>	6,187	17
Profit on disposal of non-current assets	(1,120)	0	0	<b>(1,120)</b>	1,120	20
Revenue expenditure funded from capital under statute	1,338	(1,108)	(230)	<b>0</b>	0	30
Impairment of capital loans	5	0	0	<b>5</b>	(5)	29
Statutory provision for the repayment of debt	(196)	0	0	<b>(196)</b>	196	30
<b>Adjustments primarily involving the Capital Receipts Reserve</b>						
Proceeds from disposal of non-current assets	0	1,123	0	<b>1,123</b>	(1,123)	29
Financing of new capital expenditure	(3,522)	(2,896)	0	<b>(6,418)</b>	6,418	21
<b>Adjustments primarily involving the Capital Grants Unapplied Reserve</b>						
Capital grants credited to CIES for which expenditure has not yet been incurred	(1,203)	0	1,203	<b>0</b>	0	29
Capital loan repayments transferred to Capital Grants Unapplied reserve for future use	0	0	4	<b>4</b>	(4)	29
<b>Adjustments primarily involving the Pensions Reserve</b>						
Reversal of items relating to retirement benefits charged to the CI&ES	8,325	0	0	<b>8,325</b>	(8,325)	14
Employer's contribution to pension fund / directly to pensioners	(2,495)	0	0	<b>(2,495)</b>	2,495	14
<b>Adjustments primarily involving the Collection Fund Adjustment Account</b>						
Amount by which Council Tax and Business Rates income credited to the CI&ES is different from Council Tax and Business Rates income calculated for the year in accordance with statutory requirements.	(5,210)	0	0	<b>(5,210)</b>	5,210	30
<b>Insertion of items not shown in the Comprehensive Income &amp; Expenditure Statement</b>						
Other adjustments	(4)	0	0	<b>(4)</b>	4	
	<b>(8,531)</b>	<b>(2,881)</b>	<b>977</b>	<b>(10,435)</b>	<b>10,435</b>	

### **9. Taxation and Non-Specific Grant Income**

The Council received income from Council Tax and revenue grants from various central government departments including the Department for Levelling-up, Housing and Communities (DLUHC) and the Department for Business, Energy & Industrial Strategy (BEIS). These are summarised in the following tables.

<b>Taxation / Non-Ringfenced Grants</b>	<b>Awarding Body</b>	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>
Council Tax Income	Council Taxpayers	7,980	8,374
New Homes' Bonus	DLUHC	2,568	2,105
Small Business Rate Relief	DLUHC	1,662	1,825
COVID-19 Additional Relief Fund	DLUHC	0	1,126
Other business rate reliefs	DLUHC	14	32
Expanded Retail Discount	DLUHC	3,088	1,420
Nursery Relief	DLUHC	65	44
Council Tax Family Annex Grant	DLUHC	138	152
COVID Support Grants	DLUHC	533	0
COVID Sales, Fees & Charges	DLUHC	437	0
Lower Tier Services Grant	DLUHC	574	377
Services Grant	DLUHC	0	164
Levy Account Surplus	DLUHC	0	20
Multiplier Cap	DLUHC	183	320
		<b>17,242</b>	<b>15,959</b>

The net income shown in the Comprehensive Income & Expenditure Statement for business rates is comprised of a number of transactions that are summarised in the table below.

<b>Business Rates Income &amp; Expenditure</b>	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>
Share of income transferred from Collection Fund	27,541	22,425
Tariff paid to government	(17,151)	(17,151)
Share of deficit on Collection Fund in the year	(7,081)	(2,053)
Levy payable to government in respect of growth in the year	(2,613)	(2,235)
<b>Net Business Rates Income</b>	<b>696</b>	<b>986</b>

Capital grants and contributions were received in the year as shown in the following table. The figure for 2022/23 includes £11.215M in donated assets under section 106 agreements (2021/22 £NIL). The donated asset is Ganger Farm Sports Park, Romsey.

<b>Capital Grants and Contributions</b>	<b>Awarding Body</b>	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>
Disabled Facilities Grant	DLUHC	1,376	1,376
Contributions to works on property	Tenants / Other developers	465	148
Plug-in Grant	Government	9	0
Public Sector Decarbonisation Scheme Grant	BEIS	0	4
UK Shared Prosperity Fund Grant	DLUHC	0	45
Local Authority Housing Fund Grant	DLUHC	0	545
Contributions under s106 and CIL agreements / capital grants	Developers	1,548	12,331
		<b>3,398</b>	<b>14,449</b>

Other grants received in the year and included in the Net Cost of Services are shown in the following table.

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<b>Specific Grants included in the Net Cost of Services</b>	<b>Awarding Body</b>	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>
Housing Benefit Subsidy	DWP	18,728	18,280
Housing Benefit Administration Subsidy	DWP	227	228
Localising Council Tax Admin Subsidy	DLUHC	179	84
Discretionary Housing Payments	DWP	155	108
Business Rates Collection	DLUHC	187	189
Biodiversity Net Gain Grant	DEFRA	10	0
Redmond Review Implementation	DLUHC	21	22
Council Tax Rebate & New Burdens	DLUHC	0	160
Energy Rebate Discretionary Scheme	BEIS	0	174
COVID Outbreak Management Fund	DLUHC	138	0
COVID Clinically Extremely Vulnerable	DLUHC	36	0
COVID Track & Trace Discretionary Grant	DHSS	61	0
COVID Business Grants - Additional Restrictions Grant	DLUHC	1,438	0
COVID Business Grants - OPS	DLUHC	0	(152)
Various New Burdens Grants	DLUHC / DWP / DEFRA	169	112
Individual Electoral Registration	Cabinet Office	29	0
Local Election Funding (COVID)	Cabinet Office	35	22
Flexible Homelessness Support Grant	DLUHC	372	432
COVID Household Support Fund & Ukraine Support Grant	DWP	108	518
Asylum Dispersal Grant	DLUHC	0	1,626
Domestic Abuse - Support to Victims	DLUHC	33	42
Rough Sleepers Initiative Grant	DLUHC	315	249
Coronavirus Job Retention Scheme	HMRC	23	0
Uk Shared Prosperity Fund	DLUHC	0	41
Apprenticeships Incentives	DFE	3	1
Transparency Code Set-Up	DLUHC	8	8
Neighbourhood Planning Grants	DLUHC	40	0
Compliance & Enforcement Grant	BEIS	30	0
Welcome Back Funding	DLUHC	82	(11)
		<b>22,427</b>	<b>22,153</b>

The Council also received grants of £6.444M during 2022/23 (£6.585M – 2021/22) where it acted as an agent of central government in distributing grants to businesses and individuals. These grants are not included in the Comprehensive Income & Expenditure Statement and are detailed in the following table.

<b>Grants not included in the Comprehensive Income &amp; Expenditure Statement</b>	<b>Awarding Body</b>	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>
COVID-19 Restart Grants	BEIS	5,321	0
COVID-19 Omicron Hospitality & Leisure Grants	BEIS	1,188	0
COVID-19 Track & Trace Main Scheme Grant	DHSS	76	0
Energy Rebate Scheme - Mandatory	BEIS	0	5,705
Energy Bills Support Scheme	BEIS	0	739
		<b>6,585</b>	<b>6,444</b>

**10. Special Expenses**

Income from the special Council Tax Levy which applies in the Andover Town Council area was £339,900 in 2022/23 (£333,300 – 2021/22).

**11. External Audit Costs**

The Council incurred the following fees in relation to external audit and inspection.

<b>Class of Work</b>	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>
External Audit Fees	90	84
Certification of Grants Claim and Returns	25	27
Public Sector Audit Authority refund	(8)	0
	<b>107</b>	<b>111</b>

**12. Members' Allowances**

The Council paid the following amounts to members of the Council during the year.

	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>
Allowances	418	449
Expenses	5	6
<b>Total Members' Allowances</b>	<b>423</b>	<b>455</b>

**13. Officers' Remuneration and Termination Benefits**

The number of employees whose remuneration, including termination benefits but excluding pension contributions, was £50,000 or more in bands of £5,000 in 2022/23 was:-

<b>Remuneration Band</b>	<b>2021/22 Number of Employees</b>	<b>2022/23 Number of Employees</b>
£50,000 - £54,999	16	19
£55,000 - £59,999	4	6
£60,000 - £64,999	7	12
£65,000 - £69,999	1	1
£70,000 - £74,999	1	0
£75,000 - £79,999	1	2
£80,000 - £84,999	1	0
£85,000 - £89,999	7	6
£90,000 - £94,999	0	2
£95,000 - £114,999	0	0
£115,000 - £119,999	1	0
£120,000 - £134,999	0	0
£135,000 - £139,999	1	1

The following table sets out the remuneration of senior officers in the year. A senior officer is described as 'a person who has responsibility for the management of the Council to the extent that the person has power to direct or control the major activities of the body, whether solely or collectively with other persons.' For the purposes of these accounts, Test Valley Borough Council has determined that senior officers are those included in the Management Team, which comprises the Chief Executive, Deputy Chief Executive and Heads of Service.

The 'Total Remuneration excluding pension contributions' of the following officers is included in the pay bandings in the previous table.

Post	Salary (Including Fees and Allowances)		Car Allowance and Other Expenses		Total Remuneration Excluding Pension Contributions		Pension Contributions		Total Remuneration Including Pension Contributions	
	21/22 £'000	22/23 £'000	21/22 £'000	22/23 £'000	21/22 £'000	22/23 £'000	21/22 £'000	22/23 £'000	21/22 £'000	22/23 £'000
Chief Executive	135	135	4	4	139	139	21	22	160	161
Deputy Chief Executive (1) - Note (a)	112	54	5	2	117	56	19	8	136	64
Deputy Chief Executive (2) - Note (b)	0	28	0	1	0	29	0	5	0	34
Head of Community & Leisure	84	86	4	4	88	90	14	14	102	104
Head of Environmental Services	85	86	5	5	90	91	14	14	104	105
Head of Property & Asset Management - Note (c)	11	82	1	4	12	86	2	13	14	99
Head of Housing & Environmental Health	84	86	4	4	88	90	14	14	102	104
Head of IT - Note (d)	28	0	1	0	29	0	5	0	34	0
Head of Legal & Democratic	86	86	4	4	90	90	14	14	104	104
Head of Planning & Building 1 - Note (e)	84	8	4	0	88	8	14	1	102	9
Interim Head of Planning & Building - Note (f)	0	41	0	0	0	41	0	6	0	47
Head of Planning & Building 2 - Note (g)	0	36	0	2	0	38	0	6	0	44
Head of Planning Policy & Economic Development	85	86	4	4	89	90	14	14	103	104
Head of Finance & Revenues	85	86	4	3	89	89	14	14	103	103
Head of Strategy & Innovation	77	82	4	4	81	86	13	13	94	99

Note (a) – The costs for 2022/23 are for part of the year only as the postholder left the Council during the year.

Note (b) – The costs for 2022/23 are for part of the year only as the postholder joined the Council during the year.

Note (c) – The costs for 2021/22 are for part of the year only as the postholder joined the Council during the year.

Note (d) – The Head of IT left the Council during 2021/22 so costs for 2021/22 are for part of the year only. The post has not been replaced.

Note (e) – The Head of Planning and Building 1 left the Council during 2022/23 so costs are for part of the year only.

Note (f) – An Interim Head of Planning and Building for six months. The costs shown are the costs for that period only.

Note (g) – The Head of Planning and Building 2 joined the Council during 2022/23 so costs are for part of the year only.

The number of exit packages and total cost per band are set out in the following table.

Exit Package Band	Number of Redundancies		Number of Other Departures		Total Cost of Exit Packages by Band	
	2021/22	2022/23	2021/22	2022/23	2021/22 £'000	2022/23 £'000
£0 - £20,000	0	0	1	0	N/A (note h)	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>

Note (h) – The total value of exit packages in 2021/22 is not disclosed due to there being only one such package and the potential for linking the value to the individual concerned.

All the costs above were charged to the Comprehensive Income & Expenditure Statement in the year.

#### 14. **Defined Benefit Pension Scheme**

As part of the terms and conditions of employment of its officers, the Council contributes 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 and this needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme, administered by Hampshire County Council – this is a funded defined benefit scheme with benefits up to 31<sup>st</sup> March 2014 being linked to final salary and benefits after this date based on a Career Average Revalued Earnings scheme, meaning that the Council and its employees pay contributions into a fund, calculated at a level estimated to balance the pensions' liabilities with investment assets.

The accounts recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge made against the Council Tax is based on cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund in the Movement in Reserves Statement.

The following transactions have been included in the Comprehensive Income & Expenditure Statement and Movement in Reserves Statement during the year:

<b>Comprehensive Income &amp; Expenditure Statement</b>	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>
<b>Cost of Services</b>		
Current Service Costs	7,013	6,757
Unfunded Benefits Paid Out	(191)	(196)
<b>Financing &amp; Investment Income &amp; Expenditure</b>		
Interest Cost	4,464	5,432
Interest Income	(2,961)	(4,073)
<b>Total amount included in the Surplus on Provision of Services</b>	<b>8,325</b>	<b>7,920</b>
<b>Other Comprehensive Income &amp; Expenditure</b>		
Actuarial gains due to change in financial assumptions	(13,067)	(73,592)
Actuarial (gains) / losses due to demographic assumption changes	(3,651)	16
Experience (gains) / losses on liabilities	(1,528)	15,150
Remeasurement (gains) / losses on assets	(8,915)	12,929
<b>Total amount charged to the Comprehensive Income &amp; Expenditure Statement</b>	<b>(18,836)</b>	<b>(37,577)</b>
<b>Movement In Reserves Statement</b>		
Reversal of net charges made to the deficit on the provision of services in accordance with the Code	(8,325)	(7,920)
Actual employer's contributions payable	2,495	2,698
<b>Total Amount included in the Movement in Reserves Statement (note 8)</b>	<b>(5,830)</b>	<b>(5,222)</b>

Prior to 2007, the Council awarded discretionary post-retirement benefits upon early retirement. This is an unfunded defined benefit arrangement, meaning that no assets exist in the pension fund to meet the ongoing liabilities.

The Council contributes to the Pension Fund at a common rate applicable to a group of employees which is set having regard to the assets and liabilities of the group as a whole.

The Council pre-paid employer contributions to the Pension Fund relating to Scheme years 2020/21, 2021/22 and 2022/23 as a single lump sum payment in April 2020. The total prepayment was £6.930M of which £2.310M related to Scheme year 2022/23 with a contribution rate of 17.9%.

It is forecast that pension contributions payable by the employer in 2023/24 in respect of funded liabilities will amount to £2.891M and for unfunded liabilities will amount to £216,000.

The allowance for administration expenses included in the Current Service Cost is £47,000 (2022/23 £43,000).

#### Assets & Liabilities in relation to retirement benefits

The following tables show the Council's liabilities to the Pension Fund and its share of the Fund's assets at the year end. The net liability at 31<sup>st</sup> March 2023 was £11.327M (2021/22 - £51.602M).

<b>Liabilities</b>	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>
<b>Opening present value of funded liabilities</b>	<b>211,543</b>	<b>201,142</b>
Current Service Cost	7,013	6,757
Interest Cost	4,404	5,361
Contributions by Participants	1,003	1,093
Actuarial gain on liabilities due to change in financial assumptions	(12,989)	(73,134)
Actuarial gain on liabilities due to change in demographic assumptions	(3,609)	0
Experience (gains) / losses on liabilities	(1,539)	14,936
Net benefits paid out	(4,684)	(6,352)
<b>Closing present value of funded liabilities</b>	<b>201,142</b>	<b>149,803</b>
<b>Opening present value of unfunded liabilities</b>	<b>2,968</b>	<b>2,728</b>
Interest Cost	60	71
Actuarial gain on liabilities due to change in financial assumptions	(78)	(458)
Actuarial (gains) / losses on liabilities due to change in demographic assumptions	(42)	16
Experience losses on liabilities	11	214
Net benefits paid out	(191)	(196)
<b>Closing present value of unfunded liabilities</b>	<b>2,728</b>	<b>2,375</b>
<b>Total present value of scheme liabilities</b>	<b>203,870</b>	<b>152,178</b>

<b>Assets</b>	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>
<b>Opening fair value of assets</b>	<b>141,578</b>	<b>152,268</b>
Interest income on assets	2,961	4,073
Actuarial (gain) / loss on assets	8,915	(12,929)
Contributions by the employer	2,495	2,698
Contributions by participants	1,003	1,093
Net benefits paid out	(4,684)	(6,352)
<b>Closing fair value of assets</b>	<b>152,268</b>	<b>140,851</b>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on assets in the year is shown in the following table.

<b>Assets</b>	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>
Interest income on assets	2,961	4,073
Actuarial (gain) / loss on assets	8,915	(12,929)
<b>Actual return on assets</b>	<b>11,876</b>	<b>(8,856)</b>

### 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 Fund's liabilities have been assessed by an independent firm of actuaries, based on the latest full valuation of the scheme carried out as at 31 March 2022 and a duration of liabilities of 17.1 years.

The principal assumptions used by the actuary were:

	2021/22	2022/23
Discount rate for funded liabilities	2.7%	4.7%
Discount rate for unfunded liabilities	2.7%	4.7%
Rate of Inflation - CPI (funded)	3.0%	2.7%
Rate of Inflation - CPI (unfunded)	3.0%	2.7%
Rate of increase in salaries	4.0%	3.7%
Rate of increase in pensions in payment	3.0%	2.7%
Rate of increase in pensions in deferment	3.0%	2.7%
<b>Mortality Assumptions</b>		
Longevity at 65 for current pensioners (years)		
Men	23.2	23.3
Women	25.6	25.7

It is assumed that each member will surrender pension on retirement, such that the total cash received (including any accrued lump sum from pre-2008 service) is 70% of the permitted maximum.

The proportions of total assets held in each asset type, shown below, reflect the proportions held by the Fund as a whole at 31<sup>st</sup> March 2023.

	2021/22	2022/23
Equities	56.9%	57.6%
Bonds	17.2%	16.5%
Property	6.9%	6.8%
Other	19.0%	19.1%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

The figures in this note are sensitive to the assumptions used. The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 31<sup>st</sup> March 2023 and the projected service cost for the year ending 31<sup>st</sup> March 2024 is set out in the following table. In each case, only the assumption mentioned is altered; all other assumptions remain the same.

<b>Discount rate</b>		
Adjustment to rate	+0.1% pa	-0.1% pa
Present value of total obligation (£M)	147.26	152.35
% change in present value of total obligation	-1.7%	1.7%
Projected service cost (£M)	2.94	3.19
Approx % change in projected service cost	-4.0%	4.2%
<b>Rate of increase in salaries</b>		
Adjustment to salary increase rate	+0.1% pa	-0.1% pa
Present value of total obligation (£M)	149.95	149.65
% change in present value of obligation	+0.1%	-0.1%
Projected service cost (£M)	3.06	3.06
Approx % change in projected service cost	0.0%	0.0%
<b>Rate of increase to pensions in payment</b>		
Adjustment to pension rate	+0.1% pa	-0.1% pa
Present value of total obligation (£M)	152.20	147.41
% change in present value of obligation	+1.6%	-1.6%
Projected service cost (£M)	3.19	2.94
Approx % change in projected service cost	+4.2%	-4.0%
<b>Post retirement mortality assumptions</b> (follow pattern of person one year older or younger)		
Adjustment to pension rate	-1 year	+1 year
Present value of total obligation (£M)	153.70	145.91
% change in present value of obligation	+2.6%	-2.6%
Projected service cost (£M)	3.17	2.95
Approx % change in projected service cost	+3.6%	-3.6%

## 15. Leases

### Operating Leases

The Council leases out land and property under operating leases for a number of purposes. These include generation of income from investment properties and for the provision of recreational facilities.

The future minimum lease rentals receivable under non-cancellable leases in future years are shown in the table below.

	<b>2021/22</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>
Receivable within one year	8,817	9,531
Receivable within one to five years	30,532	32,731
Receivable after five years	430,664	450,837
<b>Total minimum lease rentals receivable</b>	<b>470,013</b>	<b>493,099</b>

The minimum lease payments receivable do not include rents that are contingent on performance or based on a percentage of turnover.

In 2022/23 the Council recognised income from contingent rents of £38,000 (2021/22 - £NIL).

## 16. Property, Plant & Equipment (PPE)

These are tangible assets which are held or used in the production or supply of goods and services, for rental to others, or for administrative purposes, and are expected to be used during more than one period.

They are further classified into:

- Operational assets
  - Land & buildings (e.g. offices and car parks)
  - Vehicles, Plant & Equipment
  - Infrastructure assets (e.g. footpaths and cycle ways)
  - Community assets (e.g. parks and open spaces); and
- Non-Operational assets
  - Surplus assets (i.e. assets that are not being used to deliver services, but which do not meet the criteria to be classified as either investment properties or assets held for sale)

The following table shows the movement in balances of items of property, plant and equipment in the year.

<b>2022/23</b>	<b>Land &amp; Buildings</b>	<b>Vehicles, Plant &amp; Equipment</b>	<b>Infra structure</b>	<b>Community</b>	<b>Surplus Assets</b>	<b>Total</b>
<b>Cost / Valuation</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Historic Cost b/f	70,697	8,710	904	14,835	528	95,674
Revaluation Increases shown in the Revaluation Reserve b/f	31,216	0	54	0	0	31,270
Revaluation Decreases shown in the CI&ES b/f	(7,489)	(36)	(16)	(923)	(203)	(8,667)
Additions	12,009	1,360	0	493	0	13,862
Revaluations	5,077	0	0	0	0	5,077
Disposals - Historic Cost	0	(11)	0	0	0	(11)
Reverse depreciation on disposed / revalued assets	(1,634)	(581)	0	0	0	(2,215)
Reversal of previous impairments	967	0	0	0	0	967
<b>Cost / Valuation at 31st March 2023</b>	<b>110,843</b>	<b>9,442</b>	<b>942</b>	<b>14,405</b>	<b>325</b>	<b>135,957</b>
<b>Depreciation</b>						
Historic Cost Depreciation b/f	(307)	(5,362)	(265)	(1,317)	(5)	(7,256)
Depreciation on Revaluations b/f	(382)	0	(43)	0	0	(425)
Charge in year - Historic Cost	(1,409)	(839)	(29)	(267)	(5)	(2,549)
Charge in year - Revalued Amounts	(577)	0	(1)	0	0	(578)
Reverse depreciation on disposed / revalued assets	1,634	581	0	0	0	2,215
<b>Depreciation at 31st March 2023</b>	<b>(1,041)</b>	<b>(5,620)</b>	<b>(338)</b>	<b>(1,584)</b>	<b>(10)</b>	<b>(8,593)</b>
<b>Net Book Value at 31st March 2023</b>	<b>109,802</b>	<b>3,822</b>	<b>604</b>	<b>12,821</b>	<b>315</b>	<b>127,364</b>
<b>Net Book Value at 31st March 2022</b>	<b>93,735</b>	<b>3,312</b>	<b>634</b>	<b>12,595</b>	<b>320</b>	<b>110,596</b>

Comparative Information for 2021/22

2021/22	Land & Buildings	Vehicles, Plant & Equipment	Infra structure	Community	Surplus Assets	Total
Cost / Valuation	£'000	£'000	£'000	£'000	£'000	£'000
Historic Cost b/f	71,208	8,694	903	13,899	528	95,232
Revaluation Increases shown in the Revaluation Reserve b/f	28,329	0	54	0	0	28,383
Revaluation Decreases shown in the CI&ES b/f	(8,901)	(36)	(16)	(923)	(203)	(10,079)
Additions	819	484	0	936	0	2,239
Revaluations	3,413	0	0	0	0	3,413
Disposals - Historic Cost	0	(4)	0	0	0	(4)
Disposals - Impairment Costs						0
Reverse depreciation on disposed / revalued assets	(147)	0	0	0	0	(147)
Reclassification	(1,574)	(464)	0	0	0	(2,038)
Impairments in year	1,286	0	0	0	0	1,286
<b>Cost / Valuation at 31st March 2022</b>	<b>94,433</b>	<b>8,674</b>	<b>941</b>	<b>13,912</b>	<b>325</b>	<b>118,285</b>
<b>Depreciation</b>						
Historic Cost Depreciation b/f	(125)	(5,027)	(236)	(1,058)	0	(6,446)
Depreciation on Revaluations b/f	(227)	0	(42)	0	0	(269)
Charge in year - Historic Cost	(1,347)	(799)	(29)	(259)	(5)	(2,439)
Charge in year - Revalued Amounts	(573)	0	0	0	0	(573)
Reverse depreciation on disposed / revalued assets	1,574	464	0	0	0	2,038
<b>Depreciation at 31st March 2022</b>	<b>(698)</b>	<b>(5,362)</b>	<b>(307)</b>	<b>(1,317)</b>	<b>(5)</b>	<b>(7,689)</b>
<b>Net Book Value at 31st March 2022</b>	<b>93,735</b>	<b>3,312</b>	<b>634</b>	<b>12,595</b>	<b>320</b>	<b>110,596</b>
<b>Net Book Value at 31st March 2021</b>	<b>90,284</b>	<b>3,631</b>	<b>663</b>	<b>11,918</b>	<b>325</b>	<b>106,821</b>

Depreciation is charged based on the following assumed useful economic lives

- Land – Not depreciated
- Buildings – 10 to 60 years
- Vehicles – 3 to 7 years
- Plant & Equipment – 3 to 15 years
- Infrastructure Assets – 10 to 30 years

The impairments shown above are due to changes in the market value of assets as a result of current market conditions or as a result of changes to lease or other conditions which have altered an asset's carrying value. No assets were materially impaired as a result of structural damage.

The following table shows, for each class of PPE asset, the value of assets based on their respective methods of valuation. Where assets are carried at revalued amounts, the value is shown based on the year of the most recent revaluation.

	Cost	Depreciated Cost	Reval 2018/19	Reval 2019/20	Reval 2020/21	Reval 2021/22	Reval 2022/23	Total value of PPE
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Land and Buildings	910	0	1,961	3,053	8,013	0	95,865	109,802
Vehicles, Plant & Equipment	1,360	2,462	0	0	0	0	0	3,822
Infrastructure	104	500	0	0	0	0	0	604
Community	10,280	2,541	0	0	0	0	0	12,821
Surplus Assets	0	0	0	0	315	0	0	315
<b>Total PPE Assets</b>	<b>12,654</b>	<b>5,503</b>	<b>1,961</b>	<b>3,053</b>	<b>8,328</b>	<b>0</b>	<b>95,865</b>	<b>127,364</b>

The Council carries out a rolling programme of valuations that ensures all land & buildings and surplus assets are valued at least once every five years. Vehicles, plant & equipment, infrastructure, and community assets are held at depreciated historic cost. Revaluations in 2022/23 were carried out by an external valuer, Carter Jonas. All revaluations were carried out as at 31<sup>st</sup> March 2023.

The majority of information for PPE valuations comes from assessing active markets for similar properties. However, there is still some need for estimation as no two properties can be treated the same. The Council's valuers make assumptions on certain areas including the asset's useful remaining life and degree of specialism in calculating the asset's value for the accounts.

Surplus assets are measured at fair value.

At the 31st March 2023 contractual commitments on existing capital schemes totalled £2.987M (2021/22 £3.833M). The most significant item is £305,000 in relation to vehicles which have been ordered but not delivered at 31<sup>st</sup> March 2023.

## 17. Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income & Expenditure Statement.

	2021/22 £'000	2022/23 £'000
Rental income from Investment Property	8,053	8,177
Investment Property direct costs	(309)	(347)
<b>Net Investment Property income</b>	<b>7,744</b>	<b>7,830</b>

There are no restrictions on the Council's ability to realise the value inherent in its investment property portfolio or in the Council's right to the remittance of income and the proceeds of disposal.

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

	<b>2021/22</b> <b>£'000</b>	<b>2022/23</b> <b>£'000</b>
<b>Balance at start of year</b>	<b>148,571</b>	<b>157,181</b>
Expenditure on existing property	180	(47)
Expenditure on property under construction	2,096	4,858
Reclassification from Property, Plant & Equipment	147	0
Net changes in fair value of property	6,187	4,253
<b>Balance at end of year</b>	<b>157,181</b>	<b>166,245</b>

### **Fair Value Hierarchy and Valuation Techniques**

The Council's investment property portfolio has been assessed as Level 2 for valuation purposes (see Note 1.22 for an explanation of Fair Value levels).

The fair value of the investment property portfolio has been measured using the investment method of valuation. Valuations have taken into account existing lease terms and rentals from the tenancy schedule, research into market evidence, market rentals and yields. Changes in yields have led to a material increase in the valuation of some of the Council's investment properties.

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is deemed to be their current use.

Investment property under construction is measured at cost.

There has been no change in the valuation techniques used during the year for investment properties.

The fair value of the Council's investment property is measured annually at each reporting date. All valuations are carried out by an external valuer, Carter Jonas, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

### **18. Intangible Assets**

Intangible Assets represent the value of development costs and software licences for computer programmes used and the Council's right to hold markets in Andover town centre.

Market rights are not amortised as they are considered to have a life longer than 50 years; however a periodic impairment review is carried out on this asset to ensure the carrying value is prudent.

Software licences are amortised over their estimated useful economic life on a straight line basis.

The following table summarises the movement in balances for intangible assets in the year.

	<b>Software Licences £'000</b>	<b>Market Rights £'000</b>	<b>Total £'000</b>
<b>Cost or Valuation</b>			
Cost / Fair Value b/f	849	57	906
Reverse amortisation on disposed assets	(284)	0	(284)
<b>Cost / Valuation at 31st March 2023</b>	<b>565</b>	<b>57</b>	<b>622</b>
<b>Amortisation</b>			
Amortisation of Historic Cost b/f	(798)	0	(798)
Charge for the year	(16)	0	(16)
Reverse amortisation on disposed assets	284	0	284
<b>Amortisation at 31st March 2023</b>	<b>(530)</b>	<b>0</b>	<b>(530)</b>
<b>Net Book Value as at 31st March 2023</b>	<b>35</b>	<b>57</b>	<b>92</b>
<b>Net Book Value as at 31st March 2022</b>	<b>51</b>	<b>57</b>	<b>108</b>

Comparative information for 2021/22

	<b>Software Licences £'000</b>	<b>Market Rights £'000</b>	<b>Total £'000</b>
<b>Cost or Valuation</b>			
Cost / Fair Value b/f	830	57	887
Additions	19	0	19
<b>Cost / Valuation at 31st March 2022</b>	<b>849</b>	<b>57</b>	<b>906</b>
<b>Amortisation</b>			
Amortisation of Historic Cost b/f	(786)	0	(786)
Charge for the year	(12)	0	(12)
<b>Amortisation at 31st March 2022</b>	<b>(798)</b>	<b>0</b>	<b>(798)</b>
<b>Net Book Value as at 31st March 2022</b>	<b>51</b>	<b>57</b>	<b>108</b>
<b>Net Book Value as at 31st March 2021</b>	<b>44</b>	<b>57</b>	<b>101</b>

**19. Heritage Assets**

The Council holds a number of heritage assets. Some of these are carried at historical cost and others are not included on the Balance Sheet. The total estimated value of Heritage Assets at the balance sheet date is shown in the table below split according to their treatment in the Balance Sheet.

	<b>Carrying Value</b>	<b>Fair Value</b>	<b>Carrying Value</b>	<b>Fair Value</b>
	<b>2021/22 £'000</b>	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>	<b>2022/23 £'000</b>
Included in Community Assets	382	557	493	668
Not included in the Balance Sheet	0	190	0	190
<b>Total</b>	<b>382</b>	<b>747</b>	<b>493</b>	<b>858</b>

The most significant Heritage Assets owned by the Council are the silver maces which form part of the Council's civic regalia. Other Heritage Assets include the war memorials in Andover and Romsey, a Japanese cannon in Romsey War Memorial Park and various pieces of public art.

FRS30 (Heritage Assets) requires that, where material, Heritage Assets be shown at valuation as a separate category of non-current asset on the Balance Sheet. The total estimated value of Heritage Assets is not material; therefore the Council has elected not to re-state the accounts to the extent required by the Standard.

## 20. Profit on Disposal of Assets

During the year, the Council made a net profit on the disposal of fixed assets of £856,000 (2021/22 net profit of £1.120M). An analysis of this profit is shown in the following table.

	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>
Right To Buy Contributions	1,057	854
Net profit on disposal of property, plant & equipment	63	2
<b>Total Profit on Disposal of Assets</b>	<b>1,120</b>	<b>856</b>

## 21. Capital Expenditure and Financing

Total Capital Expenditure to be financed in 2022/23 amounted to £20.364M. This can be analysed as expenditure on new assets (£18.673M of which £2.0M was previously a capital loan and £11.215M was a donated asset), revenue expenditure funded from capital under statute (£1.673M) and expenditure classified as financial instruments (£18,000).

	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>
<b>Opening Capital Financing Requirement</b>	<b>6,394</b>	<b>6,199</b>
<b>Capital Expenditure</b>		
Property, Plant & Equipment	2,239	13,862
Investment Property	2,276	4,811
Intangible Assets	19	0
Revenue Expenditure Funded from Capital Under Statute	2,232	1,673
Capital loan	1,889	18
<b>Sources of Finance</b>		
Capital Receipts	(4,006)	(887)
Repayment of capital loan	0	(2,000)
Government Grants and Other Contributions	(2,421)	(13,069)
Contributions from Revenue / Reserves	(2,227)	(4,408)
Movement in Minimum Revenue Provision	(196)	(200)
<b>Closing Capital Financing Requirement</b>	<b>6,199</b>	<b>5,999</b>

The movement in the Capital Financing Requirement represents the movement in the minimum revenue provision of £200,000.

The Property, Plant & Equipment line and the Government Grants and Other Contributions line above for 2022/23 include the assumed costs and contribution of donated assets valued at £11.215M (2021/22 £NIL) which the Council did not purchase but which were adopted as part of a S106 agreement.

The Government Grants and Other Contributions line shown in the previous table represents the total 'Capital Grants and Contributions' figure per the Comprehensive

Income & Expenditure Statement less the net transfer to the capital grants unapplied reserve of £1.484M (2021/22 £1.203M).

Total capital expenditure has been analysed on a service basis in the following table:

	<b>2022/23 Long-Term Assets</b>	<b>2022/23 Revenue Expenditure Funded From Capital</b>	<b>2022/23 Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Community & Leisure	12,145	227	<b>12,372</b>
Environmental Service	1,360	0	<b>1,360</b>
Housing & Env. Health	0	1,207	<b>1,207</b>
Property & Asset Management	5,168	235	<b>5,403</b>
Planning Policy & Economic Development	0	4	<b>4</b>
<b>Total Expenditure</b>	<b>18,673</b>	<b>1,673</b>	<b>20,346</b>

The table above excludes the capital expenditure on financial instruments which are included in note 31.

## 22. Cash and Cash Equivalents

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

	<b>2021/22</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>
Cash held by the Council	5	5
Bank Current Accounts	5,328	1,202
Short-term deposits	53	15,092
<b>Total Cash &amp; Cash Equivalents</b>	<b>5,386</b>	<b>16,299</b>

## 23. Inventories

The balance of inventories is as shown in the following table.

	<b>2021/22</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>
Stock held by services	228	270
Nitrate credits	1,483	1,425
<b>Total Inventories</b>	<b>1,711</b>	<b>1,695</b>

Following the Court of Justice of the European Union judgments, Natural England advised in June 2019 that in order to comply with the Habitats Regulations, all new residential and overnight accommodation development should be nutrient neutral.

The Council has, therefore, purchased credits to provide off site mitigation solutions in order to achieve nutrient neutral development. These credits will be sold to developers as part of S106 agreements as part of a nitrate mitigation solution. It is anticipated they will be sold at cost and are held as inventory at the lower of cost or net realisable value.

24. **Analysis of Debtors**

	2021/22	2022/23		Net £'000
	£'000	Debtor £'000	Impairment Allowance £'000	
Central Government Bodies	319	1,939	0	1,939
Sundry Debtors	9,276	10,846	(1,501)	9,345
Pension Fund Prepayment	2,310	0	0	0
Collection Fund	1,159	1,920	(1,034)	886
Housing	7	0	0	0
Car Leasing and Loans	43	105	(18)	87
<b>Total Debtors</b>	<b>13,114</b>	<b>14,810</b>	<b>(2,553)</b>	<b>12,257</b>

Included within car leasing and loans in the previous table are loans to employees for vehicle purchases. At 31<sup>st</sup> March 2023, £104,000 (2021/22 - £62,000) was outstanding.

The Collection Fund balances relate to Council Tax and Business Rates and represent the Council's share of amounts due from taxpayers in respect of 2022/23. For more details on the Collection Fund, please see pages 71 to 74.

The Collection Fund balances are shown in the following table.

	2021/22 £'000	2022/23 £'000
Council's share of Council Tax debtors	574	638
Council's share of Business Rates' debtors	1,461	1,282
<b>Total Collection Fund balances</b>	<b>2,035</b>	<b>1,920</b>

25. **Analysis of Creditors**

	2021/22 £'000	2022/23 £'000
Sundry Creditors	13,820	8,801
Collection Fund	2,507	5,861
Central Government	11,502	6,613
Section 106 Balances	26,012	22,621
Compensated Absences Accrual	196	216
<b>Total Creditors</b>	<b>54,037</b>	<b>44,112</b>

The Collection Fund balances relate to Council Tax and Business Rates. There are two elements. The first is the Council's share of payments from taxpayers in respect of 2023/24 that have been received before the end of 2022/23. The second is the balance of the cash that is owed to the other preceptors on the Collection Fund in respect of the movements on the Collection Fund in the year. For more details on the Collection Fund, please see pages 71 to 74.

The Collection Fund balances are shown in the following table.

	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>
Council's share of Council Tax receipts in advance	128	142
Other preceptors' share of Council Tax movement	992	1,144
Council's share of Business Rates' receipts in advance	453	857
Other preceptors' share of Business Rates movement	934	3,718
<b>Total Collection Fund balances</b>	<b>2,507</b>	<b>5,861</b>

The balances due to Central Government are shown in the following table.

	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>
PAYE / NI / VAT	26	26
Housing Benefit Subsidy	614	0
NDR levy	2,613	2,392
NDR S31 Grants	8,198	4,195
NDR Transitional Payment Protection	51	0
<b>Total Central Government balances</b>	<b>11,502</b>	<b>6,613</b>

Section 106 balances relate to contributions made by developers as part of certain planning agreements. These sums are included as creditors because many contributions have time conditions within which expenditure must be made.

The section 106 balances are comprised of the following types of contribution.

	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>
Open Spaces / Recreation	15,728	11,567
Highways / Cycle Routes / Green Travel	3,490	3,271
Affordable Housing	1,817	2,441
Education & Skills' Development	595	584
Public Art	389	305
Community Facilities	3,864	3,544
Other	129	909
<b>Total Section 106 balances</b>	<b>26,012</b>	<b>22,621</b>

The major balances on the section 106 contributions relate to big housing developments at East Anton, Abbotswood, Picket Twenty and Picket Piece.

## 26. Provisions

The following table details the movement in the provisions.

	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>
<b>Balance at start of year</b>	<b>2,110</b>	<b>1,814</b>
Amounts charged to the provision	(1,362)	(1,789)
Increase / (decrease) in provision	1,066	1,169
<b>Balance at end of year</b>	<b>1,814</b>	<b>1,194</b>

The Council's share of backdated business rates appeals that are expected to be awarded in future years is £1.194M at the end of the year (2021/22 £1.814M). It is not possible to determine when appeals will be settled; therefore the whole balance is shown in current liabilities.

A new rating list was introduced by the Valuation Office Agency with effect from April 2017. The current rating list ended on 31<sup>st</sup> March 2023. A new list will be implemented from 1<sup>st</sup> April 2023 following a full revaluation exercise by the Valuation Office.

The provision in respect of outstanding appeals from the 2010 list has been prepared in a similar manner to previous years. The calculation is based on a weighted average of resolved appeals from that list, which is then extrapolated across the remaining appeals outstanding at 31<sup>st</sup> March 2023. £509,000 of the total provision relates to outstanding appeals against the 2010 list.

Alongside the 2017 rating list, the Valuation Office introduced a new method for businesses to appeal against their rateable value from April 2017; this is known as 'Check, Challenge, Appeal'.

A similar weighted average approach has been used for calculating the provision for the 2017 ratings list which closed on 31<sup>st</sup> March 2023. £2.475M of the total provision relates to appeals outstanding against the 2017 list.

## **27. Trust Funds**

The Council operates a number of trusts for civic purposes. The balances at the end of the year were £68,000 (2021/22 - £62,000). The most significant balance is in respect of the Romsey Walk and Pleasure Ground - £59,000 (2021/22 - £58,000).

## **28. Notes to the Cash Flow Statement**

An analysis of items included in the Cash Flow Statement is shown in the following tables.

<b>Net Cash inflow from Operating Activities includes:</b>	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>
Interest received	448	2,087
Interest paid	(155)	(151)

<b>Other Non-Cash items</b>	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>
Movement in Bad Debt Allowance	132	57
Movement in provisions	(296)	(620)
Donated assets under s106 agreements	0	(11,215)
Other non-cash items	(109)	468
<b>Other Non-Cash items</b>	<b>(273)</b>	<b>(11,310)</b>

<b>Other income / (payments) for financing activities</b>	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>
Movement in Council Tax debtors	(51)	(64)
Movement in amounts owed to Council Tax preceptors	524	152
Movement in Business Rates debtors	(257)	179
Movement in amounts owed to Business Rates preceptors	7,066	2,784
<b>Other income / (payments) for financing activities</b>	<b>7,282</b>	<b>3,051</b>

## 29. Usable Reserves

The Council's usable reserves represent the level of funding the Council has at its disposal to allocate to future expenditure, subject to the requirement to retain prudent reserve levels for unforeseen future events.

The amounts making up the Council's usable reserves are summarised in the following table. More information on each reserve is given in the following paragraphs.

<b>Reserve</b>	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>
General Fund Balance	2,604	2,604
Revenue & Earmarked Reserves	35,655	40,605
Capital Receipts Reserve	7,936	7,930
Capital Grants Unapplied Reserve	7,049	8,436
<b>Total Usable Reserves</b>	<b>53,244</b>	<b>59,575</b>

### General Fund Balance

This is a contingency fund – money set aside for emergencies or to cover any unexpected costs that may occur during the year.

### Revenue & Earmarked Reserves

Earmarked reserves are held for specific purposes for costs which will be incurred in future years.

A breakdown of the movement in Earmarked Reserves is shown in the following table.

	<b>Balance as at 31/03/2021</b>	Transfers In 2021/22	Transfers Out 2021/22	<b>Balance as at 31/03/2022</b>	Transfers In 2022/23	Transfers Out 2022/23	<b>Balance as at 31/03/2023</b>
	<b>£'000</b>	£'000	£'000	<b>£'000</b>	£'000	£'000	<b>£'000</b>
Income Equalisation Reserve	300	0	0	300	0	0	300
Budget Equalisation Reserve	682	500	0	1,182	775	(612)	1,345
Investment Equalisation Reserve	250	0	0	250	100	0	350
Pension Equalisation Reserve	500	0	0	500	0	0	500
Collection Fund Equalisation Reserve	9,255	3,122	(7,872)	4,505	608	(2,315)	2,798
Capacity Building Reserve	230	150	(5)	375	0	(30)	345
Special Projects Reserve	227	80	(12)	295	19	(25)	289
New Homes' Bonus Reserve	8,375	2,568	(467)	10,476	2,105	(524)	12,057
Asset Management Plan	3,222	1,950	(2,102)	3,070	2,166	(2,508)	2,728
Chantry Centre Planned Maintenance Reserve	1,225	342	(86)	1,481	567	(132)	1,916
Budget Carry Forward Reserve	124	125	(111)	138	225	(125)	238
Borough Election Reserve	35	35	0	70	35	0	105
All Risks Self-Insurance Reserve	93	0	0	93	0	0	93
Business Support (Floods)	147	0	0	147	0	(147)	0
Local Development Framework Reserve	574	33	(59)	548	200	(156)	592
Developer contribution for future years' maintenance costs	6,541	1,423	(667)	7,297	3,683	(719)	10,261
Enterprise and Innovation Reserve	315	0	0	315	0	0	315
Valley Housing Ltd Reserve	250	0	0	250	0	0	250
Housing Reserve	483	680	(395)	768	846	(614)	1,000
Private Rented Sector Access Reserve	43	0	0	43	0	0	43
Rejuvenation Projects Reserve	1,135	1,281	(149)	2,267	744	(382)	2,629
COVID Grants Reserve	564	137	(28)	673	22	(358)	337
Environment Act Reserve	0	300	0	300	0	0	300
Community Support Reserve	0	26	0	26	1,437	0	1,463
Other Earmarked Reserves	310	0	(24)	286	115	(50)	351
<b>Total Earmarked Revenue Reserves</b>	<b>34,880</b>	<b>12,752</b>	<b>(11,977)</b>	<b>35,655</b>	<b>13,647</b>	<b>(8,697)</b>	<b>40,605</b>

The property insurance policy has an excess of £5,000 per claim. The Council self-insures 'All Risks' items for which an earmarked reserve of £93,000 (2021/22 £93,000) is set aside. In the case of car loans, the risk of default or death of the borrower is on a self-insured basis.

#### Capital Receipts Reserve

The movement of the balance of the Capital Receipts Reserve reflects the transactions in the year in generating capital receipts and incurring capital expenditure. These transactions are summarised in the following table.

	2021/22		2022/23	
	£'000	£'000	£'000	£'000
<b>Balance at start of year</b>		<b>10,817</b>		<b>7,936</b>
Capital Receipts				
Sale of Assets	66		13	
Capital Loan Repayment	0		23	
Right to Buy Receipts	1,057		854	
		1,123		890
Capital Expenditure				
Purchase of Assets	(2,896)		(538)	
Revenue Expenditure funded from Capital Under Statute	(1,108)		(358)	
		(4,004)		(896)
<b>Balance at end of year</b>		<b>7,936</b>		<b>7,930</b>

#### Capital Grants Unapplied Reserve

The Capital Grants Unapplied Reserve holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require payment of the monies, but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied.

The movement in the balance of the Capital Grants Unapplied Reserve is shown in the following table.

	2021/22		2022/23	
	£'000	£'000	£'000	£'000
<b>Balance at start of year</b>		<b>6,072</b>		<b>7,049</b>
Capital Grants Received:				
Disabled Facilities Grants	466		164	
Community Infrastructure Levy	737		730	
Other capital grants received	0		591	
Capital Loan Repayment	4		5	
		1,207		1,490
Capital Expenditure				
Revenue Expenditure funded from Capital Under Statute	(230)		(103)	
		(230)		(103)
<b>Balance at end of year</b>		<b>7,049</b>		<b>8,436</b>

#### 30. Unusable Reserves

There are a number of unusable reserves that make up part of the Council's net worth. The balances on these accounts are calculated according to proper accounting

practices but the balance cannot be used by the Council for future expenditure on delivering services.

The amounts making up the Council's unusable reserves are summarised in the following table. More information on each reserve is given in the following paragraphs.

<b>Reserve</b>	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>
Revaluation Reserve	32,589	37,088
Capital Adjustment Account	231,921	251,423
Deferred Credits	7	7
Collection Fund Adjustment Account	(504)	1,322
Accumulated Absences Account	(196)	(216)
Pension Fund Reserve	(51,602)	(11,327)
<b>Total Unusable Reserves</b>	<b>212,215</b>	<b>278,297</b>

#### Revaluation Reserve

The balance on the Revaluation Reserve represents the unrealised gains made by the Council arising from increases in the value of its Property, Plant & Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation
- disposed of and the gains realised
- reclassified as investment properties.

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

	<b>2021/22</b>		<b>2022/23</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance at start of year</b>		<b>29,749</b>		<b>32,589</b>
Upward revaluations of assets in the year	3,596		6,458	
Downward revaluations of assets in the year	(183)		(1,381)	
Depreciation of previous years' revaluation gains	(573)		(578)	
		2,840		4,499
<b>Balance at end of year</b>		<b>32,589</b>		<b>37,088</b>

#### Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the purchase, subsequent expenditure, depreciation and impairment of assets compared with the financing of those assets under statutory provisions.

	2021/22		2022/23	
	£'000	£'000	£'000	£'000
<b>Balance at start of year</b>		<b>220,293</b>		<b>231,921</b>
Transfer from Revaluation Reserve	573		578	
Revaluation gains / (losses) on Investment Property	6,187		4,253	
Assets purchased in the year	4,534		18,673	
Capital loan advanced in year	1,889		18	
Statutory provision for the repayment of debt	196		200	
Transfer from Capital Receipts Reserve	1,108		358	
Transfer from Capital Grants Unapplied Reserve	230		103	
		<b>14,717</b>		<b>24,183</b>
Disposal of assets	(4)		(11)	
Repayment of capital loan	(4)		(2,029)	
Impairment of capital loan	(5)		(4)	
Depreciation of non-current assets	(3,012)		(3,127)	
Amortisation of intangible assets	(12)		(16)	
Impairments	1,286		967	
Revenue expenditure funded from capital	(1,338)		(461)	
		<b>(3,089)</b>		<b>(4,681)</b>
<b>Balance at end of year</b>		<b>231,921</b>		<b>251,423</b>

#### Deferred Credits

This represents the balance of the remaining mortgages given by the Council that will become usable capital receipts when they are repaid.

#### Collection Fund Adjustment Account

The Comprehensive Income and Expenditure Statement shows the Council's share of the income generated from Council Tax and Business Rates in the year. However, statutory accounting arrangements require that any variances from budget cannot be treated as income or expenditure by the Council until later years. To ensure the correct accounting treatment for this, a transfer is made to the Collection Fund Adjustment Account for the movement in the surplus or deficit in the year.

This account shows the Council's share of the accumulated difference between the estimated and actual returns in the Collection Fund (see pages 71 to 74).

The surplus on the Council Tax part of the Collection Fund at 31<sup>st</sup> March 2023 was £2.798M, of which the Council's share is £288,000. The surplus in respect of business rates was £2.543M of which the Council's share was £1.017M.

The Council is entitled to retain 100% of the business rates collected from Renewable Energy schemes within the Borough. However, any variance to the original budget cannot be treated as income until later years and is therefore transferred to the Collection Fund Adjustment Account. The amount retained at 31<sup>st</sup> March 2023 was £17,000 lower than the actual income from Renewable Energy Schemes and this will be returned from the General Fund in 2023/24.

	<b>2021/22</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>
Share of Council Tax Surplus b/f	209	263
Movement in the year	54	25
<b>Share of Council Tax Surplus c/f</b>	<b>263</b>	<b>288</b>
Share of Business Rates' Deficit b/f	(5,719)	(762)
Movement in the year	4,957	1,779
<b>Share of Business Rates' Surplus / (Deficit) c/f</b>	<b>(762)</b>	<b>1,017</b>
Renewable Energy Business Rates retained b/f	(204)	(5)
Movement in year	199	22
<b>Renewable Energy Business Rates retained c/f</b>	<b>(5)</b>	<b>17</b>
<b>Balance at end of year</b>	<b>(504)</b>	<b>1,322</b>

#### Accumulated Absences Account

This represents the reversal of the accrual for compensated absences (annual leave not taken at the year-end). The accrual is required under the Code but under regulations is not allowed to count as expenditure against the General Fund and the subsequent level of Council Tax.

#### Pension Fund Reserve

The Pension Fund Reserve absorbs the timing differences arising from the different arrangements for accounting for retirement benefits and for funding those benefits under statutory provisions.

The Council accounts for retirement benefits in the Comprehensive Income & Expenditure Statement as the benefits are earned by employees; however, statutory arrangements require that benefits are financed as the Council makes contributions to the pension fund.

The debit balance on this reserve therefore shows a substantial shortfall between the benefits earned by past and current employees of the Council and the resources set aside to meet them. Statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

The transactions relating to the Council's pension liability are shown in more detail in note 14.

### **31. Financial Instruments**

Financial instruments are contractual arrangements that give rise to a financial asset in one entity and a financial liability in another. For the Council this primarily relates to financial assets in the form of investments and debtors and financial liabilities in the form of creditors.

During the year all investment funds were managed internally.

#### **Financial Instrument Balances**

The following categories of financial instrument are carried in the Balance Sheet.

	31st March 2022		31st March 2023	
	Current £'000	Long-Term £'000	Current £'000	Long-Term £'000
<b>Financial Assets:</b>				
<u>Investments</u>				
Fair Value through Profit or Loss	0	375	0	375
Amortised Cost	75,507	15,036	50,954	25,121
<u>Debtors</u>				
Amortised cost - Sundry Debtors	10,386	709	10,355	674
Amortised cost - Housing	63	0	0	0
Amortised cost - Car Leasing and Loans	61	0	105	0
<b>Financial Liabilities:</b>				
<u>Creditors</u>				
Amortised cost - Borrowings	(269)	(6,543)	(272)	(6,299)
Amortised cost - Sundry Creditors	(3,479)	0	(5,803)	0

### Fair Value of Financial Instruments that are Measured at Fair Value through Profit and Loss

The Council has a shareholding in HCB Holding Ltd. The company was formed in July 2014 and has no established trading history. There are also no established companies with similar aims in the Council's area whose shares are traded and which might provide comparable market data. The Council has no intention to dispose of the shareholding. The 375 A Class Common Shares are measured at their cost of £1,000 per share (being the par value of £1 plus a premium of £999 per share) as a best estimate of fair value.

### Fair Value of Financial Instruments that are not Measured at Fair Value

Except for the financial assets carried at fair value (described in the table above), all other financial assets and liabilities held by the Council are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans receivable, prevailing benchmark market rates have been used to provide the fair value
- No early repayment or impairment is recognised
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable, the fair value is taken to be the carrying amount or billed amount
- For loans from the PWLB, their prevailing market rates have been applied to provide the fair value under PWLB debt redemption procedures.

The fair values are calculated as follows:

Financial assets	31st March 2022		31st March 2023	
	Carrying Value £'000	Fair Value £'000	Carrying Value £'000	Fair Value £'000
Cash	5	5	5	5
Cash Equivalents	5,381	5,381	16,294	16,294
Deposits with banks and building societies	30,442	30,420	30,622	30,622
Short term Loans and Receivables	45,065	44,934	20,332	20,332
Long term Loans and Receivables	15,036	14,725	25,121	24,137
<b>Total</b>	<b>95,929</b>	<b>95,465</b>	<b>92,374</b>	<b>91,390</b>

The fair value is lower than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is lower than the rates available for similar loans at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31<sup>st</sup> March 2023) attributable to the commitment to receive interest below market rates.

Financial liabilities	31st March 2022		31st March 2023	
	Carrying Value £'000	Fair Value £'000	Carrying Value £'000	Fair Value £'000
Borrowings - PWLB debt	(6,812)	(6,622)	(6,571)	(5,360)
<b>Total</b>	<b>(6,812)</b>	<b>(6,622)</b>	<b>(6,571)</b>	<b>(5,360)</b>

The fair value of the liabilities is lower than the carrying amount because the Council's loans are fixed rate loans where the interest rate payable is lower than the rates available for similar loans in the market at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31<sup>st</sup> March 2023) arising from a commitment to pay interest to lenders below current market rates.

It is considered that the carrying value is equal to the fair value for all other financial assets and liabilities not included in the table above.

The valuation basis adopted uses Level 2 Inputs – i.e. inputs other than quoted process that are observable for the financial instruments.

#### Items of income, expense, gains or losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments measured at amortised cost are made up as follows:

	2021/22 £'000	2022/23 £'000
Interest received	407	2,087
Interest paid	(160)	(151)

### 32. Nature and Extent of Risks Arising From Financial Instruments

The Council's activities expose it to a variety of financial risks. The key risks are:

- credit risk – the possibility that other parties might fail to pay amounts due to the Council
- liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates

#### Overall procedures for managing risk

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the treasury management team, under policies approved by the Council prior to the commencement of each financial year in the Treasury Management Strategy and Annual Investment Strategy.

The Treasury Management Strategy and Annual Investment Strategy was approved by Council in February 2022 and is available on the Council's website.

### Credit Risk

#### **Treasury Investments**

Credit risk arises from deposits with banks and building societies, as well as credit exposures to the Council's customers.

The risk is minimised through the policy of the Council to place deposits only with a limited number of institutions that meet strict criteria as defined in the Council's Treasury Management Strategy and Annual Investment Strategy.

The Council's maximum exposure to credit risk in relation to its investments cannot be assessed generally as the risk of any financial institution failing to make interest payments or repay the principal sum will be specific to each individual institution. With regard to deposits with banks and building societies, the Council has no recent experience of defaults. Although a risk of irrecoverability applies to all of the Council's deposits, there was no evidence at 31<sup>st</sup> March 2023 that this was likely to crystallise and the credit impairment losses have been assessed as nil.

The following table summarises the credit risk of the Council's investment portfolio at 31<sup>st</sup> March 2023 by credit rating.

<b>Credit rating</b>	<b>£'000s</b>
AA-	35,305
A+	40,770
Shares in unlisted company	375
<b>Total</b>	<b>76,450</b>

#### **Trade Receivables**

As per the requirements of the Code, Trade Receivables excludes balances arising from statutory functions (e.g. Council Tax and Non Domestic Rates) as they have not arisen from contractual trading activities.

Trade debtors are not subject to internal credit rating and are collectively assessed or the purposes of calculating expected credit losses using a provision matrix based on historical data.

The Council's maximum exposure to credit risk is shown on the following table.

	<b>Amount at 31st March 2023</b>	<b>Historical Experience of Default</b>	<b>Historical Experience Adjusted for Market Conditions</b>	<b>Estimated Maximum Exposure to Default</b>
	<b>£'000</b>	<b>%</b>	<b>%</b>	<b>£'000</b>
Long Term Debtors	674	0.00	0.00	0
Sundry Debtors	10,355	14.50	14.50	1,501
Other Debtors	105	17.14	17.14	18
<b>Total</b>	<b>11,134</b>			<b>1,519</b>

The Council does not allow credit for customers. The following table provides a breakdown of amounts past due but not impaired included in Sundry Debtors.

	<b>31st March 2022 £'000</b>	<b>31st March 2023 £'000</b>
Less than three months	1,584	429
Three months to one year	832	1,029
More than one year	733	1,149
<b>Total</b>	<b>3,149</b>	<b>2,607</b>

#### Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed and has ready access to borrowing from the Public Works Loans Board (PWLB). There is a minimal risk that the Council will not be able to meet its commitments under financial instruments.

The Council has loans from the PWLB on a repayment basis. The maturity analysis is as follows:

	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>
Less than one year	240	246
Between one and five years	1,016	1,039
Between five and ten years	1,404	1,436
Between ten and fifteen years	1,570	1,605
Between fifteen and twenty years	1,755	1,794
Between twenty and twenty five years	799	424
<b>Total</b>	<b>6,784</b>	<b>6,544</b>

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

#### Market Risk

The Council is exposed to a small risk in terms of its exposure to interest rate movements on its deposits with banks and building societies. An interest rate rise / fall would result in the interest credited to the Surplus or Deficit on Provision of Services increasing / decreasing.

The Council does not generally invest in equity shares but does have a small shareholding in HCB Holding Ltd as detailed in note 31. The £375,000 shares are classified at fair value through profit and loss, meaning that all movements in the fair value of the shares will impact on gains and losses recognised in the Surplus or Deficit on Provision of Services.

#### Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies and therefore has no exposure to loss arising from movements in exchange rates.

### **33. Related Party Transactions**

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

Central Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides significant funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties. Grants received from Government departments are set out in more detail in note 9.

Members of the Council have direct control over the Council's financial and operating policies. The amount paid to Councillors is disclosed in note 12. At the date that the accounts were approved for audit, 40 out of 43 Councillors, all non-Council members and Heads of Service had confirmed that they have not had material transactions with the Council during the financial year. The 3 Councillors that had not confirmed stood down or were not re-elected In May 2023. There are no known material transactions with any of these Councillors to report.

During 2022/23 £174,900 (2021/22 £324,500) in grants was paid to voluntary organisations in which one Councillor was officially appointed. The grants were made with proper consideration of declarations of interest. The relevant Member did not take part in any discussion or decision relating to the grants. The most significant of these grants are reported annually to Cabinet prior to the start of the financial year.

### **34. Group Accounts**

On 30th April 2016, Valley Housing Limited, a Housing Development and Management Company which is a wholly owned subsidiary of Test Valley Borough Council was incorporated.

Group accounts have not been prepared for the year ended 31st March 2023 as the value of transactions between Test Valley Borough Council and Valley Housing Limited is not considered to be material.

### **35. Contingent Assets**

As part of the Large Scale Voluntary Transfer Agreement (LSVT), the Council is entitled to receive income generated from Right-to-Buy sales of former Council properties. In 2022/23 the income generated from this source was £854,000 (2021/22 £1.057M). The generation of this income is outside of the Council's control and is not quantifiable for future years.

### **36. Contingent Liabilities**

#### **Large Scale Voluntary Transfer (LSVT)**

As part of the LSVT the Council was required to provide environmental warranties to both Testway Housing and their lenders for a period of 36 years (to expire 19<sup>th</sup> March 2036). There was no local knowledge of serious problems in this regard, and considering the likely costs involved in obtaining insurance cover, it is currently not considered to be cost effective to purchase insurance against this risk.

The Council also provided a guarantee to Testway Housing in respect of any pension deficit arising in respect of staff transferred from the Council to Testway Housing in the event that Testway Housing is wound up. 164 staff were transferred as part of LSVT.

Testway Housing has since merged with two other Housing Associations to form a new company – Aster Communities. At the time of the merger in 2011 the Council re-affirmed its commitment in respect of this guarantee. At that time the guarantee related to 63 staff (11 active members and 52 deferred pensioners).

There is no information to suggest that Aster Communities is not a going concern, neither is it possible to assess the potential deficit. As a result it is not considered appropriate to provide for any liability in this regard.

#### **Municipal Mutual Insurance Ltd – Scheme of Arrangement**

In 1992 Municipal Mutual Insurance Ltd. (MMI), which the Council and many other local authorities had insured with, experienced trading difficulties. The Company's creditors agreed a "Scheme of Arrangement" which allowed the Company to work towards a solvent run-off (of the company) until all outstanding claims were settled.

On 28<sup>th</sup> March 2012, the Supreme Court ruled the Employers' Liability Policy Trigger Litigation relating to mesothelioma claims which found against MMI. The judges ruled that the insurer who was on risk at the time of an employee's exposure to asbestos was liable to pay compensation for the employee's mesothelioma.

To date, the Council has paid two levies to the Scheme Administrator totalling £76,400, representing 25% of the maximum liability applicable to the Council; these costs were shown in non-distributed costs in the Comprehensive Income and Expenditure Statement.

No indications have been given as to whether future levies will be necessary. The Council's maximum remaining liability is £228,000.

### **37. Events After the Balance Sheet Date**

There are no events after the balance sheet date which would have a material impact on the accounts for 2022/23.

### **38. Going Concern**

The going concern assumption in the Accounting Code of Practice is based on the expectation that a local authority's services will continue to operate for the foreseeable future.

The Council's budget for 2023/24 reported to Council on 23<sup>rd</sup> February 2023 includes all service income levels, with the exception of car parking income, at pre-pandemic levels. The budget was balanced and no further pandemic related adjustments are anticipated.

In a worst case scenario where the Council's finances are more severely impacted, then as a last resort, the Council has four equalisation reserves and the New Homes Bonus Reserve which are forecast to total £13.795M at the end of March 2024, providing the financial headroom to manage its affairs and resources effectively over the medium term.

A cash flow forecast has been undertaken, using all currently known or expected transactions that will take place over the next year to the end of March 2025. In summary, this forecast clearly establishes that:

- Over the going concern period the Council is predicted to have positive cash balances at all times.
- There is no expectation that external borrowing will be required.

Following the completion of the review of available reserves and the cash flow forecast for the next twelve months, the Council considers that there is no risk to the Council as a going concern.

**39. Date Accounts Authorised for Issue**

The pre-audited Statement of Accounts was authorised for issue by the Head of Finance & Revenues on 28<sup>th</sup> July 2023.

## THE COLLECTION FUND

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund which shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the government of Council Tax and Business Rates.

INCOME AND EXPENDITURE ACCOUNT				
	2021/22		2022/23	
	£'000	£'000	£'000	£'000
<b><u>COUNCIL TAX</u></b>				
<b>Opening Balance</b>		<b>1,988</b>		<b>2,541</b>
<u>Income</u> Council Tax		94,693		99,257
<u>Expenditure</u>				
Hampshire County Council	67,949		71,404	
Hampshire and Isle of Wight Fire & Rescue Service	3,544		3,872	
Hampshire Police and Crime Commissioner	11,395		12,139	
Test Valley Borough Council	7,826		8,241	
Parishes	1,763		1,848	
Payments to preceptors in respect of previous surpluses	1,061		985	
Increase in Bad Debt Allowance	602		511	
Total Expenditure		94,140		99,000
<b>Council Tax Surplus For The Year</b>		<b>553</b>		<b>257</b>
<b>Closing Balance</b>		<b>2,541</b>		<b>2,798</b>
<b><u>BUSINESS RATES</u></b>				
<b>Opening Balance</b>		<b>(14,298)</b>		<b>(1,904)</b>
<u>Income</u> Business Ratepayers		50,889		49,015
<u>Expenditure</u>				
Central Government	27,740		25,288	
Hampshire County Council	4,993		4,552	
Hampshire and Isle of Wight Fire & Rescue Service	555		506	
Test Valley Borough Council	22,192		20,230	
Payments from preceptors in respect of forecast deficit	(17,165)		(5,402)	
Increase/(reduction) in provision for backdated appeals	(741)		(1,551)	
Transitional Protection Payments due to / (from) Central Govt	82		(52)	
Increase in Bad Debt Allowance	259		393	
Cost of Collection Allowance	187		188	
Amount retained in respect of renewable energy schemes	393		416	
Total Expenditure		38,495		44,568
<b>Business Rates' Surplus For The Year</b>		<b>12,394</b>		<b>4,447</b>
<b>Closing Balance</b>		<b>(1,904)</b>		<b>2,543</b>
<b><u>COLLECTION FUND SUMMARY</u></b>				
<b>Surplus for the year</b>		<b>12,947</b>		<b>4,704</b>
<b>Balance at the start of the year</b>		<b>(12,310)</b>		<b>637</b>
<b>Surplus at the end of year</b>		<b>637</b>		<b>5,341</b>

## NOTES TO THE COLLECTION FUND

### Business Rates

The starting point for the income from Business Ratepayers is the Rateable Value of each hereditament multiplied by the (national) Business Rating Multiplier for the year, which was 51.2p in 2022/23.

Net income is derived following adjustments in respect of:

- Transitional Relief
- Mandatory and Discretionary Relief in respect of charities and kindred organisations
- Small Business Relief
- Rural Rate Relief
- Supporting Small Businesses Reliefs
- Retail, Hospitality and Leisure discount
- COVID-19 Additional Relief Fund and
- Bad debts.

The total non-domestic rateable value at the 31st March 2023 was £139,722,243.

The Collection Fund balance on the 31st March 2023 in respect of Non Domestic Rates (NDR) was a surplus of £2.543M which is included within the Balance Sheet. Amounts in respect of Test Valley Borough Council are contained within the reserves section of the Balance Sheet; amounts due from the other major preceptors are shown within debtors.

This surplus will be shared amongst the major preceptors on a fixed apportionment basis (Central government 50%, Test Valley Borough Council 40%, Hampshire County Council 9% and Hampshire and Isle of Wight Fire and Rescue Authority 1%) in 2023/24 and 2024/25.

The payments to the major preceptors in 2022/23 are shown in the following table.

<b>Non Domestic Rates Collection Fund</b>				
<b>2021/22</b>			<b>2022/23</b>	
<b>Total</b>	<b>Major Preceptors</b>	<b>Precept</b>	<b>Share of 2021/22 Forecast Deficit</b>	<b>Total</b>
<b>£'000</b>		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
19,158	Central Government	25,288	(2,701)	22,587
3,448	Hampshire County Council	4,552	(486)	4,066
383	Hampshire and Isle of Wight Fire & Rescue Service	506	(54)	452
15,326	Test Valley Borough Council	20,230	(2,161)	18,069
<b>38,315</b>	<b>Total</b>	<b>50,576</b>	<b>(5,402)</b>	<b>45,174</b>

### Council Tax

The income from Council Tax is directly linked to the banding of properties based on their valuations. The number of chargeable dwellings in each valuation band was converted to an equivalent number of Band D dwellings, which was used to calculate the Council Tax base of 51,338 for 2022/23.

The Collection Fund balance on the 31st March 2023 in respect of Council Tax was a surplus of £2.798M which is included within the Balance Sheet. Amounts in respect of Test Valley

Borough Council are contained within the reserves section of the Balance Sheet; amounts due to the other major preceptors are shown within creditors.

This surplus will be shared amongst the major preceptors in proportion to their respective precepts (Test Valley's share is 10.35% for 2022/23 and 10.21% for 2023/24) and will be included in the Council Tax calculations for 2022/23 and 2023/24.

The payments to the major preceptors in 2022/23 are shown in the following table.

<b>Council Tax Collection Fund</b>				
<b>2021/22</b>			<b>2022/23</b>	
	<b>Major Preceptors</b>	<b>Precept</b>	<b>Share of 2021/22 Surplus</b>	<b>Total</b>
<b>£'000</b>		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
68,727	Hampshire County Council	71,404	724	72,128
3,586	Hampshire and Isle of Wight Fire & Rescue Service	3,872	38	3,910
11,523	Hampshire Police & Crime Commissioner	12,139	121	12,260
7,939	Test Valley Borough Council	8,241	102	8,343
<b>91,775</b>	<b>Total</b>	<b>95,656</b>	<b>985</b>	<b>96,641</b>

## COUNCIL TAX BASE - ANALYSIS OF PROPERTIES

<b>BAND</b>	<b>A*</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>	<b>TOTAL</b>
Full Charge	0	1,303	4,835	10,401	8,183	7,020	4,355	3,289	469	<b>39,855</b>
10% Discount	0	0	0	0	0	0	0	0	0	<b>0</b>
25% Discount	1	1,485	4,775	4,839	2,908	1,642	773	531	47	<b>17,001</b>
50% Discount	0	184	18	18	7	20	18	18	7	<b>290</b>
100% Exempt	0	23	41	61	28	25	7	14	2	<b>201</b>
50% Premium	0	4	6	1	3	0	1	1	0	<b>16</b>
100% Premium	0	1	1	2	1	1	1	2	0	<b>9</b>
200% Premium	0	1	1	1	1	0	1	0	0	<b>5</b>
Net Adjustment for Properties Charged at a Lower Band	3	20	48	2	(3)	(46)	11	(22)	(13)	<b>0</b>
Total Number of Properties	0	3,021	9,725	15,325	11,128	8,662	5,167	3,833	512	<b>57,373</b>
Chargeable Number of Properties	3	2,865	9,607	14,771	10,860	8,486	5,099	3,732	498	<b>55,921</b>
Equivalent Number of Properties after discounts, exemptions, premiums and disabled relief	3	2,387	8,374	13,499	10,110	8,043	4,896	3,581	481	<b>51,374</b>
Ratio to Band D	5/9	6/9	7/9	8/9	1	11/9	13/9	15/9	2	
Band D Equivalents	2	1,591	6,513	11,999	10,110	9,830	7,072	5,968	962	<b>54,047</b>
Provision for Council Tax Support										<b>(2,871)</b>
Provision for Bad Debts										<b>(521)</b>
Crown Contributions										<b>683</b>
<b>Total Band D Equivalents</b>										<b>51,338</b>

## GLOSSARY OF TERMS

<b>Accounting Period</b>	The period of time covered by the accounts, normally a period of twelve months, commencing on 1 <sup>st</sup> April for local authority accounts.
<b>Accruals</b>	This is the accounting concept that income and expenditure are recorded as they are earned or incurred, rather than when money is received or paid.
<b>Actuarial Gains &amp; Losses</b>	Actuaries assess financial and non-financial information provided by the Council to project levels of future pension fund requirements. Changes in actuarial deficits or surpluses can arise leading to a loss or gain because: - events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses) - the actuarial assumptions have changed.
<b>Assets</b>	Items of worth which are measurable in terms of value.
<b>Balances</b>	The reserves of the Council, both revenue and capital, which represent the accumulated surplus of income over expenditure on any of the funds.
<b>Business Rates</b>	Businesses pay Business Rates instead of Council Tax. Each year, the Government sets the charge based on a fixed percentage of the business's rateable value, and the charge is collected by the Council. Since 1 <sup>st</sup> April 2013, the Council retains a proportion of the rates collected.
<b>Capital Expenditure</b>	Expenditure on the acquisition or improvement of tangible assets which yield benefits to the Council for more than one year.
<b>Capital Receipts</b>	Monies received from the sale of non-current assets, which may be used to finance new capital expenditure.
<b>Cash and Cash Equivalents</b>	Cash and deposits held in banks that are readily convertible into known amounts of money without penalty or time delays.
<b>Collection Fund</b>	This is a statutory fund separate from the main accounts of the Council. It records all income due from Council Tax and Business Rates. It shows all precepts and statutory payments to other bodies.
<b>Contingent Assets</b>	Future income owed to the Council arising from a past event for which the amounts cannot be accurately quantified at the balance sheet date.
<b>Contingent Liabilities</b>	Amounts potentially payable to individuals or organisations which may arise in the future but which at this time cannot be determined accurately.
<b>Contingent Rent</b>	A rental income that is based on performance. This could be as a % of turnover of net profit.
<b>Creditors</b>	Amounts owed by the Council for work done, goods received or services rendered within the accounting period, but for which payment was not made by the year end.
<b>Current assets</b>	Assets which may change in value on a day to day basis (e.g. stocks), or which are expected to be fully recovered within one year (e.g. short-term deposits with banks).
<b>Current Service Cost</b>	The increase in the present value of the pension scheme liabilities expected to arise from employee service in the current period.
<b>Debtors</b>	Amounts owed for work or services rendered by the Council within the financial year which were not paid by the year end.
<b>Depreciated Replacement Cost</b>	A valuation method used as a proxy for market value of assets of a specialised nature where no market exists to gauge fair value. It is based on the estimated cost to replace the asset less an allowance for the age of the asset being valued.

<b>Depreciation</b>	The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset.
<b>Effective Interest Rate</b>	The average rate of interest over the life of a loan. It takes into account known changes in interest rates over the period of a loan, e.g. discounted rates in early periods.
<b>Expenditure</b>	Amounts paid by the Council for goods received or services rendered of either a capital or revenue nature. This does not necessarily involve a cash payment since expenditure is deemed to have been incurred once the goods or services have been received even if they have not been paid for.
<b>Fair Value</b>	The value an asset or liability could reasonably be transferred for in an arm's length transaction with another party who is properly informed about that item.
<b>Financial Instruments</b>	These represent any item that will cause the Council to receive or pay money. This ranges from sundry debtors and creditors to cash investments. The only items that are excluded from this are Council Tax and Business Rates.
<b>General Fund</b>	This is the main revenue fund of the Council includes the net cost of all services financed by local taxpayers and government grants.
<b>Heritage Assets</b>	Assets held primarily for their historical, artistic, scientific, technological, geophysical or environmental qualities and maintained for their contribution to knowledge and culture.
<b>IFRS</b>	International Financial Reporting Standards are the guidelines within which the Council's accounts have to be prepared.
<b>Impairment Allowance</b>	An allowance that is made against income that is due to the Council that it is considered is unlikely to be recovered.
<b>Impairment of Assets</b>	The reduction of the value of an asset through either market price changes or reduction in the asset's ability to deliver services e.g. if affected by fire or flood. Impairments as a result of market price changes from previous years may be reversed as market conditions change.
<b>Income</b>	Amounts due to the Council for goods supplied or services rendered of either a capital or revenue nature. This does not necessarily involve cash being received since income is deemed to have been earned once the goods or services have been supplied even if cash has not been received.
<b>Intangible Assets</b>	Assets that have no physical form but which provide economic benefits to the Council. Examples include software licences (that last over one year) and rights to hold markets in Andover High Street.
<b>Inventories</b>	Stocks and work-in-progress are included under this heading.
<b>Investment Property</b>	Properties owned by the Council which are held solely for income generation purposes or for appreciation in sale value.
<b>Leases</b>	Where a rental is paid for the use of an asset for a specified period of time. Two forms of lease exist. Under a Finance Lease the asset is treated as the property of the lessee. Under an Operating Lease the asset remains the property of the lessor and the lease costs are a revenue expense of the Council.
<b>Liabilities</b>	Amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the Balance Sheet date.
<b>Minimum Revenue Provision</b>	Amounts set aside as a statutory provision for the repayment of debt.

<b>Non-Current Assets</b>	Assets which are owned by the Council which have a useful life of more than one year.
<b>Past Service Cost</b>	Discretionary benefits awarded on early retirement are treated as past service costs.
<b>Precepts</b>	The method by which an authority obtains the income it requires by making a levy on an appropriate billing authority. The billing authority (this Council) must then charge for the precepted amount. For example, the Council Tax bills raised by the Council include the amounts precepted by Hampshire County Council, Fire and Police Authorities and Parish Councils.
<b>Present Value</b>	The current estimated value of future assets or liabilities taking into account the estimated effects of the time value of money.
<b>Property Plant and Equipment</b>	Tangible assets which yield benefit to the Council for a period of more than one year. They can be further classified into:
Land and Buildings	Property assets held and occupied, used or consumed by the Council in the direct delivery of services for which it has either statutory or discretionary responsibility e.g. Council offices.
Vehicles and Equipment	Items of plant and machinery used by the Council in the delivery of services e.g. refuse vehicles, grounds maintenance equipment.
Community assets	Assets that the Council intends to hold in perpetuity, which have no determinate finite useful life and may have restrictions on their disposal e.g. parks, works of art.
Infrastructure assets	These are inalienable assets, the benefit of which is received only by their continued use e.g. cycle routes, footpaths.
Surplus assets	These are assets that are not being used to deliver services, but which do not meet the criteria to be classified as either investment properties or assets held for sale.
Asset under Construction	Assets that are not yet completed.
<b>Provision</b>	An amount set aside for expenditure in a future financial period as a result of an obligation arising from a past event. The obligation must be expected to result in a payment that can be reasonably estimated.
<b>Reserves</b>	
Usable	Amounts set aside for future purposes over which the Council has full discretion, subject to statutory regulations which require capital reserves to be used only to finance new capital expenditure.
Unusable	Amount included in the balance sheet that the Council is not able to apply to future expenditure.
<b>Revenue Contributions to Capital</b>	The method of financing capital expenditure directly from the General Fund.
<b>Revenue Expenditure</b>	Expenditure incurred on the day to day running of the Council. This mainly includes employee costs, general running expenses and contract payments.
<b>Revenue Expenditure Funded From Capital Under Statute</b>	Items of expenditure that are categorised as capital expenditure but do not generate new assets for the Council. The main examples of this are Disabled Facilities' Grants and grants to affordable housing projects.

**Test Valley Borough Council**  
**Annual Governance Statement 2022/23**

**1 Scope of responsibility**

- 1.1 The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.
- 1.3 The Council has approved and adopted a local code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the Local Code of Corporate Governance is on the Council's website at: <http://www.testvalley.gov.uk/aboutyourcouncil/corporatedirection/local-codecorporate-governance>, or can be obtained from the Head of Legal and Democratic Services. This statement explains how the Council has complied, and continues to comply, with the principles underlying this code and also meets the requirements of regulation 6 of the Accounts and Audit (England) Regulations 2015, which requires all relevant bodies to prepare an annual governance statement.

**2 The purpose of the governance framework**

- 2.1 The governance framework comprises the systems and processes, and culture and values, by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, value for money services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk at a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.
- 2.3 The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks occurring and the impact should they happen, and to manage them efficiently, effectively and economically.

2.4 The governance framework that has been in place at the Council for the year ended 31 March 2023 is explained in the following section along with changes that have been implemented in the year. It will continue to be developed during the coming year.

### **3 The impact of Covid19 on the governance framework**

3.1 During the course of 2022/23 the Council's governance arrangements have become less impacted by the coronavirus pandemic. This reflects the national picture of moving towards a strategy of living with covid and moving away from a direct response and recovery phase.

3.2 The Council delivered the key elements of its Covid-19 Recovery Plan due to being focused on the response and immediate recovery phase aligned to the national picture around Covid19. Priorities such as the safety of our population, sustainable recovery and reviewing future working practices have become embedded within the organisation and are being delivered within services as part of their ongoing projects or business-as-usual practices. Therefore the Corporate Action Plan project focusing on recovery was closed down and brought off the Corporate Action Plan at its last update in April 2022.

3.3 The Council has sought to draw the lessons learned from the pandemic to inform its future work on responding to unforeseen incidents through strengthening its approach to community resilience, building capacity within communities and ensuring the council has agility in the way that it works to call upon the skills and resources needed from across services when such incidents occur. Examples in 2022/23 which required this approach include responding to the cost-of-living crisis and supporting refugees as a result of the war in Ukraine.

### **4 The governance framework**

4.1 The key elements of the systems and processes that comprise the Council's governance arrangements are as follows:

- The Council has fulfilled the following key roles (now formally adopted as part of the Local Code of Governance):
  - To promote the well-being of the area and provide leadership to the community;
  - To ensure the provision of high quality services provided in-house, by private sector companies, (where the ability to influence exists), jointly with other Councils or agencies, or by the voluntary sector;
  - To be accountable and provide stewardship for the use of public funds and resources;
  - To build a strong sense of community.

- 4.2 In fulfilling these roles the Council is committed to following the six core principles of good corporate governance identified in the CIPFA/SOLACE Guidance.

#### Partnership Working

- 4.3 A single strategic partnership for the Borough is in place called the Test Valley Partnership. It brings together the key partner agencies from across the public and voluntary and community sector. It meets twice a year and provides a place in which the key strategic issues facing the borough can be discussed, joint work developed and statutory duties met.
- 4.4 The Test Valley Partnership and its umbrella groups (community safety management group, community resilience forum and the civilian military forum) all continued to meet during 2022-23. The partnership has reviewed its programme of work in-light of where evidence is demonstrating a focus is required.
- 4.5 During this year the partnership has continued to demonstrate its added value by bringing partners together to work on key issues affecting communities in Test Valley by aligning work and resources and taking a focused and targeted approach to where it can make its greatest impact. A good example of this in practice has been the response to the Cost of Living crisis.
- 4.6 The partnership held a special meeting in August with approximately 40 delegates in attendance from across the public and voluntary sector. As a result, the partners were able to pool knowledge on existing support and explored who would be in most need of that support map where the gaps were and to think about how the partnership can work together to help in response to these challenges.
- 4.7 The headline outcomes were:
- Established a cost-of-living **information hub** on the Council website with input from a host of agencies.
  - Established a £50,000 **cost-of-living grant** for organisations supporting households through that crisis that was later increased to £100,000.
  - Establishment of a weekly **stakeholder** meeting to touch base and enable organisations to share any early warning signs, any insight in to what the story behind the headlines is for people living in Test Valley, and to check whether we need to mobilise the wider partnership to identify further support.
- 4.8 As the Council's place-based approach has grown, partnership websites such as Andover Vision and Romsey Future have been developed, where appropriate, due to the collaborative nature of the projects e.g. Romsey South of Town Centre. Consultation and project information has been posted to these websites with clear links back to relevant Council Services.

## Community Working and the Corporate Plan

- 4.9 The Council has a clear vision of its purpose and desired outcomes for the short, medium and long term. These are encapsulated in its Corporate Plan and in its delivery vehicle, the Corporate Action plan through a range of corporate and service strategies and through four areas of focus as part of the Council's commitment to the Test Valley Partnership.
- 4.10 There has been considerable consultation and stakeholder involvement in the development and progression of these plans and strategies and they are made available to the public through a variety of means including the Council's website and Test Valley News.
- 4.11 The Council has published a Corporate Plan for 2019 / 2023 "Growing Our Potential" which was approved by the Council on 10<sup>th</sup> April 2019. It has four main aims and an action plan detailing how these aims will be delivered. In developing the plan, previous priorities were reviewed, extensive consultation was undertaken with local people and elected Councillors whilst also considering external influences on the borough, such as government policy.
- 4.12 Work commenced in Summer 2022 to prepare the evidence for the development of the new Corporate Plan which will come into effect from April 2023. This is an extensive process which seeks to bring together evidence that reflects the strategic influences facing the authority and is built upon a robust package of public engagement over two phases. The development of the plan includes the active engagement of the council's overview and scrutiny committee throughout the process and will be considered by Full Council in April 2023.
- 4.13 The Council has a longstanding strategic commitment to work with its communities collaboratively. At the centre of this is the democratic role elected councillors play in bringing communities together to ensure inclusivity when undertaking local action planning and priority setting. The Council's Member and Community Development Group, chaired by the Leader of the Council, supports community councillors to engage more effectively with local residents and communities.
- 4.14 Building upon the practice and learning gained as part of the council's participation in the Innovation in Democracy Programme, further opportunities to embed and develop our approach to innovative engagement practice through the use of deliberative engagement has taken place in 2022/23.
- 4.15 As part of the development of the new Corporate Plan, the Council has worked with the Involve Foundation (a leading national organisation on public engagement) to design and deliver a series of deliberative events across the borough to enable a representative group of the borough's population to come together to explore the future focus of the council's corporate plan priorities. Drawing upon lived experience, data and insights and facilitating deliberation amongst participants has culminated in a series of robust outcome statements for the council to consider which will help shape our future strategic focus.

- 4.16 Embedding this practice has included specialist training from Involve to TVBC staff to be able the council to facilitate this form of engagement practice on an onward basis and builds upon earlier development work as a result of the workshop in 2021 held with senior managers which was hosted by the Southern Policy Centre. In addition the Council has also undertaken deliberative activities with young people as part of the Andover Youth Assembly partnering with a local voluntary organisation to deliver this work.
- 4.17 The Council formally reviews its progress and performance against its corporate priorities through an Annual Corporate Action Plan Report <https://www.testvalley.gov.uk/aboutyourcouncil/corporatedirection/corporate-plan-for-2019-to-2023> which is presented to Overview and Scrutiny Committee (OSCOM) and the Cabinet.
- 4.18 The Council's Consultation Portal provides a single link to all our current 'live' consultations, giving residents the opportunity to get involved, as well as access to details of the feedback from previous consultations.
- 4.19 There are a number of tools in place to enable the Council to hear the widest range of views from local communities, in a consistent way, as part of an evidence led approach to decision making. These include:
- Statement of community involvement.
  - Community Planning Toolkit.
  - Specialist advice and support through Community Engagement Officers and policy Team.
  - Equality objectives which set out how the Council will ensure an inclusive approach to consultation.

#### Committee Role in Governance

- 4.20 The Corporate Plan is supported by a performance management framework (including performance indicators) to measure progress and performance against the Corporate Action Plan is reported annually to Overview and Scrutiny Committee.
- 4.21 At its meeting on 6<sup>th</sup> April 2022 Council resolved to form an Audit Committee in April 2022 with effect from 18<sup>th</sup> May 2022 replacing the arrangements previously undertaken by the OSCOM Audit Panel. This committee met four times during the year. The terms of reference for the Audit Committee can be found here:  
<https://democracy.testvalley.gov.uk/documents/g3494/Public%20reports%20pack%20Monday%2020-Jun-022%2017.30%20Audit%20Committee.pdf?T=10>
- 4.22 Full Council is ultimately responsible for approving amendments to the Council's Constitution. The Head of Legal and Democratic Services is responsible for monitoring and reviewing the Constitution which is undertaken at least annually to ensure that it is up to date with current legislation and best practice.

- 4.23 The Cabinet has responsibility for the day-to-day operation of the Council's business unless that business is delegated specifically to another committee (e.g. Planning, Licensing) and ensuring that governance arrangements and compliance is adequate for the conduct of that business.
- 4.24 As part of the Council's open and transparent approach, Overview and Scrutiny Committee has responsibility for scrutinising the decisions of the Cabinet and reviewing the Council's policies and functions and making recommendations to the Cabinet as appropriate.
- 4.25 The Council's Audit Committee takes responsibility for audit and risk management issues, reviewing the Council's work in these areas and monitoring the progress and performance of both Internal and External Audit.
- 4.26 The Council's General Purposes Committee together with the General Purposes Employment Appeals and Ethics Sub-Committee have the role of promoting and maintaining high standards of conduct amongst Members and assisting them to observe the Authority's Code of Conduct. The work of the Sub-Committee is supported by the appointment of three Independent Persons and Parish representatives as required by the Localism Act 2011. The General Purposes Committee may receive reports as to the operation of the Code of Conduct. In addition, the General Purposes Employment Appeals and Ethics Sub-Committee will be required to determine complaints which are referred to it by the Monitoring Officer following investigation and direct or recommend any further action required consistent with the Localism Act 2011 and associated regulations.
- 4.27 Members of OSCOM undertake task and finish panel reviews. Once an area for review has been identified, the lead member/chairman of the panel presents the draft scoping document for the review to the full committee for consideration.
- 4.28 A full report is then subsequently presented to OSCOM once the review has been completed or reached an appropriate stage. This process has ensured more effective and focused reviews and a clear line of responsibility to the main committee. In addition, there is a standing Budget Panel which meet regularly throughout the year and covers the budget setting process of the Council. This panel reports to OSCOM on a regular basis and brings any issues of concern to the attention of the Committee.
- 4.29 The roles of the Cabinet, OSCOM, and other committees of the Council as well as specific roles assigned to the Leader, Deputy Leader, Portfolio Holders and senior officers of the Council are defined and documented within the Council's Constitution.
- 4.30 The Constitution clearly identifies the powers, duties and responsibilities delegated to the Leader, Deputy Leader, Portfolio Holders and Officers, and includes rules for how Council and committee meetings should operate and the relationship between Members and Officers.

- 4.31 The conduct of Members and Officers is regulated by separate codes of conduct within the Council's Constitution. The Council's General Purposes Committee together with the General Purposes Employment Appeals and Ethics Sub-Committee promote high standards of conduct by Members and the latter considers allegations of breach of the Code of Conduct by Members where referred to them.
- 4.32 Having regard to the benefits of remote meetings, the Council responded to the Government's consultation/call for evidence on the subject. The Council has been able to continue to avail itself of the ability to conduct non-committee business remotely or in a hybrid fashion where appropriate. Officers are investigating the potential for live streaming Council meetings.

#### Supporting the Committee Role

- 4.33 The Council has a Strategy and Innovation Service to strengthen the Council's ability to develop and manage its corporate planning processes. The Service leads on key projects and programmes including the Council's approach to modernisation in its ways of working.
- 4.34 The quality and value for money of services provided to users is measured through the Authority's performance management system. This includes the measurement and review of performance against national and local performance indicators and actions taken to address areas for improvement. Performance is monitored regularly throughout the year.
- 4.35 The conduct of day-to-day Council business is regulated through policies and procedures such as Contract Standing Orders and Financial Procedure Rules. The delegations to Members and Officers are kept continually under review and revised as appropriate. These documents were updated during the 2022/23 financial year.
- 4.36 A comprehensive set of Human Resources policies ensures compliance with employment legislation and promotes good personnel practices. These include disciplinary and capability processes to deal with conduct or performance which is unacceptable. These policies and procedures are regularly reviewed and revised.
- 4.37 A People Strategy was produced in 2020/21 which shapes the cultural direction and people management practices for the future to enable the Council to achieve its ambitions over the next 3-5 years. Whilst being able to respond to the changing needs of local government and the borough's residents this forms part of the Council's Corporate Framework with close links to the Corporate Plan and Medium Term Financial Strategy. Work has also been undertaken during the year to identify and review hard-to-recruit-to posts.

## Finance & Risk Management

- 4.38 The Council has in place a Medium Term Financial Strategy, updated annually, which supports the aims of the Corporate Plan. The Medium Term Financial Strategy has been materially affected by macro-economic factors of high inflation and rapidly increasing interest rates. The greatest risk to the MTFFS is the uncertainty surrounding the potential for a business rates re-set which could see a material reduction in a key income stream, the timing and extent of which is beyond the Council's control.
- 4.39 Risk management is outlined in its Risk Management Strategy. Corporate and Service specific risks are reviewed on a quarterly basis by the Council's Service Performance Boards and progress in managing the corporate risk register is reported to the Audit Committee on 6 monthly basis.
- 4.39.1 Risk management is embedded within the Council's processes e.g. reports to decision-making committees use a template which includes a section on risk assessment which must be completed before the report can be considered.**

## Equalities, Diversity & Inclusion

- 4.40 Elected Members and all officers are aware of their obligations under equality legislation, as well as the standards of behaviour and language which are expected from representatives and employees of the Council. Ongoing training is provided for both Members and officers.
- 4.41 Equality impact assessments are built into the Council's decision making process. The Council has reviewed its corporate equalities objectives, alongside its duties under the new gender pay gap publication requirements. The Council continues to deliver training on the Equality Act 2010 to new members of staff and to Members.
- 4.42 There is an area of Portfolio responsibility focused on "Diversity and Inclusion". The responsibility for being the Council's lead for Equality, Diversity and Inclusion has been allocated to the Head of Legal & Democratic. The Council has published information that demonstrates compliance with the Equality Duty as defined by the Equality Act 2010 on its website.  
[\(<https://www.testvalley.gov.uk/aboutyourcouncil/corporatedirection/equality---diversity/equalities>\)](https://www.testvalley.gov.uk/aboutyourcouncil/corporatedirection/equality---diversity/equalities)
- 4.43 The Council has established Disability Focus Groups that contributed towards the development of the new Corporate Plan. The groups are helping the Council and its partners on an ongoing basis.

- 4.44 The Council is a statutory partner with regards safeguarding its residents of all ages under both The Children Act 2004 and The Care Act 2015. The Council has in place a Safeguarding Children and Vulnerable Adults Policy and this and the associated procedures are monitored regularly to ensure compliance with these duties. The Council also liaises with both the Hampshire Safeguarding Children Partnership and Hampshire Safeguarding Adults Board to ensure this.
- 4.45 On an annual basis the Council is required by the Hampshire Safeguarding Children Partnership to complete the required Section 11 audit which is a self-assessment of its position with regards its safeguarding duties. The last full audit which took place in 2021 was reviewed in 2022 and identified that the Council is compliant with Section 11 of the Children Act.
- 4.46 On a bi-annual basis the Council is also required by the Hampshire Safeguarding Adults Board to undertake an audit of its position with regards its safeguarding duties, the last audit was undertaken in 2020 however due to pressures on organisations as a result of the pandemic the 2022 assessment was delayed and will take place in 2023.

#### Environmental and managing a changing climate

- 4.47 The Council approved a Climate Emergency Action Plan in 2020 to identify the steps it will be taking to work towards achieving carbon neutrality. Evidence has been gathered to provide information on greenhouse emissions, decarbonisation and how the Council can deliver its services in a more environmentally friendly way.
- 4.48 The requirement to achieve nutrient neutrality from new residential development continues to affect the Council's strategic priority to deliver housing. To help unlock housing delivery the Council has approved a mitigation framework which includes the purchase of nitrate credits for onward purchase by developers within the Borough.
- 4.49 Measures to secure the use of land to provide off-site mitigation solutions necessary to protect the internationally designated nature conservation sites in and around the Solent have included the purchase of nitrate credits from a third party which can be purchased from the Council directly through an approved mitigation framework. The Council is investigating the amount of nitrate credits arising from recent land purchases and how any credits could be used. Work has also continued with the Environment Agency, Southern Water and other partners to review permit limits at Wastewater Treatment Works serving the Borough.

### Officer structure

- 4.50 The Chief Executive is the Council's Head of Paid Service and has overall corporate management and operational responsibility for the way in which the Council delivers its services. The Head of Legal and Democratic Services is designated as the Council's Monitoring Officer and has responsibilities under section 5 of the Local Government and Housing Act 1989 for ensuring that the Council complies with relevant laws and regulations and internal policies such as Contract Standing Orders. The Head of Finance and Revenues is designated as the Council's Section 151 Officer with responsibility for ensuring the "proper administration of financial affairs".
- 4.51 The Head of Finance and Revenues also has responsibility under section 114 of the Local Government Finance Act 1988 for reporting to the Council and the external auditor if the Council has made, or is about to make, expenditure which is unlawful.
- 4.52 These three statutory officers meet regularly throughout the year (plus as required on an ad hoc basis) to discuss significant corporate issues.
- 4.53 The CIPFA statement on the Role of the Chief Financial Officer in Local Government requires the Chief Finance Officer to report directly to the Chief Executive and be a member of the 'Leadership Team', of equal status to other members. The Council does not strictly comply with this requirement in that the Head of Finance and Revenues reports to the Deputy Chief Executive. However, in practice, the Head of Finance and Revenues is able to report directly to the Chief Executive and Members as and when required, is a member of the Management Team, and is involved and consulted in all matters which have financial implications for the Council.

### Complaints & Whistleblowing

- 4.54 The Council's Constitution contains a Confidential Reporting Code for Employees which safeguards "whistle-blowers" who raise legitimate concerns about the Council's actions and specifies how their concerns should be addressed. The Code is monitored by the Audit Committee.
- 4.55 Financial Procedure Rules require all staff to raise concerns about the use or misuse of Council resources with the Head of Finance and Revenues or Internal Audit who will carry out an independent investigation of the circumstances. Internal Audit also actively encourages staff to raise matters of concern through "Speak Up" campaigns. A form is available on the Council's intranet for staff to raise concerns (anonymously if desired) about the use of Council resources and this facility has been extended to the website so that members of the public can raise concerns in this area.
- 4.56 The Council also has a formal complaints procedure for members of the public to raise issues, e.g. where they are dissatisfied with the service they have received, and an annual report is prepared for the Audit Committee summarising these complaints and how they were resolved.

- 4.57 The Council has a detailed Anti-Fraud and Corruption Policy which sets out the roles, responsibilities of officers and Members and actions to be taken when fraud or corruption is discovered. In addition, an Anti-Bribery Policy has been approved to address the requirements of the Bribery Act 2010.

#### Training and awareness

- 4.58 The Democratic Services Manager is responsible for identifying and providing for Councillors' training needs. The Council has a cross-party Member and Community Development Group which is supported by officers from a range of services.
- 4.59 This Group has continued to work to promote an enhanced role for Councillors that focuses on them acting as a catalyst for change to encourage communities to reach their full potential. This work has brought together the needs and expectations of our communities in order to make balanced decisions, and has ensured a culture of democratic accountability is embraced throughout the Council.
- 4.60 The Group assists the Council in developing a programme of Councillor training and development that is shaped by the Councillors themselves, ensuring that training and development activities offered is tailored to individual Councillor needs as well as the needs of Councillors generally, the council and communities. This work has been shared with the Councillor Commission and has become a key part of the ongoing work that supports this national project.
- 4.61 All new Councillors are provided with induction training to assist them with understanding and successfully carrying out their different roles, with an ongoing programme of training and development provided on specific issues where appropriate e.g. planning, and to build key skills and knowledge.
- 4.62 All officers also receive induction training and appropriate professional and skills training and development identified, for instance, through annual performance discussions.
- 4.63 Publications such as Test Valley News are sent to all households and the Council's website is an important source of information about the Council and its services. The Council's website has been designed to make it more accessible to residents and businesses of Test Valley and to make it easier to undertake transactions online. An External Communications Strategy has been produced to support the emerging Corporate Plan.

## **5 Review of effectiveness**

- 5.1 The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the Authority who have responsibility for the development and maintenance of the governance environment, the annual report of the Internal Audit Manager, and also by comments made by the external auditor and other review agencies and inspectorates.
- 5.2 The Council's Internal Audit team, located within the Finance & Revenues Service, carries out a continuous review of the Council's systems to provide independent assurance that the control environment is effective in achieving the Council's objectives. The team objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of the Authority's resources.
- 5.3 The performance of the Internal Audit team is monitored by the Council's Audit Committee and Section 151 Officer. The Internal Audit Manager presents the Internal Audit Charter, Strategy and Annual Audit Plan to the Audit Committee and produces an Annual Report giving an opinion of the adequacy of the Council's systems of internal control.
- 5.4 A self-assessment of the internal audit function's conformance with the Public Sector Internal Audit Standards (PSIAS) was carried out in March 2023. The Public Sector Internal Audit Standards are a mandatory requirement, the objectives of which are to:
- define the nature of internal auditing within the UK public sector,
  - set basic principles for carrying out internal audit in the UK public sector,
  - establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations, and
  - establish the basis for evaluation of Internal Audit performance to drive improvement planning.
- 5.5 The self-assessment concluded that the function "generally" conforms to the standards.
- 5.6 There is evidence that the work the Internal Audit function has delivered is effective; especially around risk and performance. It contributes to and has influence in the Authority on these areas. It is a highly respected service that is engaged with the organisation and which provides ongoing support in key areas, as well as effective assurance on controls.

- 5.7 The Internal Audit Manager has provided substantial assurance in respect of the Council’s risk management, control and governance arrangements. “Substantial Assurance” means that systems in place are generally sound, but some best practice developmental areas have been identified to strengthen the Council’s governance arrangements. These form the basis of the action plan appended to this Statement.
- 5.8 The Council is regularly audited by the External Auditor (Ernst and Young LLP) who independently examines the Council’s accounts and financial systems and who presents an [Annual Audit Report](#) to Members, the latest available covering the financial year 2020/21. This was a positive report with an unqualified opinion on the Council’s accounts, system of internal control and arrangements to achieve value for money.

**6 Declaration**

- 6.1 We have been advised on the implications of this review of the effectiveness of the governance framework and of any significant governance issues. A plan to address weaknesses and ensure continuous improvement of the system is in place as shown in the attached annex.
- 6.2 We propose over the coming year to take steps to address these matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

**Signed:** ..... **Signed:** .....

Leader of the Council

Chief Executive

## ANNEX

### **Governance Actions for 2022-23**

No significant governance issues have been identified. The following are best practice developmental areas to strengthen the Council's governance arrangements.

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Issue	Action to be Taken	Timescale	Lead Officer
<p><b>Contract Standing Orders:</b> Strengthen the knowledge and understanding of procedure rules that underpin procurement of goods and services by the Council.</p>	<ul style="list-style-type: none"> <li>• To provide in-house refresher training for all authorised signatories on Contract Standing Orders and to update them on changes made to the Contract Standing Orders in 2022.</li> <li>• To enhance the initial training and awareness of Contract Standing Orders as part of the induction process for officers who will have procurement responsibilities as part of their role.</li> </ul>	30/09/23	Head of Finance & Revenues
<p><b>Performance Management Framework:</b> To update the council's performance management framework in light of the new Corporate Plan being developed.</p>	<p>To ensure an integrated approach to performance management, the preparation and monitoring of the Corporate Action Plan, Service Planning, Performance indicators/ impact measures and risk.</p> <p>To review and update the Council's approach to the management and monitoring of risk.</p>	31/03/24	Head of Strategy & Innovation and Head of Finance & Revenues

<p><b>BCP and Cyber security/response and implementation of the new approach:</b> To implement an updated approach to preparation and management of corporate and service business continuity plans.</p>	<p>To ensure the continued delivery of services following a major incident based around the principles of Resilience, Recovery and Contingency through review and update of the Council's approach to disaster recovery.</p>	<p>31/03/24</p>	<p>Head of Strategy &amp; Innovation</p>
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