

STATEMENT OF ACCOUNTS

for year ended 31 March 2021



Further information:

A simplified and summarised version of the main statements called the “Summary of Accounts” is available from the Head of Financial Services and Commercialisation or by visiting the council’s website www.basingstoke.gov.uk

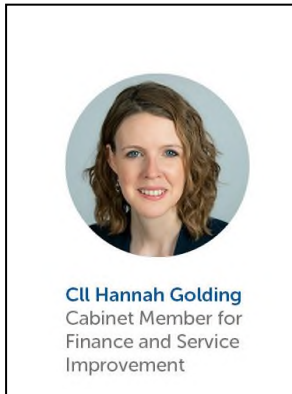


Basingstoke
and Deane

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Introduction to Statement of Accounts – Cllr Hannah Golding, Cabinet Member Finance and Service Improvement



Welcome to Basingstoke and Deane Borough Council's Statement of Accounts for 2020/21.

This year was the first year of our new Council Plan which runs between 2020 and 2024 and aims to ensure the borough remains a great place to live and work. With a focus on putting residents at the heart of everything we do, the Council Plan sets out five priorities - Strengthening Communities, Protecting and Enhancing our Environment, Improving Safety, Planning for the Future and ensuring as an organisation, we are Fit for the Future. These priorities, along with other key strategies and plans have guided our financial and service planning.

During 2020/21, the borough element of council tax increased by £5 to £126.42 for a Band D (the average) property. Despite the challenges the council continues to face, including rising costs and demand for services, lowering government funding and the impact of the Covid-19 pandemic, Basingstoke and Deane remains one of the lowest of all districts in Hampshire and among the lowest across the country.

Alongside the income we receive from council tax and fees and charges, we have been proactive in finding new sources of income and our property portfolio continued to generate rental income of over £16M per annum. This is almost double the income we receive from council tax and is fundamental to our ability to continue to deliver front line services that our residents value.

The year was dominated by the council's response to the Covid-19 pandemic, ensuring residents and businesses were given the support they needed during this unprecedented time. As well as the practical actions taken to support our communities, the council rebased its revenue budget, controlled its expenditure on non-essential items and focused recruitment on front line roles to mitigate the additional financial pressures. The careful management of the council's budgets and spending alongside the additional Covid-19 funding support received from the government provided the opportunity to allocate further funding to support the council's work to tackle climate change and boost the borough's economic recovery, with both priorities working together to shape a green and prosperous borough for the future.

Key achievements

As part of the council's response to the Covid-19 pandemic, essential services were maintained, virtual meetings were introduced to enable decision-making to continue, support was delivered to the most vulnerable in our borough through the Basingstoke and Deane Community Hub and we worked closely with our partners on key projects such as the setting up and staffing testing and vaccination sites.

By 31 May 2021, 4,723 businesses in the borough had been given business grants totalling £44.5M alongside over £33M in business rates relief and a rent and service charge holiday for small businesses in council-owned properties. Residents were also given a helping hand with council tax and benefits support and test and trace isolation payments. In addition, the council worked closely with local housing providers and I am pleased to say all rough sleepers were given a home during the pandemic.

In December 2020, the number of people sleeping on the streets in the borough reached zero, the lowest figure in more than 10 years, thanks to the innovative approaches and joint working of the Basingstoke and Deane Social Inclusion Partnership (SIP). And we are continuing to look ahead to the future alongside our partners to ensure those who need it most are given the helping hand they need through the development of a new supported housing scheme at Culver Road.

PREFACE

As well as ensuring the council delivers excellent services that meet people's needs, we have invested in the future to set strong foundations that will shape the way the borough will grow to deliver opportunities for new and existing communities as they recover from the pandemic.

The council has taken a leading role in planning for the borough's economic recovery to ensure the borough remains a great place to live and work. Our Economic Recovery Framework sets out our roadmap for how we will support recovery through key areas of focus such as jobs and skills, business support and attracting external investment.

A key area of focus to support the economy has been helping businesses in the town centre and other shopping areas across the borough to reopen safely in line with government guidance and supporting businesses who have been unable to sell their goods online through the launch of the borough's own online marketplace, The Borough Basket.

Recognising the importance of a sustainable town centre as a key part of the borough's economic recovery, work is under way to develop an ambitious strategy for the town centre area. Working alongside a team of experts including Hemingway Design, Allies and Morrison and JLL, work over the coming year will include comprehensive engagement with residents, businesses and other groups and a detailed analysis of the town's requirements and aspirations to create a final vision and masterplan.

This year, outline planning permission was granted for Manydown North which will deliver up to 3,250 new homes, businesses and community facilities, schools and a 250 acre country park and we entered into a joint venture partnership with Urban & Civic, backed by the Wellcome Trust to ensure that this project move forward.

Alongside development partner Muse Developments, our £500M regeneration of Basingstoke's town centre business district, Basing View, continues to ensure we are well placed to meet the need for high quality office space and can attract more jobs to the borough. Following the completion of external construction work, a new headquarters for one of the borough's longstanding employers, Eli Lilly and Company, has been handed to them to complete internal work. And external investors continue to demonstrate their commitment to the borough with an extensive refurbishment of two existing offices, Southern Cross and Grosvenor House.

But it is important that we carefully plan the borough's development to look ahead to a greener future. Following extensive public consultation, this year we adopted a new Climate Change and Air Quality Strategy which sets the agenda for the next 10 years, with clear goals focusing on six key areas – action by all, buildings, transport, zero carbon electricity, waste and consumption and the natural environment. Importantly, this will steer the borough's response to the council's Climate Emergency Declaration which aims to make the borough carbon neutral by 2030. As part of this, we have allocated £2M to support schemes in addition to those completed this year including dedicated electric vehicle charging hubs.

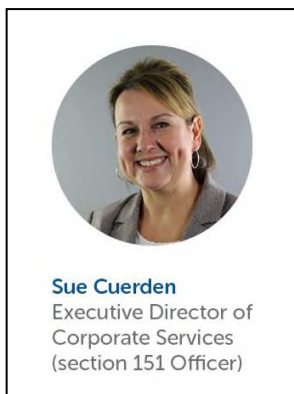
Our investment in a number of outdoor leisure facilities and play parks continued which are being used more than ever now as we explore our local communities and putting on activities such as the virtual Basingstoke Festival.

Savings of £15.1M have been delivered over the last 12 years whilst seeking to protect front line services for our residents. Further savings are identified which will deliver more efficiencies, enhance the council's use of technology and continue to ensure that the council is financially stable.

The council will continue to pursue its ambition plan to ensure that the borough remains a great place to live and work through its Horizon 2050 vision. Despite the financial challenges of the last year, the council has remained financially stable and will continue to invest in the future of the borough and deliver opportunities for our new and existing communities.

NARRATIVE STATEMENT

Message from Sue Cuerden, Executive Director of Corporate Services (Section 151 Officer)



This narrative statement provides an overview of Basingstoke and Deane Borough Council and comments on its performance, both financial and non-financial. It also provides an easily understandable guide to the most significant matters reported in the accounts and assists in their interpretation.

The Statement of Accounts has been produced by Financial Services who work across the council to ensure robust processes for budget setting and financial management that achieve savings targets and ensure that the council is able to maintain a strong and sustainable financial position both now and into the future. This work has been vital during the Covid-19 pandemic to make sure that the council could provide financial support to the local economy through the distribution of grant funding as well as rebasing the council's budgets in the light of the financial burdens arising from the pandemic.

The council's financial arrangements are overseen by the Audit and Accounts Committee and are subject to regular review by Internal Audit who reported a high level of assurance with all the core financial systems during 2020/21. Regular budget monitoring is carried out throughout the year and reported to both Cabinet, Council as appropriate and the Performance Panel, with a final revenue outturn surplus of £1.6M, after allowing for Covid-19 grants of £0.9M, being reported for the year.

Not only did the council have to deal with the financial impact of the pandemic, it continued to deal with the funding pressures of reduced government grants. Core grant income from the government was £3.8M lower in 2020/21 compared to 2015/16 with further reductions of £3.1M anticipated over the future years to 2024/25.

There is also continued pressure on the council's expenditure due to inflationary cost increases, increased demand for services, the impact of partner organisations responses to austerity measures and very low interest rates reducing interest income. All of these being in addition to the overall economic impact of Covid-19 which may not be fully felt until 2021/22 when the financial support through a variety of mechanism ceases.

Despite this, the council has managed its finances without having to reduce service levels or rely on reserves to fund ongoing expenditure. Through good financial management the council has achieved savings since 2009 of £15.1M (28% of the gross underlying expenditure budget), within an extended period of national public expenditure reduction and historically low interest rates. These have been delivered with minimal impact on delivery of services during a prolonged period of austerity and the council has maintained its overall reserves, increasing the climate change reserve to £2M to support the climate change agenda and setting up new a specific reserve of £1M for an Economic Recovery Fund.

Covid-19 Pandemic

In response to the Covid-19 financial impact, the council immediately put in place a moratorium on non-essential spend and a recruitment freeze, only recruiting to provide the continued provision of essential services, to mitigate the losses of income and to reduce overall council expenditure.

In addition, having reviewed the initial impacts of Covid-19, and the forecast impact in the 2020/21 financial year, Council approved at its meeting in October 2020 a rebasing of the 2020/21 revenue budgets.

NARRATIVE STATEMENT

The positive actions taken to mitigate the financial impact of the pandemic, in addition to the funding received from Government and other business as usual activity, resulted in a favourable variance of £4.16M being forecast against the rebased budget at quarter 3 which enabled the addition to the climate change reserve and the creation of the economic recovery fund reserve.

The financial impact of the Covid-19 pandemic may not be fully known yet and will further depend on the period of economic recovery and any longer term impact of the resultant expected recession. It will be necessary to continue to work with the government and partners such as the Local Enterprise Partnership (Enterprise M3) to provide support for local businesses to restart the economy. The council has an approved Economic Recovery Framework and has set up an Economic Recovery Board with representatives from stakeholders across the Borough. An action plan has been developed linked to this framework, to be supported by the Economic Recovery Fund.

It will also be necessary to continue to consider the longer term impact when updating the Medium Term Financial Strategy and the challenges and opportunities from the 'new normal' in the provision of services to achieve not only the priorities of the Council Plan but also the 'internal' functions of the council and ensuring the customer experience is a key element of considering service provision.

The financial position for the council for 2021/22 and future years will be informed by any further funding announcements by government, both in response to the financial impact of Covid-19 and also over the medium term. A further one year settlement was given in 2020 for the 2021/22 financial year and the Fair Funding Review and Business Rates Retention review have not been progressed by the government at the current time so the overall funding position is still to be understood. The extension of the New Homes Bonus for 2021/22 was welcome to support core revenue expenditure in the short term and other one off schemes given that this funding will not continue in the longer term.

The council made claims against the income compensation scheme in 2020/21 which amounted to £2.1M and was not fully taken into account in the rebasing of the budget in October 2020 which gave rise to the a favourable variance in year due to the management actions put in place to manage the additional Covid 19 anticipated financial pressures.

The impact of the Covid-19 outbreak was considered by the CIPFA-LASAAC Code Board in respect of any adjustments required to the Code and it was concluded full application of the 2019/20 Code would apply and that continues for 2020/21. Due to the Covid-19 outbreak, as with last financial year, the Local Authority Accounts and Audit Regulations 2015 have been amended in respect of approval and publication dates for the 2020/21 annual accounts. The dates for publishing the audited Annual Accounts 2020/21 may be extended up to 30 September 2021. The Council has determined again that it wishes to continue to work to the previously planned timetable.

The External Audit Plan was reported to Audit committee on 29 March 2021. This sets out risks that may require to be mitigated in the preparation of the 2020/21 accounts that will be reviewed by External audit reflecting the impact of Covid-19, notably in relation to asset valuations and accounting for Covid grants.

Transformation Programme

The council has continued to implement the Transformation Programme which was approved by Council in February 2020. This has an emphasis on digital and encouraging channel shift and Smarter Ways of Working which aims to ensure the most efficient use of council resources, in particular how, when and where staff undertake activities in providing council services.

NARRATIVE STATEMENT

The Covid-19 pandemic has shown that all council services have continued to be provided in some form with a significant number of council staff being enabled to work from home. Additionally, there has been a need for customers to contact and interact with the council in different ways with a substantial increase in the use of digital contact methods. The lessons learnt during this period will continue to inform the new normal in providing services in the future and the further roll out of the transformation programme.

Other Issues

The council reviews annually any interest in companies. The council currently has one joint venture with Hampshire County Council named the Manydown Garden Communities (MGC) LLP (established in 2018/19) to deliver the Manydown development scheme. The joint venture is 50% share each between Basingstoke and Deane Borough Council and Hampshire County Council. As part of this development, MGC LLP became a partner in the Manydown Development Vehicle LLP (MDV LLP), a partnership with Manydown Investco LLP (a joint venture between The Wellcome Trust and Urban and Civic). The council has had no other related party transactions during the year.

In light of local authorities facing increasing financial pressures as demand for services increase alongside increased cost for services and cuts in funding, the Chartered Institute of Public Finance and Accountancy (CIPFA) introduced an authoritative measure of local authority financial resilience through the creation of a new index to aid a clearer understanding of areas of financial risk. Following consultation and early drafts of the index for review, the index was published in December 2019 and updated in December 2020.

In conjunction CIPFA also published the new Financial Management Code, alongside the updated Prudential and Treasury Management Codes. The code had been expected to come into effect from 2021/22 but this is now likely to be delayed to 2022/23 when local authorities must be able to demonstrate compliance with the code and action is being taken to ensure that this is delivered. This required action is noted in the Annual Governance Statement.

For the 2020/21 Annual Accounts, the requirements of the new IFRS 16 for Lease Accounting have been deferred again for a further final year. This standard would have replaced IAS 17 and removes the operating classification for leases, eliminating the ability for organisations to keep operating leases off balance sheet, by reporting them as a note to the accounts. With the new standard all leases would be considered finance leases unless they meet the specific exception criteria.

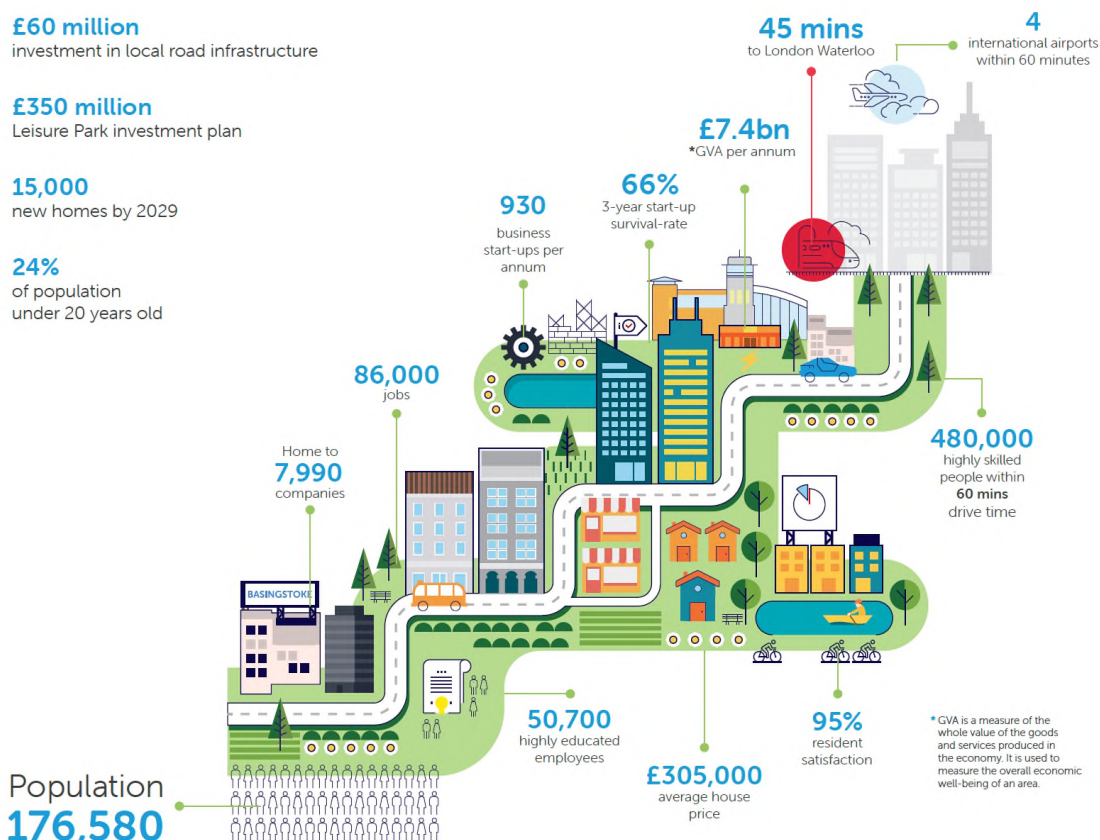
The following narrative statement is structured to help enable readers to understand the council, its operating environment, and to assist in understanding the Statement of Accounts. The sections contained within the Narrative Statement are:

1. Key facts about the Borough of Basingstoke and Deane
2. Key facts about Basingstoke and Deane Borough Council
3. Council objectives and performance
4. Summary of risks and uncertainty
5. Financial strategy and performance
6. An explanation of the financial statements
7. A review of the financial statements
8. Significant movements and events.

It should be noted that all local authorities are also required to publish an Annual Governance Statement including highlighting any significant changes. This is included on page 71.

NARRATIVE STATEMENT

1. KEY FACTS ABOUT THE BOROUGH OF BASINGSTOKE AND DEANE



2. KEY FACTS ABOUT BASINGSTOKE AND DEANE BOROUGH COUNCIL

Basingstoke and Deane Borough Council is responsible for the majority of day to day services and activities that residents come into contact with. This includes household waste and recycling, street cleaning, local planning and development control, administering council tax and housing benefits, enabling social housing and generally promoting good quality housing provision, environmental health and safety, licensing, car parking and enforcement, promoting economic development and tourism in the area and providing parks and leisure facilities.

During 2020/21, there were 42 town and parish councils and 60 elected members of the Council representing 29 wards. A boundary review took place and in May 21, there are now 54 members representing 18 wards.

Political Structure:

Conservative Group 33; Labour Group 10; The Independent Forum 6; Liberal Democrats Group 5

The elected Leader of the Council is Cllr Ken Rhatigan.

Council and Cabinet

The Council is made up of all councillors from across the borough who meet to decide the council's overall policies and set the budget. The Cabinet (also known as the Executive) is the council's main day-to-day decision making body. Each Cabinet member is responsible for a particular area of council services - known as their portfolio.

Scrutiny, Overview and Policy Committees

The Scrutiny committee is responsible for reviewing and scrutinising decisions made, or actions taken, in connection with any of the council's functions.

The Manydown Overview Committee is responsible for examining all strategic landowner matters related to the Manydown development, and holding relevant decision makers to account.

The Community, Environment and Partnerships Committee is responsible for holding decision makers to account for improving outcomes and services relating to the environment, the community and the council's partners. This committee is also the Council's Crime and Disorder Committee, in accordance with the Police and Justice Act 2006, with responsibility for scrutinising crime and disorder and community safety matters.

The Economic, Planning and Housing Committee is responsible for holding decision makers to account for improving outcomes and services relating to the local economy, planning and housing in the borough.

Audit and Accounts Committee

This committee is responsible for providing independent assurance to the council regarding the adequacy of the risk management framework and the internal control environment. It independently reviews governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. More generally, it oversees internal and external audit, helping to ensure efficient and effective assurance arrangements are in place. The Annual Governance Statement can be found on page 71 of the document.

The council also has a Human Resources Committee and there are three regulatory committees – Development Control, Licensing, and Standards.

Management Team and Officer Support

The Chief Executive, Russell O'Keefe, leads the Senior Leadership Team which includes three Executive Directors, the Head of Law and Governance and the Head of Human Resources and Organisational Development. The Senior Leadership Team, along with the Heads of Service carry out the council's day-to-day management and oversee the delivery of council services. As at March 2021 the council employed 497.4 staff (full time equivalent) to give advice, implement its decisions and to deliver services to the local community. The staff are mostly based at the council's main Civic Offices and at Wade Road Depot, although during 2020/21 where possible staff worked from home

In Partnership

The Council Plan has a focus on working with partners to secure best outcomes for the benefit of local communities and investigating opportunities for joint work with other agencies and local authorities. Basingstoke Area Strategic Partnership (BASP) is a voluntary partnership which brings together different sectors to focus on local issues in a strategic and coordinated way across north Hampshire. Strategic planning on sub-regional issues takes place with Hampshire County Council, the Enterprise M3 Local Enterprise Partnership, Homes England and Transport for the South East. A strong voluntary and community sector supports the public sector to deliver services to communities and individuals. The council works closely with the sector including with community and neighbourhood groups through our community development and place-shaping role and aims to strengthen communities. Other examples include working in partnership with housing associations to enable good quality housing provision, the Police Service through the Safer North Hampshire Partnership and a number of joint working arrangements with Hart District Council which include household waste collection, street cleansing, legal, licensing and customer services.

NARRATIVE STATEMENT

3. COUNCIL OBJECTIVES AND PERFORMANCE

The council is committed to reviewing its performance and strives to achieve high standards to make sure the needs of the local community are being met in the most effective way. In order to achieve quality services whilst offering value for money, the council closely monitors progress throughout the year to ensure the organisation delivers what it has said it will. Senior Officers and Cabinet members regularly monitor key performance indicators and progress on major projects. The council has a Performance Panel, appointed by Scrutiny Committee, which reviews performance and financial monitoring information that supports delivery of the Council Plan and budget strategy.








The Council Plan is a high level document which outlines the council's ambition for the borough, identifying key themes and priorities. The projects to achieve these are set out in detailed Service Plans. Both the Council Plan and the Service Plans are reviewed annually and the Council adopted the Council Plan 2020 to 2024 in February 2020. Council approved individual Priority Plans in February 2021. These will inform updated performance management from 2021/22. The latest Council Plan and Priority Plans are available at www.basingstoke.gov.uk and sits alongside the Medium Term Financial Strategy. These documents set out the council's vision for future years, including how it will establish the basis for successful future growth and deliver the key priorities which are intended to maintain Basingstoke and Deane as an exceptional borough providing opportunities for all that live and work here.

The council's focus over the period of the plan is to lay strong foundations that will shape the way the borough grows over the next 25-30 years and deliver opportunities for all communities. The council aims to ensure residents and future generations continue to enjoy an excellent quality of life and environment, which well planned growth can secure.

The key priorities of the 2020/21 Council Plan and summary of performance in these areas is shown below:

STRENGTHENING COMMUNITIES						
Delivering high quality services	2019/20	2020/21 Target	2020/21	Target achieved/ on track	Direction of Travel	Comments
Basingstoke & Deane ranked within top quartile of local authorities for lowest council tax (Band D)	Achieved	Achieved	Achieved	Yes	N/A	Maintaining top quartile status
Supporting local communities	2019/20	2020/21 Target	2020/21	Target achieved/ on track	Direction of Travel	Comments
Increase (%) in visits to council-owned community facilities	-2.05%	1.5%	-86.40%	No	↓	Target was not achieved due to Covid lockdowns and restrictions
Outstanding leisure, sport and culture	2019/20	2020/21 Target	2020/21	Target achieved/ on track	Direction of Travel	Comments
Customer satisfaction with the major council owned sports facilities (Aquadrome, Tadley pool, golf centre, Tennis Centre and Winklebury) - % very and fairly satisfied	89%	90%	N/A	No	N/A	Surveys were not undertaken due to Covid lockdowns and restrictions
Increase (%) in the number of visits to the major council owned sports facilities	2.56%	1%	-85.3%	No	↓	Visitor numbers were down due to Covid lockdowns and restrictions
Maintain number of people attending cultural organisation experiences and events	107.95%	>=100%	18.5%	No	↓	Due to the Covid pandemic, almost all activities have been suspended. However some activities have been taking place online.
Improving health and mental wellbeing	2019/20	2020/21 Target	2020/21	Target achieved/ on track	Direction of Travel	Comments
Basingstoke & Deane Health and Wellbeing Plan	N/A	Achieved	In progress	No	↓	Continuum have been commissioned to support this work. However there have been some delays due to Covid and the availability of furloughed staff in other organisations. A wider Health and Wellbeing Strategy and Action plan is expected to be adopted later in 2021/22.

NARRATIVE STATEMENT

STRENGTHENING COMMUNITIES						
Being accessible and inclusive	2019/20	2020/21 Target	2020/21	Target achieved/ on track	Direction of Travel	Comments
Maintain number of people attending focussed outreach programmes eg Target at priority needs such as dementia, autism, older people, young offenders, low incomes, special needs, etc	81.49%	N/A	5.7%	No		Due to the Covid pandemic, there has been limited potential to deliver activities. However Proteus have continued to offer online youth theatre classes.
Increase (%) in attendance at informal/extra curricular activities targeted at young people	61.15%	>=100%	17.4%	No		
PLANNING FOR THE FUTURE						
Shaping high quality sustainable communities	2019/20	2020/21 Target	2020/21	Target achieved/ on track	Direction of Travel	Comments
Major planning applications determined (%) within the statutory timelines (excluding any planning performance agreements)	79.4%	72%	76%	Yes		This performance meets the KPI and is a significant achievement in the conditions of the year.
Minor planning applications determined (%) within the statutory timelines (excluding any planning performance agreements)	76.69%	75%	67.35%	No		There have been delays in dealing with a nitrates issue and a continued vacancy within the team.
Other planning applications determined (%) within the statutory timelines (excluding any planning performance agreements)	89.46%	90%	80.17%	No		This year's performance is below target and normal years performance. There have been restrictions on being able to undertake site visits. There have also been periods of delayed registrations of applications.
Number of planning appeals allowed/lost (as a % of overall planning appeals)	25%	<=33%	31.70%	Yes		Appeal performance has been met and is a significant achievement given that decisions included those relating to the council not being able to demonstrate a 5-year housing land supply and with some decisions on Permissions in Principle which remain a relatively new type of application.
Well designed, well built, good quality homes	2019/20	2020/21 Target	2020/21	Target achieved/ on track	Direction of Travel	Comments
Total number of new homes delivered in the year (net)	1574	850	1241	Yes		A total of 1,241 net homes were delivered in the borough over the last financial year. This is the third consecutive year that a high level of completions has been achieved and exceeded the Local Plan target of 850 homes per year.
Total number of new affordable homes (build completed)	502	300	383	Yes		The longer term impact of the Covid Pandemic on housing completions remains uncertain. However, 383 affordable dwellings have been delivered against a target of 300.
Number of new housing schemes (overall project) delivered through council land or initiatives (excluding Manydown)	3	5	3	No		The pandemic has had an impact on the construction industry which has meant some delay in the development cycle and has subsequently impacted on the number of units delivered. Nonetheless, we are hopeful that additional units will be delivered on further sites in the next 12 months as constraints on construction processes ease.
Number of total new housing units (individual homes) delivered through council land or initiatives (excluding Manydown)	27	40	28	No		
Number of new affordable housing units delivered through council land or initiatives (excluding Manydown)	27	40	28	No		
Supporting jobs and business growth	2019/20	2020/21 Target	2020/21	Target achieved/ on track	Direction of Travel	Comments
% of BDBC workforce starting apprenticeships (including employee up-skilling) in the past 12 months	0.58%	2.3%	1.3%	No		The target of 2.30% is set by Central Government and since its introduction the framework and standards relating to apprenticeships has changed. The period of an apprenticeship historically would have been for 12 months however it will now be a minimum of 2 years to complete.
Total investment (£) attracted to Basingstoke Town Centre - collection rate of the BID levy	98%	98%	100%	Yes		BID has now concluded as an organisation and the Board is currently being dissolved. The balance on 31st March 2021 is zero.

NARRATIVE STATEMENT

PROTECTING AND ENHANCING OUR ENVIRONMENT						
Responding to the climate emergency	2019/20	2020/21 Target	2020/21	Target achieved/ on track	Direction of Travel	Comments
Increase (%) in recycled household waste	26.01%	27%	29.18%	Yes	↑	Due to the Covid pandemic, there were higher levels of household waste due to residents spending increased amounts of time at home. Some bring sites were temporarily closed or offering reduced services and garden waste and household waste services were also disrupted.
Kg of waste per household (monthly average per quarter)	48.31	<=49.43	51.37	No	↑	
Becoming a zero carbon council by 2025	2019/20	2020/21 Target	2020/21	Target achieved/ on track	Direction of Travel	Comments
Estimated carbon emissions reductions (%) in council's buildings and operations, through completed energy efficiency schemes	0.16%	year-on-year reduction	-14.42%	Yes	↓	The reduction has been largely driven by lower building occupancy with staff working from home but also from lower emissions from the waste contract and operational fleet.
Reduction (%) in council energy expenditure - council offices	-31.91%	year-on-year reduction	-21.6%	Yes	↓	Significant reduction in Deanes in particular, given lack of occupancy as a result of the Covid Pandemic
Reduction (%) in energy expenditure - other council owned property	12.13%	year-on-year reduction	-17.9%	Yes	↓	Lower than usual building use as a result of the Covid Pandemic
Improving biodiversity	2019/20	2020/21 Target	2020/21	Target achieved/ on track	Direction of Travel	Comments
Increase in the amount (ha) of council open spaces managed for biodiversity interest	45.15	46.5	50.32	Yes	↑	Increase has been due to additional highway verges being managed for biodiversity interest.
Maintain or reduce level of negative (dropped) litter, by quarter, as % of overall litter collected by mobile cleaning operatives (street litter)	21.35%	20%	18.21%	Yes	↓	The overall volume of litter has increased by 1.2% on last year's figure. However, the volume of negative (dropped) litter has decreased by 21.5%, largely due to restrictions due to the Covid Pandemic.
IMPROVING SAFETY						
Reducing antisocial behaviour	2019/20	2020/21 Target	2020/21	Target achieved/ on track	Direction of Travel	Comments
Reduction (%) in antisocial behaviour	-20.04%	year-on-year reduction	-10%	Yes	↓	In addition to the work undertaken by the Community Support Team to reduce the impact of anti-social behaviour in the community, they have also supported the Community Hub, patrolled areas engaging with residents and visitors in relation to Covid-19 restrictions and social distancing measures, supported the opening of the fire station vaccination centre and the surge testing following a local outbreak of a Covid-19 variant in Bramley.
% of respondents stating quality of life improved/feel safer as results of community safety activity in their areas	85%	75%	87.2%	Yes	↑	The target has been exceeded as a result of the proactive approach to supporting residents to feel safer, reduce antisocial behaviour and help to improve cleanliness of their areas.
Supporting our most vulnerable residents	2019/20	2020/21 Target	2020/21	Target achieved/ on track	Direction of Travel	Comments
Number of homeless households with dependant children placed into B&B during the quarter	25	N/A	9	Yes	↓	The council has achieved its objective of minimising B&B for households with children. The impact of the Covid Pandemic has led to a significant package of measures which the housing team have been able to utilise.
Households with children in B&B (including pregnant family member) > 6 weeks	0	0	0	Yes	↔	The council has retained its performance and has complied with its statutory duties in respect of prolonged usage of B&B for families with dependant children.
Use of B&B for all vulnerable homeless for 16/17 year olds	0	0	0	Yes	↔	The council has retained its performance in eradicating B&B usage for 16/17 year-olds and complying with its statutory duties.
New placements into private rented sector (using rent bonds and/or other assistance) per annum	92	88	89	Yes	↑	The council has exceeded its target of placements into the private rented sector.

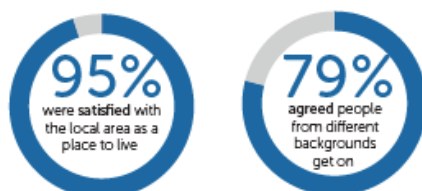
NARRATIVE STATEMENT

FIT FOR THE FUTURE						
Being a modern and financially sustainable council	2019/20	2020/21 Target	2020/21	Target achieved/ on track	Direction of Travel	Comments
Forecast of revenue expenditure within 1% of budget	-0.73%	+/- 1%	6.91%	No	↑	Expenditure has been impacted by Covid-19, resulting in a large number of government grants having been received which have subsequently been spent, increasing expenditure.
Forecast of revenue income within 1% of budget	-0.69%	+/- 1%	8.40%	No	↑	Covid-19 has had a significant impact on the level of income received, however a significant number of government grants have been received to support both the council and the community which has significantly increased
Forecast capital expenditure within 15% of budget	-4.68%	+/- 15%	-12.19%	No	↑	A number of projects fell a little behind in terms of delivery timeframes. This relates predominately to the 5G Living Lab, Digital Programme and ICT replacement programme.
Treasury management portfolio return (average, %)	1.76%	1.57%	1.65%	Yes	↑	Average return decreased during the year as higher yielding long term investments matured and higher levels of cash were retained due to COVID uncertainty at minimal yields.
Treasury management portfolio return (actual, £)	£2.8m	£1.8m	£2.15m	Yes	↑	The largest part of the shortfall in interest was due to short-term and liquidity investments which were severely affected by COVID-related reductions in interest rates.
Debt collection rates (%) by end of next quarter - Sundry	98.39%	98%	96.72%	No	↓	The Covid pandemic has contributed to the lower than target performance.
Debt collection rates (%) by end of next quarter - Property	97.91%	98%	93.09%	No	↓	Rent holidays have had an impact on collection rates for Property. The Head of Property Services is in dialogue with accounts where there is money owing.
Collection rates (% of annual amount due) - Council Tax	98.35%	98.6%	97.95%	No	↓	The collection rate is just below target. Instalments were recalculated part-way through the year. Recovery has on begun in the latter part of the financial year.
Collection rates (% of annual amount due) - Business tax (NDR)	98.39%	99.2%	99.63%	Yes	↑	Collection rate is just above target. A large proportion of business rates list has a relief due to the pandemic.
Delivering excellence in governance, democratic and electoral services	2019/20	2020/21 Target	2020/21	Target achieved/ on track	Direction of Travel	Comments
Achievement of a clean annual audit opinion	unqualified opinion	unqualified opinion	unqualified opinion	Yes	↔	
Customer centric provision of services	2019/20	2020/21 Target	2020/21	Target achieved/ on track	Direction of Travel	Comments
% of customer complaints responded to within 10 working days	96.04%	100%	93.10%	No	↓	The pandemic had a bearing on Complaint compliance in the first half of the year due to changes in the working environment; for Q3/Q4 no overriding significant factor in the delays has been stated. The Corporate Support process for establishing reason for non compliance with turnaround has been strengthened on reviewing these results.
Supporting a high performing, motivated and resilient workforce	2019/20	2020/21 Target	2020/21	Target achieved/ on track	Direction of Travel	Comments
% of staff turnover (all reasons)	5.73%	13.8%	7.93%	Yes	↓	Turnover has decreased significantly on the previous year due to uncertainty in the labour market. This is likely to continue in the short term during the easing of lockdown. Working from home may have impacted on work/life balance and created a retention factor.
% of staff turnover due to voluntary resignation	3.58%	9.2%	4.06%	Yes	↓	
Total work time lost (%) due to sickness absence (current Qtr= YTD)	3.53%	2.5%	2.41%	Yes	↓	Work time lost at the end of 2020/21 is just below target.
Total average workdays lost due to sickness absence	8.5	6.5	5.74	Yes	↓	This figure is the lowest figure reported for several years and is approximately 30% lower than last year's figure. 64% of all staff had no absence in the previous 12 months. A notable decrease has been seen due to cold, cough and flu which would ordinarily circulate in an office environment, therefore working from home has had a large impact.

Residents Survey 2019

As part of the council's engagement with the community, specialist independent researchers are regularly commissioned to carry out our resident's survey to understand views on quality of life factors and service satisfaction.

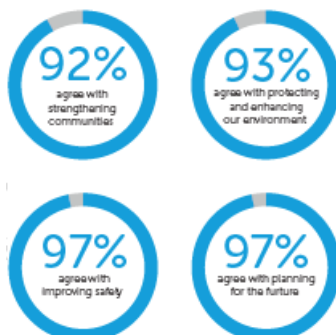
The 2019 residents' survey was carried out in November and December with 15 minute, face to face, doorstep surveys with a representative sample of 1,105 residents. The results show that residents are positive about living in Basingstoke and Deane:



There were high levels of satisfaction with the council:



The vast majority of residents agreed with the four priorities in the Council Plan:



The five factors that make somewhere a good place to live, according to residents, are the level of crime and antisocial behaviour, clean and litter free streets, health services, affordable housing and shopping facilities. The factors that most need improving are affordable housing, road and pavement repairs, public transport, health services and activities for teenagers.

Residents feel that the most important services provided by Basingstoke and Deane Borough Council are collecting recycling and rubbish bins, dealing with antisocial behaviour and having clean and litter free streets.

In contrast, the least important services are allotments, public toilets and the provision of free events for the community.

This information was considered as part of updating the Council Plan for 2020 – 2024 and in budget setting for 2021/22 and future years.

NARRATIVE STATEMENT

4. SUMMARY OF RISKS AND UNCERTAINTY

Risk management is an essential part of the council's overall governance arrangements in that it provides the framework and process to enable the organisation to manage risk in a systematic, consistent and efficient way. The council has in place a corporate risk register which captures, in one place, those significant risks that need to be managed in order to enable and support delivery of the council plan priorities. The corporate risk register is subject to regular review by the Senior Leadership Team and is intended to ensure that key risks are not only identified and understood but that appropriate actions and controls are in place in order that risks are managed to an acceptable level. Each risk is assessed in terms of likelihood of occurrence and potential impact.

The identified strategic risks are subject to change as new risks may emerge whilst others may become less significant as mitigating actions are implemented or external factors change the nature of the risk.

There are a number of key strategic risks that the council faces. The impact of Covid-19, the current economic and legislative environment and continued funding reductions to local government continue to make budget setting and forecasting challenging. There is also increased uncertainty around partner funding as organisations also respond to the need to make savings.

The table below shows the corporate risks, likelihood and impact.

Risk Register	Strategic Risk - Description	Overall Risk Assessment	Likelihood	Impact
RR1	Staffing, Skills and Capacity - due to the changing nature of the expertise required within the public sector, there is a risk that the council will not be able to recruit and retain a skilled and talented work force commensurate with their corporate ambitions	Medium	Possible	Marginal
RR2	Major Strategic Partnerships/Projects - There is a risk that strong and effective strategic partnerships won't be effectively established and managed to deliver the council's priorities and major strategic projects.	Medium	Possible	Critical
RR3	Information Management - There is a risk that personal and commercially sensitive information required to be held by the council is inappropriately processed	High	Significant	Critical
RR4	Communities, Relationships and Partnerships - There is a risk that number of high profile projects planned/ in place working to support growth, economic development and regeneration of areas within the borough may not be delivered as planned	Medium	Possible	Critical
RR5	Finance and Budgets - There is a risk over the MTFs (Medium Term Financial Strategy) that budgets are not balanced and savings are not delivered	Medium	Possible	Critical
RR6	Treasury Management - There is a risk that the significant funds invested by the council could fail to provide the anticipated returns	Medium	Possible	Marginal
RR7	Cyber Risk - The computer systems are subject to daily cyber-attacks	High	Possible	Catastrophic
RR8	Business Continuity - Whilst business continuity arrangements have been developed to support the council respond to an incident, a major incident may directly or indirectly affect the council's ability to deliver services	Medium	Possible	Critical
RR9	Fraud - The council is vulnerable to fraudulent activities, particularly due to the finances it manages and its role in awarding contracts and partnerships	Medium	Possible	Marginal
RR10	Climate Emergency - There is a risk that the council will not deliver on its plan to be carbon neutral in terms of the council's own emissions by December 2025 and more widely as a borough to achieve net zero carbon by December 2030. There is also a reputational risk if the council does not lead by example and seek to reduce the carbon footprint for its staff, members, assets and operational activities	Medium	Possible	Critical
	Covid-19 - There is a risk that the council's finances and resources will be significantly impacted by the pandemic and the period of economic recovery and resultant expected recession which results in not achieving the council's priorities.	High	Significant	Critical

5. FINANCIAL STRATEGY AND PERFORMANCE

The council has a Medium Term Financial Strategy (MTFS) which sets out the broad issues and risks that will impact on the council's financial position for 2021/22 and for the next four years. The latest strategy was approved in February 2021 and is published on the council's website.

The MTFS sets out a multi-strand approach to address the financial challenges to balance the revenue budget. This includes: growth and development opportunities; commercialisation; service review efficiency and transformation savings; improved asset management; review of central activities such as Treasury Management and policies on Council Tax and use of reserves; and understanding the council's capital spending needs.

The Covid-19 pandemic will continue to have a serious impact on the council's finances. The severity of this in terms of reduced income and increased costs will depend on the depth and length of the recession that follows from the pandemic and further lockdowns. However, as reported in the council's revenue and capital outturn reports for 2020/21 the positive actions taken to mitigate the financial impact of the pandemic, in addition to the funding received from Government and other business as usual activity, resulted in a favourable variance of £4.16M being forecast against the rebased revenue budget at quarter 3 which enabled the addition of £1.0M to the climate change reserve and £1.0M to the creation of the economic recovery fund reserve. The final 2020/21 outturn position after business rates statutory accounting adjustments to reserves and £0.9M of Covid-19 grants is a £1.6M surplus.

A significant amount of work has already been undertaken to assess the financial impact in 2021/22 and for the four year MTFS which includes a review of the adequacy of reserves. The council has usable reserves of £101.0M as at 31 March 2021. The financial position for the council for 2021/22 and future years will be informed by any further funding announcements by government, both in response to the financial impact of Covid-19 and future funding of local government also over the medium term.

Looking beyond will require longer term financial planning and the council will need to seek new ways of generating new revenue income streams through investment and new approaches and innovative ways to deliver services.

The budget for 2020/21 was set by Council on 27 February 2020. The council incurs both revenue and capital expenditure. The revenue account (known as the General Fund) bears the net cost of providing day to day services. The capital account shows the net cost of transactions made to buy or sell land, property or other assets, build new property, make improvements and provide grants or loans to other bodies to undertake this type of activity.

Revenue Budget Outturn 2020/21

The table below shows the council's revenue outturn position and variances from the latest approved budget.

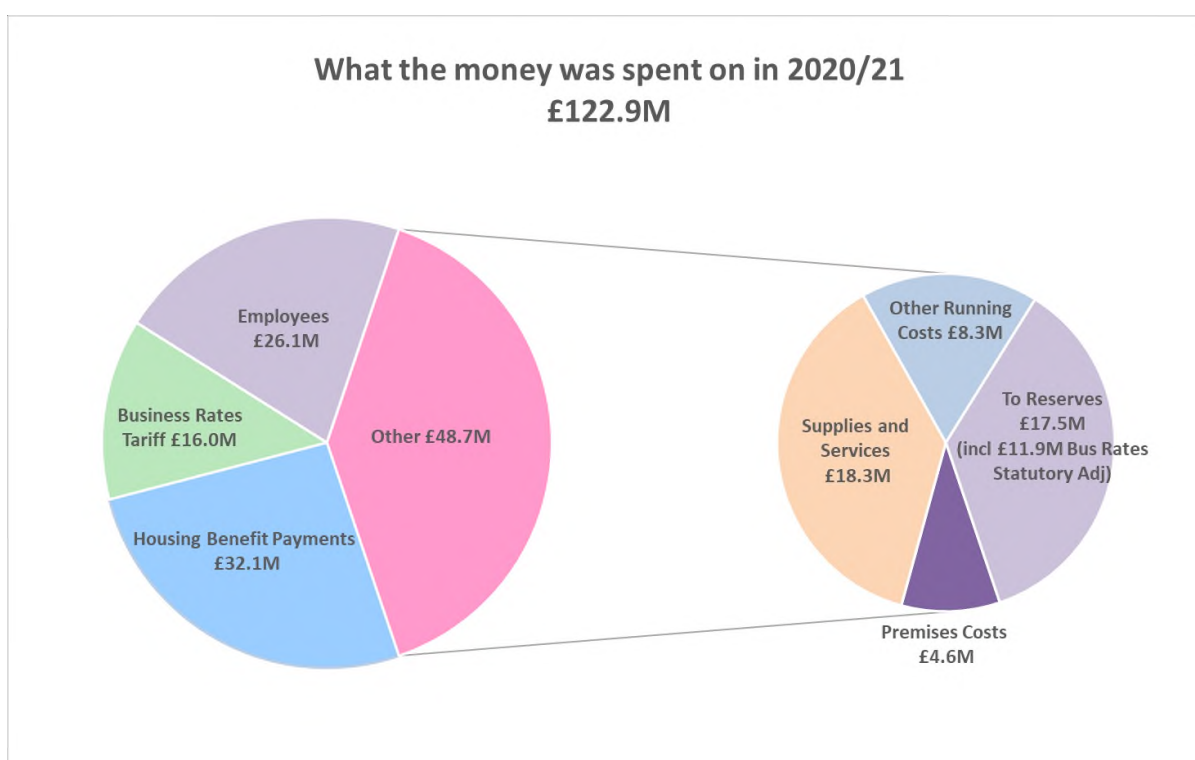
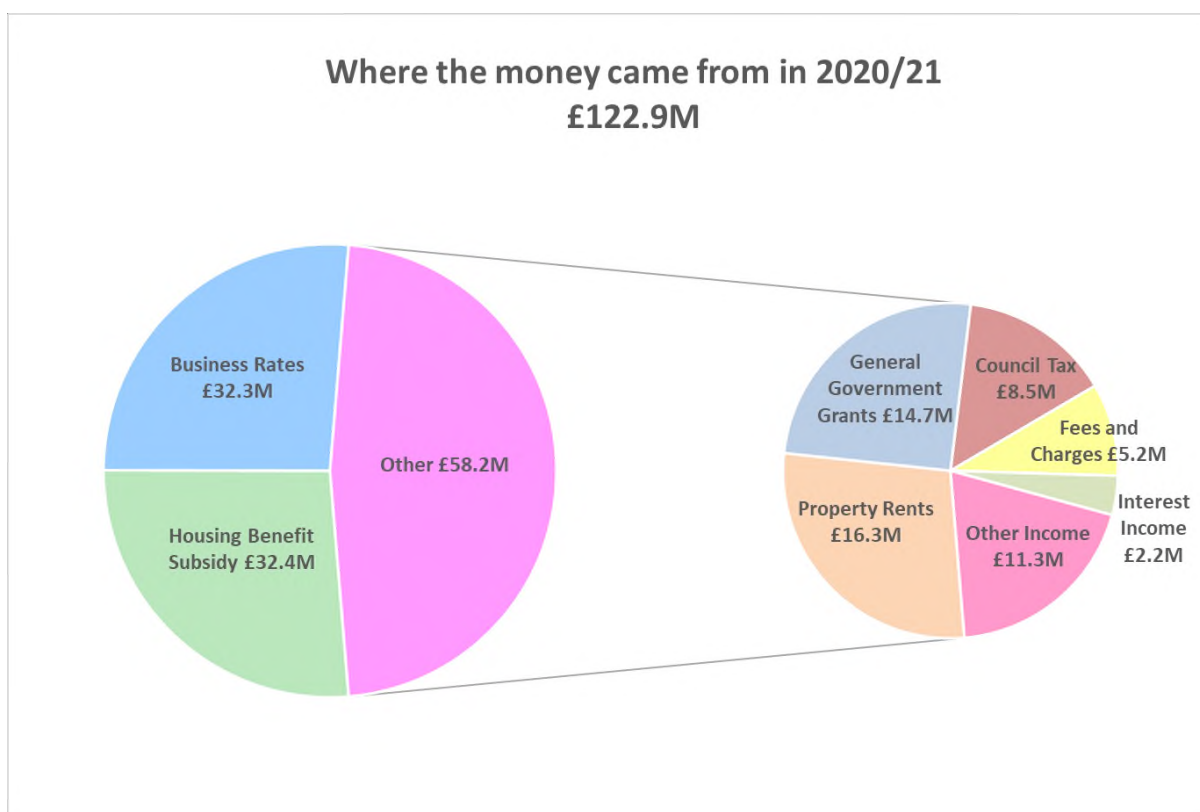
NARRATIVE STATEMENT

	Original Budget 2020/21 £M	Re-based Budget (approved by Council) £M	Budget Movements since Rebasing £M	Latest Approved Budget 2020/21 £M	Actual Outturn 2020/21 £M	Outturn Variation 2020/21 £M
Portfolio Services:						
Leader	0.2	0.8	4.5	5.3	4.7	(0.6)
Homes and Families	(0.1)	(0.4)	0.0	(0.4)	(0.5)	(0.1)
Planning , Infrastructure and Natural Environment	0.3	1.7	0.1	1.8	0.2	(1.6)
Communities, Culture and Partnerships	2.4	2.2	0.0	2.2	2.0	(0.2)
Finance and Service Improvement	1.6	3.5	(1.1)	2.4	1.8	(0.6)
Borough Development and Improvement	0.4	0.5	0.1	0.6	1.4	0.8
Environment and Enforcement	1.2	3.5	0.0	3.5	3.8	0.3
Regeneration and Property	0.1	(0.1)	0.5	0.4	0.5	0.1
Holding and Agency Accounts	(0.3)	(0.2)	0.0	(0.2)	(0.4)	(0.2)
Business Units	26.7	26.0	(0.6)	25.4	25.5	0.1
Net Cost of Portfolio Services	32.5	37.5	3.5	41.0	39.0	(2.0)
Corporate Income:						
Investment Property Accounts	(16.5)	(16.2)	(0.3)	(16.5)	(16.8)	(0.3)
Interest and Investment Income	(3.6)	(1.9)	0.0	(1.9)	(2.2)	(0.3)
Council Tax Income	(8.5)	(8.5)	0.0	(8.5)	(8.5)	0.0
Retained Business Rates	(3.6)	(3.6)	0.0	(3.6)	(16.3)	(12.7)
Retained Business Rates - Statutory Adjustment (Business Rates Risk Reserve)	0.00	0.00	0.00	0.00	11.9	11.9
Government Grants	(3.7)	(10.1)	(3.6)	(13.7)	(14.7)	(1.0)
Corporate Income	(35.9)	(40.3)	(3.9)	(44.2)	(46.6)	(2.4)
Approved Movement In Reserves	3.4	2.8	0.4	3.2	5.1	1.9
Net Expenditure (Surplus)/Deficit	(0.0)	0.0	0.0	0.0	(2.5)	(2.5)
Year End Reserve Movements:						
To Covid Grants Carry Forward Reserve	0.0	0.0	0.0	0.0	0.9	0.9
To Budget Carry Forward Reserve	0.0	0.0	0.0	0.0	0.5	0.5
To MTFS Risk Reserve	0.0	0.0	0.0	0.0	1.1	1.1
Overall (Surplus)/Deficit	(0.0)	0.0	0.0	0.0	0.0	0.0

In accordance with financial policies and required statutory adjustments the surplus in business rates income of £11.9M has been transferred to the Business Rates Risk Reserve. The net revenue expenditure outturn variance for 2020/21 was a surplus of £2.5M. An amount of £0.9M of unspent Covid-19 grants and a further £0.5M has been transferred to Carry Forward Reserves to be spent in 2021/22 and future years and the remaining surplus of £1.1M has been allocated to the MTFS Risk Reserve.

The charts below show an analysis of the different types of expenditure and income and the proportions that these represent of the total. Housing benefits and business rates are significant sums. However, they are matched by payments to or from the government with a largely neutral impact for housing benefits and a £4.4M net income for business rates of in 2020/21 after the statutory timing adjustments required to accounts for business rates income in specific accounting periods. The actual business rates income billed (receivable) was much lower from that originally estimated (mainly due to the additional Covid-19 reliefs) and this resulted in a deficit for the year. Under the regulations this deficit is required to be carried forward to be accounted for in future years and so by removing, it has resulted in the higher level of business rates income to be accounted for in 2020/21. The reported additional income is being offset by a corresponding transfer to the business rates risk reserve to be used as required in future years to help offset the deficit amount carried forward and any other changes caused by the general volatility of business rates income. Local authorities are being fully compensated by the government for the Covid-19 rates reliefs awarded to businesses.

NARRATIVE STATEMENT



Capital Programme Outturn 2020/21

The capital outturn position, as at 31st March 2021, was £32.4M which was £4.6M lower than the latest budget of £37.0M. This was made up of £23.5M capital expenditure and a £8.9M capital loan from internal borrowing in respect of a Basing View regeneration scheme (now repaid). Capital expenditure during the year was financed from capital receipts (£15.8M), capital grants and contributions (£1.5M), revenue reserves (£4.0M), internal borrowing (£8.9M – now repaid) and external borrowing (£2.2M).

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Portfolio	Latest Budget 2020/21 £M	Outturn 2020/21 £M	Outturn Variance 2020/21 £M
Borough Development and Improvement	3.6	0.5	(3.1)
Communities, Culture and Partnerships	1.3	1.3	0.0
Environment and Enforcement	0.6	0.4	(0.2)
Finance and Service Improvement	3.2	2.1	(1.1)
Homes and Families	1.3	1.3	0.0
Planning, Infrastructure and Natural Environment	1.1	1.0	(0.1)
Regeneration and Property	25.9	25.8	(0.1)
Total Capital Programme	37.0	32.4	(4.6)
Less Regeneration and Property - internal loan advanced and repaid in year	(8.9)	(8.9)	0.0
Total Capital Programme per Statement of Accounts	28.1	23.5	(4.6)

The council has a substantial capital programme of £57.3M for the next four years from 2021/22 to 2024/25 to support the Council Plan. This includes the delivery of a wide range of improvement works to community and sports facilities; providing grants to enable disabled persons to live independently in their own homes; asset management works to council owned property and investment in major projects such as Manydown.

6. THE STATEMENT OF ACCOUNTS

Purpose and Format

The purpose of the published Statement of Accounts is to give local taxpayers, councillors and other interested parties clear information about the council's finances. The statements inform readers about the cost of services provided by the council, how these services were paid for, significant changes during the year and the financial position at the year end.

The format of the presentation of the statement is laid down by the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (The Code) which the council is legally required to follow.

The council's financial statements consist of the following:

- **Comprehensive Income and Expenditure Statement (CIES)** – This includes all of the council's income and expenditure and gains and losses on assets (including revaluations) and movements in liabilities during the year. It also shows the total movement in the net assets of the council during the year.
- **Balance Sheet** – This incorporates all of the council's assets, liabilities and reserves at the end of the financial year.
- **Movement in Reserves Statement (MiRS)** – This statement shows the movement in the year on the different reserves held by the council, analysed by usable and unusable. It also reconciles the surplus or deficit on the Comprehensive Income and Expenditure Statement to the movement on the General Fund (the statutory account used to set the council tax).
- **Cash Flow Statement** – This incorporates all of the council's activities during the year and shows all cash movements between the council and other parties.
- **Expenditure and Funding Analysis (EFA)** – The analysis reconciles the amounts reported internally in line with the council's General Fund and the amounts reported in the Comprehensive Income and Expenditure Statement.

- **Notes to the Financial Statements** – These provide, where material, additional information and analysis and include the accounting policies which explain the methods, assumptions and judgements made in preparing the figures for the accounts.

In addition the council is required to publish a number of other statements, along with the financial statements, which include:

- **Collection Fund** - A separate account used for the collection and distribution of council tax and business rate income collected on behalf of the Borough, County, Police and Fire Authorities, Parishes and Central Government.
- **Statement of Responsibilities** – This sets out the council's and the Chief Finance Officer's (Executive Director of Corporate Services (Section 151 Officer)) responsibilities for the Statement of Accounts.
- **Independent Auditors' Report** – The external auditors' report on the financial statements.
- **Annual Governance Statement** - This statement summarises the systems and processes by which the council is directed and controlled and through which it accounts to, engages with and leads the community. The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable level. The statement details material weaknesses identified in the system of internal control and any corrective action being taken.

A glossary of key terms is provided at the end of the Statement of Accounts to assist the reader.

Accounting Code Changes

There were no new accounting standards adopted in the revised accounting code for 2020/21 that are relevant or have a significant impact on the council's accounts.

7. REVIEW OF FINANCIAL STATEMENTS

Overall Financial Position of the Council

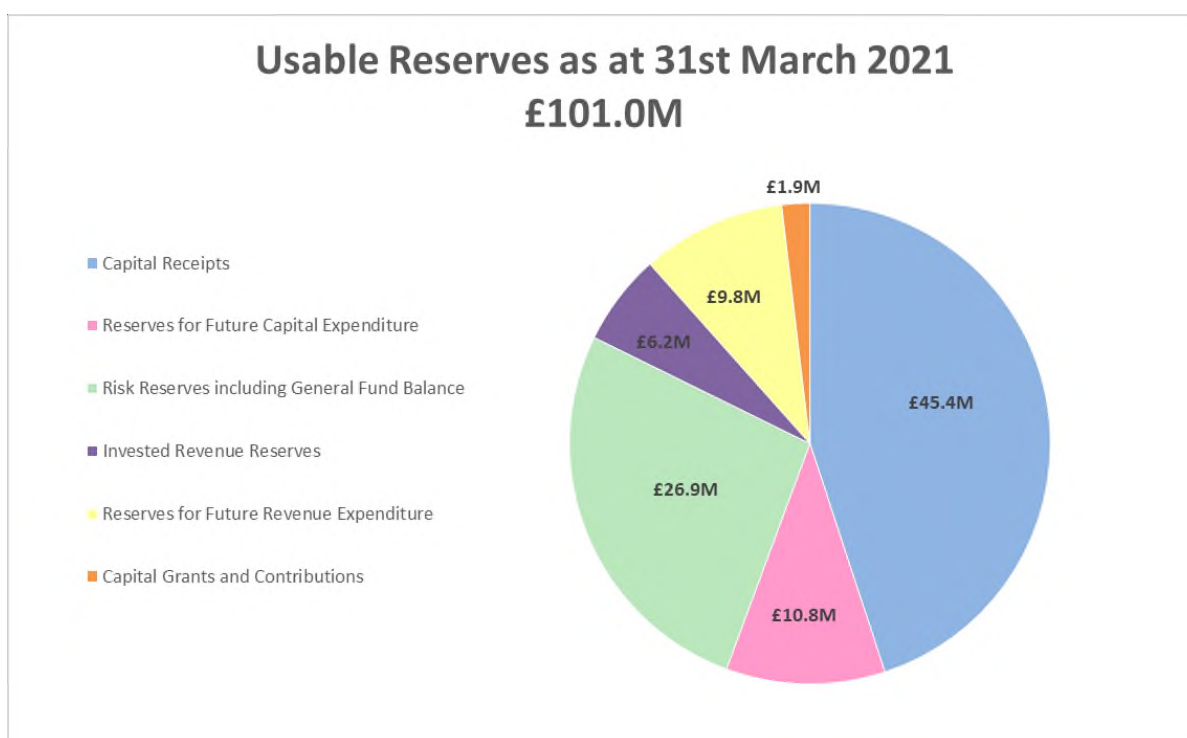
The council's balance sheet shows that the council has a net worth (net assets) of £397.5M consisting of: an investment property asset portfolio of £316.6M; cash and investment assets of £129.7M; other assets (mainly operational land and buildings) of £92.3M; a potential future liability of £107.9M in its employees' pension fund; developers' contributions of £9.9M that could potentially require repayment (if the terms of the contributions are not met) and other net liabilities of £23.1M.

Reserves and Available Resources

The council's Balance Sheet also shows usable reserves of £101.0M and usable developers' contributions of £9.9M (shown as a long term liability). However of this £110.9M of usable resource, £72.2M is available (based on current policies) to fund current and future spending plans and programmes.

The remaining £38.8M is invested in order to earn income to help support the future running costs of the council, or is being held in the form of risk reserves to provide protection against the main risks to the council's finances (for example a fall in interest rates affecting the amount of income from cash investments or a fall in rental income from the investment property portfolio).

The usable reserves of £101.0M consist of capital receipts, revenue reserves including the general fund balance and capital grants and contributions unapplied. A chart of the useable reserve balances is shown below and further details of reserves are shown in notes 15 and 16 to the accounts:



Borrowing

The council has long term debt, in the form of borrowing, totalling £2.2M. Whilst there is a requirement to set aside amounts to cover future debt repayments (referred to as the Minimum Revenue Provision or MRP), this debt has been loaned from the Local Enterprise Partnership (Enterprise M3) and is expected to be repaid from additional business rates received in the enterprise zone. Consequently, the council has determined that MRP is not required. The council has no future budgeted borrowing requirements, but it is involved in several large important housing and regeneration schemes, which carry a large degree of uncertainty of scale, timing and funding requirements.

Financial Performance (year on year)

The Comprehensive Income and Expenditure Statement shows a surplus of £4.3M on the provision of services for 2020/21 (£7.8M deficit in 2019/20).

However, the reported deficits/surpluses in the financial statements include a number of statutory adjustments relating to notional pension costs and capital accounting adjustments (revaluations, depreciation etc.) which are not allowed to be included in the General Fund. Details of these statutory adjustments are set out in the Expenditure and Funding Analysis (Note 1 to the accounts). The adjustments which tend to create large variances between years, have no impact on the General Fund as they are reversed out to reserves. For these reasons, when looking at performance, it is advisable to exclude them and focus on the controllable General Fund items. In 2020/21 the £4.3M surplus on the provision of services shown in the Comprehensive Income and Expenditure Statement was adjusted by £13.2M of statutory adjustments to arrive at a movement to General Fund Reserves of £17.5M (in 2019/20 the £7.8M deficit was adjusted by £2.7M to arrive at a movement from General Fund reserves of £5.1M).

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The table below includes the main General Fund items and shows how the General Fund Deficit/(Surplus) (transfer from/(to) General Fund Reserves) has changed between years.

	Net Charge to General Fund 2019/20 £M	Net Charge to General Fund 2020/21 £M	Year on Year Variance £M
Net Cost of Services	33.7	39.0	5.3
Investment Property Net Income	(14.8)	(16.8)	(2.0)
Interest and Investment Income	(2.8)	(2.2)	0.6
Council Tax Income	(8.1)	(8.5)	(0.4)
Net Business Rate Income	(1.0)	(16.3)	(15.3)
General Government Grant Income	(3.9)	(14.7)	(10.8)
Other Corporate Items	2.0	2.0	0.0
General Fund Deficit/(Surplus) Transferred From/(To) Reserves	5.1	(17.5)	(22.6)
Reserve Movements:			
Business Rates Statutory Accounting Adjustment	3.4	(11.9)	(15.3)
Revenue Outturn Deficit/(Surplus) Transferred From/(To) Reserves	1.7	(5.6)	(7.3)
General Fund Deficit/(Surplus) Transferred From/(To) Reserves	5.1	(17.5)	(22.6)

The table shows a £22.6M variance between years. This is due to an increase in the net cost of services of £5.3M mainly due to the Covid-19 impact on expenditure and reduced fees and charges income. This is offset by additional Government grant income of £10.8M. The £15.3M net business rates movement relates to the statutory timing adjustments required to account for business rates income in specific accounting periods.

8. SIGNIFICANT MOVEMENTS AND EVENTS

There were a number of material differences (greater than £2.0M) between the financial statements for 2019/20 (restated) and 2020/21 as follows:

Comprehensive Income and Expenditure Statement Movements

Surplus on Provision of Services – The reported surplus on the provision of services has increased by £12.1M from a £7.8M deficit in 2019/20 to a £4.3M surplus in 2020/21. The main reason for this is as follows:

Cost of Services - The cost of services has increased overall by £5.4M from £39.0M to £44.4M. Within the cost of services net expenditure there was an increase of £1.1M in pension past service costs (see note 14 to the financial statements), offset by reductions in capital charges of £1.5M. Expenditure on Covid-19 was £6.8M with service specific grant income of £1.9M and fees and charges income fell by £1.7M. In addition there was reduced housing benefit expenditure of £2.0M which was offset by reduced housing benefit subsidy income of £2.0M;

Unrealised Gain on Pooled Investment Funds – the council's externally managed investments increased by £5.6M during the year as financial markets recovered losses experienced in March 2020 at the onset of the Covid-19 pandemic;

NARRATIVE STATEMENT

Other Non-Ringfenced Government Grants – increased grant income of £10.8M due to government funding support received in respect of the Covid-19 pandemic (details of the grants recognised can be seen in note 13 to the financial statements); and

Capital Grants and Contributions Income – reduced capital grants and contributions of £2.7M which mainly relates to one-off grants recognised in the 2019/20 accounts in respect of funding for Basing View Regeneration capital schemes.

Balance Sheet Movements

Decrease in Net Asset/Net Worth – Overall the total net assets reported in the Balance Sheet have reduced by £12.5M, taking the total net assets to £397.5M. There are some significant movements on the balance sheet which are explained below:

Asset Revaluations - All Investment Property and almost all Property, Plant and Equipment assets were subject to revaluation during 2020/21. In addition new assets were purchased or constructed and existing assets were subject to improvement, enhancement and depreciation where applicable. This exercise has led to an overall increase of £11.9M in the net book value of investment property and a reduction of £6.1M in the net book value of Property, Plant and Equipment. (Revaluation details can be seen in notes 2 and 3 to the financial statements);

Changes to Investments - Total cash and investment assets have reduced by £7.4M. The market value of long term investments increased by £5.6M but the amount held in short term investments and cash and cash equivalents reduced by £13.0M. Short term investments reduced by £42.3M as investments matured and the proceeds were held in cash and cash equivalents as a safeguard for Covid-19 cash flow uncertainty. A corresponding increase in cash and cash equivalents was offset by £13.0M as funds were repurposed during the year;

Other Long Term Assets – Net increase in Long Term Debtors of £3.7M. In April 2020, the council made a prepayment of £8.4M for future pension contributions in respect of the contributions due in 2020/21 and the next two financial years. The balance of the prepayment is recorded as a debtor in the balance sheet with the 2022/23 final year of £2.7M held in Long Term Debtors. The council advanced a loan to the Manydown Development LLP of £1.3M during 2020/21.

Increase in Debtors – Overall increase of £5.9M in short term debtors mainly relating to a prepayment to the Hampshire Local Government Pension Fund made in April 2020 for employer pension contributions in the period 2020/21 to 2022/23 where £2.7M is being held as a short term debtor representing the 2021/22 element. General and property related debtors have increased by £2.4M. All debt has been reviewed in light of Covid-19 pandemic.

Increase in Creditors – An increase in year-end creditors of £3.1M, mainly due to Covid-19 grants received of £4.4M that are being held as receipts in advance before being distributed in 2021/22. Increases in revenue creditors of £2.1M and capital creditors of £2.8M and a net decrease in business rates related creditors to the Government and preceptors of £1.4M. The 2019/20 creditors included receipts in advance of £2.2M in respect of a loan and £1.8M Business Rates Relief grants which were paid out in 2020/21 and £2.0M of housing benefit subsidy that was due to be repaid to the government.

Increase in Pension Scheme Liability - The estimated future potential liability for the council has increased by £16.1M. This is mainly due to an increase of £36.4M in the value of the council's share of the pension scheme assets which is offset by an increase of £52.5M in the future pension obligation as a result of the actuary's assumptions which are particularly sensitive to change.

Other Significant Events

The council declared a Climate Emergency in July 2019 which is focussed around a series of actions and targets for both the council's own activities and those of its residents, businesses and visitors. This includes a target of becoming carbon neutral in terms of the council's emissions by December 2025 and more widely as a borough to achieve net zero carbon by 2030. A Climate Change and Air Quality Strategy and Climate Change Emergency Action Plan were adopted in March 2021.

Looking to the future, the council has already started work on a number of major capital projects that will lead to significant increases in revenue and capital expenditure and income in future years. The decision to exit the European Union and the recent Covid-19 pandemic both create uncertainty and might have significant impacts on some of the council's key income and expenditure items in future years.

9. FURTHER INFORMATION

A simplified and summarised version of the main statements called the "Summary of Accounts" is available from the Head of Financial Services and Commercialisation at the Civic Offices, London Road, Basingstoke RG21 4AH, or by visiting the council's website www.basingstoke.gov.uk

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

FOR THE YEAR ENDED 31 MARCH 2021

2019/20 Expenditure £M	2019/20 Income £M	2019/20 NET £M		2020/21 Expenditure £M	2020/21 Income £M	2020/21 NET £M
			Service Costs by Portfolio			
2.4	0.0	2.4	Leader	7.3	(0.8)	6.5
41.2	(35.9)	5.3	Homes and Families	38.3	(34.0)	4.3
12.4	(4.7)	7.7	Environment and Enforcement	12.6	(2.8)	9.8
12.4	(2.8)	9.6	Planning, Infrastructure and Natural Environment	12.3	(3.1)	9.2
7.0	(0.7)	6.3	Communities, Culture and Partnerships	5.9	(0.3)	5.6
3.4	(0.5)	2.9	Borough Development and Improvement	3.9	(0.2)	3.7
4.9	(0.4)	4.5	Finance and Service Improvement	6.0	(1.3)	4.7
0.4	(0.1)	0.3	Regeneration and Property	0.8	(0.2)	0.6
84.1	(45.1)	39.0	COST OF SERVICES	87.1	(42.7)	44.4
			Other Operating Income and Expenditure			
		1.4	Payment of Precepts (collected on behalf of Parish Councils)			1.4
		(0.1)	Other Operating Income and Expenditure			(0.1)
			Financing and Investment Income and Expenditure			
		(12.2)	Net (Gain)/Loss on Investment Property (Note 3)			(12.3)
		(2.8)	Interest and Investment Income (Note 7)			(2.2)
		4.1	Unrealised (Gain)/Loss on Pooled Investment Funds (Note 7)			(5.6)
		2.0	Net Interest on the Pension Liability (Note 14)			2.1
			Taxation and Non-Specific Grant Income and Expenditure			
		(9.4)	Council Tax Income (including parish precepts)			(9.8)
		(4.5)	Net Business Rates Income and Expenditure (Note 12)			(4.4)
		(3.9)	Other Non-Ring-fenced Government Grants Income (Note 13)			(14.7)
		(5.8)	Capital Grants and Contributions Income (Note 13)			(3.1)
		7.8	DEFICIT/(SURPLUS) ON PROVISION OF SERVICES			(4.3)
			Other Comprehensive Income and Expenditure			
		(1.7)	(Gain)/Loss on Revaluation of Non Current Assets			5.5
		2.9	Re-measurement of Pension Liability (Note 14)			11.3
		9.0	TOTAL COMPREHENSIVE (INCOME) / EXPENDITURE			12.5

This statement shows the accounting cost to the council in the year on the provision of services and other operating activities in accordance with International Financial Reporting Standards (IFRS) adapted by the Local Authority Accounting Code of Practice (the Code).

It includes everything that affects the council's net asset position and therefore includes all of the council's operating activities, along with any gains or losses on the council's investing and financing activities and movements in the value (i.e. revaluations and impairments) of long term assets and liabilities. The total comprehensive income and expenditure represents the total movement on net assets within the Balance Sheet.

The statement includes some incomes and costs that are not allowed to be charged as income and expenditure to the General Fund (the account used to set the level of council tax). This means that in order to give a comparable presentation of the performance of the council during the year, it is necessary to adjust the surplus or deficit on the Comprehensive Income and Expenditure Statement to obtain the movement on the General Fund. These adjustments are called "Adjustments between the accounting basis and the funding basis under regulations" and are shown in the Movement in Reserves Statement and the Expenditure and Funding Analysis (EFA) (Note 1).

BALANCE SHEET

AS AT 31 MARCH 2021

31-Mar-20 £M		31-Mar-21 £M	Notes
87.0	Property, Plant and Equipment	80.9	2
304.7	Investment Property	316.6	3
75.3	Long Term Investments	80.9	7
7.4	Other Long Term Assets	11.4	4
474.4	LONG TERM ASSETS	489.8	
42.6	Short Term Investments	0.3	7
9.3	Short Term Debtors	15.2	8
19.2	Cash and Cash Equivalents	48.5	9
71.1	CURRENT ASSETS	64.0	
(30.2)	Short Term Creditors	(33.3)	10
(3.2)	Provisions	(3.0)	11
(33.4)	CURRENT LIABILITIES	(36.3)	
(10.3)	Grants and Contributions Receipts In Advance	(9.9)	13
(91.8)	Pension Scheme Liability	(107.9)	14
0.0	Long Term Borrowing	(2.2)	7
(102.1)	LONG TERM LIABILITIES	(120.0)	
410.0	NET ASSETS	397.5	
(95.6)	Usable Reserves	(101.0)	15
(314.4)	Unusable Reserves	(296.5)	16
(410.0)	TOTAL RESERVES	(397.5)	

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

There are two types of reserve shown in the Balance Sheet. The first category of reserves are usable reserves, i.e. those reserves that the council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of unusable reserves is those that the council is not able to use to provide services. This category includes reserves that contain unrealised gains and losses (for example the Asset Revaluation Reserve), where amounts would only become available to provide services if the assets were to be realised. They also include reserves that hold timing differences and any adjustments made between the accounting basis and funding basis under regulations within the Movement in Reserves Statement.

MOVEMENT IN RESERVES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2021

	Movements			Total Movement in 2019/20 £M	Balance as at 31/03/20 £M
	Balance as at 31/03/19 £M	Total Comprehen- sive Income and Expenditure Statement £M	Adjustment between accounting basis and funding basis under regulations £M		
2019/20					
Usable Reserves					
General Fund Balance (incl. earmarked reserves)	(41.3)	7.8	(2.7)	5.1	(36.2)
Capital Receipts Reserve	(74.6)	0.0	16.4	16.4	(58.2)
Capital Grants and Contributions	(0.5)	0.0	(0.7)	(0.7)	(1.2)
Total Usable Reserves	(116.4)	7.8	13.0	20.8	(95.6)
Unusable Reserves					
Pension Scheme Reserve	85.3	2.9	3.6	6.5	91.8
Asset Revaluation Reserve	(32.7)	(1.7)	1.3	(0.4)	(33.1)
Capital Adjustment Account	(357.9)	0.0	(18.0)	(18.0)	(375.9)
Other Statutory Adjustment Accounts	2.7	0.0	0.1	0.1	2.8
Total Unusable Reserves	(302.6)	1.2	(13.0)	(11.8)	(314.4)
Total Reserves	(419.0)	9.0	0.0	9.0	(410.0)

	Movements			Total Movement in 2020/21 £M	Balance as at 31/03/21 £M
	Balance as at 31/03/20 £M	Total Comprehen- sive Income and Expenditure Statement £M	Adjustment between accounting basis and funding basis under regulations £M		
2020/21					
Usable Reserves					
General Fund Balance (incl. earmarked reserves)	(36.2)	(4.3)	(13.2)	(17.5)	(53.7)
Capital Receipts Reserve	(58.2)	0.0	12.8	12.8	(45.4)
Capital Grants and Contributions	(1.2)	0.0	(0.7)	(0.7)	(1.9)
Total Usable Reserves	(95.6)	(4.3)	(1.1)	(5.4)	(101.0)
Unusable Reserves					
Pension Scheme Reserve	91.8	11.3	4.8	16.1	107.9
Asset Revaluation Reserve	(33.1)	5.5	1.2	6.7	(26.4)
Capital Adjustment Account	(375.9)	0.0	(12.8)	(12.8)	(388.7)
Other Statutory Adjustment Accounts	2.8	0.0	7.9	7.9	10.7
Total Unusable Reserves	(314.4)	16.8	1.1	17.9	(296.5)
Total Reserves	(410.0)	12.5	0.0	12.5	(397.5)

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 reduce local taxation) and "unusable reserves" (see Notes 15 and 16 for more details).

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2021

2019/20 £M		2020/21 £M
7.8	OPERATING ACTIVITIES (Surplus)/Deficit on the Provision of Services	(4.3)
	Adjustments for Non-Cash Movements:	
(3.6)	Pension Fund adjustments	(4.8)
(3.5)	Depreciation and amortisation of long term assets	(3.4)
(0.3)	Revaluation of property, plant and equipment	(0.7)
1.4	Revaluation of investment property	(1.0)
(0.5)	Write out of long term assets on disposal	(2.0)
(4.1)	Revaluation of Pooled Investment Funds	5.6
0.3	Other Non-Cash Movements	(1.5)
	Adjustments for Items included in Investing Activities:	
0.4	Proceeds from disposal of long term assets	2.5
	Adjustments for Items on an Accruals Basis:	
1.6	Increase/(decrease) in operating activity debtors	9.4
(5.7)	(Increase)/decrease in operating activity creditors	(3.5)
1.0	(Increase)/decrease in provisions	0.2
(5.2)	Net Cash Out Flow/(In Flow) from Operating Activities	(3.5)
	INVESTING ACTIVITIES	
19.4	Payments for additions and subsequent expenditure on long term assets	16.0
440.2	Payments for purchase of investments	200.5
(0.4)	Proceeds from disposal of long term assets	(2.5)
(447.9)	Proceeds from disposal of investments	(242.8)
11.3	Net Cash Out Flow/(In Flow) from Investing Activities	(28.8)
	FINANCING ACTIVITIES	
(6.7)	Net (inflow)/outflow for business rates payable to government and preceptors	2.2
1.0	Net (inflow)/outflow for council tax payable to preceptors	0.8
(5.7)	Net Cash (In Flow)/Out Flow from Financing Activities	3.0
0.4	NET DECREASE/(INCREASE) IN CASH AND CASH EQUIVALENTS	(29.3)

The purpose of the Cash Flow Statement is to show how the Cash and Cash Equivalents (see note 9) shown in the Balance Sheet has changed. It therefore includes all cash amounts received and paid out irrespective of the type of transaction.

Cash and Cash Equivalents includes cash in hand, the council's main bank account, deposit accounts with other banks and money market funds with financial institutions that are held for meeting short term cash commitments rather than for investment purposes. They are repayable, without penalty, on notice of not more than 30 days and are convertible to known amounts of cash with insignificant risk of change in value.

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 financial statements which are all on an accruals basis (i.e. based on amounts payable and receivable rather than actually paid or received).

NOTES TO THE FINANCIAL STATEMENTS

1. EXPENDITURE AND FUNDING ANALYSIS (EFA)

The purpose of this analysis is to reconcile the amounts reported internally in line with the council's General Fund and the amounts reported in the Comprehensive Income and Expenditure Statement (CIES). This is required because the internal reporting does not include charges relating to capital expenditure (e.g. depreciation etc.) or notional pension costs (current service cost etc.) and expenditure on support services is budgeted for centrally within business units and is only charged to services at the end of the year. These items form part of the reconciliation between the internally reported net charge to the general fund and the actual net charge to the CIES.

The reconciliation for 2020/21 is as follows:

	Adjustments between funding and accounting basis					Net charge to CIES 2020/21 £M
	Net charge to General Fund 2020/21 £M	Pension Adjust- ments 2020/21 £M	Capital Accounting 2020/21 £M	Support Service Recharges 2020/21 £M	Other Statutory Adjust- ments 2020/21 £M	
Service Costs by Portfolio						
Leader	4.7	0.0	0.0	1.8	0.0	6.5
Homes and Families	(0.5)	0.0	1.1	3.7	0.0	4.3
Environment and Enforcement	3.8	0.0	0.2	5.8	0.0	9.8
Planning, Infrastructure and Natural Environment	0.2	0.0	1.0	8.0	0.0	9.2
Communities, Culture and Partnerships	2.0	0.0	1.4	2.2	0.0	5.6
Borough Development and Improvement	1.4	0.0	1.6	0.7	0.0	3.7
Finance and Service Improvement	1.8	(0.4)	0.0	3.3	0.0	4.7
Regeneration and Property	0.5	0.0	0.0	0.1	0.0	0.6
Portfolio Total	13.9	(0.4)	5.3	25.6	0.0	44.4
Business Units	25.5	3.1	0.0	(28.7)	0.1	0.0
Agency and Holding Accounts	(0.4)	0.0	1.1	(0.7)	0.0	0.0
Cost of Services	39.0	2.7	6.4	(3.8)	0.1	44.4
Corporate Items						
Payments to Parishes	0.0	0.0	0.0	0.0	1.4	1.4
Investment Property	(16.8)	0.0	0.7	3.8	0.0	(12.3)
Interest and Investment Income	(2.2)	0.0	0.0	0.0	0.0	(2.2)
Pooled Investment Funds	0.0	0.0	0.0	0.0	(5.6)	(5.6)
Pension Interest Costs	0.0	2.1	0.0	0.0	0.0	2.1
Council Tax Income	(8.5)	0.0	0.0	0.0	(1.3)	(9.8)
Net Business Rates Income	(16.3)	0.0	0.0	0.0	11.9	(4.4)
Non-Specific Grants	(14.7)	0.0	0.0	0.0	0.0	(14.7)
Other Corporate Items	2.0	0.0	(5.2)	0.0	0.0	(3.2)
(Surplus)/Deficit on Provision of Services	(17.5)	4.8	1.9	0.0	6.5	(4.3)
Opening General Fund Balance	(36.2)					
(Surplus)/Deficit on Provision of Services - Statutory Adjustment Business Rates	(11.9)					
(Surplus)/Deficit on Provision of Services - Approved Reserve Transfers	(5.6)					
Closing General Fund Balance	(53.7)					

In the table above the Net Charge to General Fund column are those costs and income shown in the council's Revenue Outturn Report and the Net Charge to CIES are those shown in the Comprehensive Income and Expenditure Statement.

NOTES TO THE FINANCIAL STATEMENTS

1. EXPENDITURE AND FUNDING ANALYSIS (EFA) (continued)

The comparable figures for 2019/20 were:

	Adjustments between funding and accounting basis					Net charge to CIES 2019/20 £M
	Net charge to General Fund 2019/20 £M	Pension Adjust- ments 2019/20 £M	Capital Accounting 2019/20 £M	Support Service Recharges 2019/20 £M	Other Statutory Adjust-ments 2019/20 £M	
<u>Service Costs by Portfolio</u>						
Leader	0.3	0.0	0.0	2.1	0.0	2.4
Homes and Families	(0.2)	0.0	1.7	3.8	0.0	5.3
Environment and Enforcement	1.3	0.0	0.5	5.9	0.0	7.7
Planning, Infrastructure and Natural Environment	0.7	0.0	0.6	8.3	0.0	9.6
Communities, Culture and Partnerships	2.4	0.0	2.1	1.8	0.0	6.3
Borough Development and Improvement	0.3	0.0	1.7	0.9	0.0	2.9
Finance and Service Improvement	3.1	(1.9)	0.0	3.3	0.0	4.5
Regeneration and Property	0.2	0.0	0.0	0.1	0.0	0.3
Portfolio Total	8.1	(1.9)	6.6	26.2	0.0	39.0
Business Units	25.4	3.5	0.5	(29.4)	0.0	0.0
Agency and Holding Accounts	0.2	0.0	0.6	(0.8)	0.0	(0.0)
Cost of Services	33.7	1.6	7.7	(4.0)	0.0	39.0
Corporate Items						
Payments to Parishes	0.0	0.0	0.0	0.0	1.4	1.4
Investment Property	(14.8)	0.0	(1.4)	4.0	0.0	(12.2)
Interest and Investment Income	(2.8)	0.0	0.0	0.0	0.0	(2.8)
Pooled Investment Funds	0.0	0.0	0.6	0.0	3.5	4.1
Pension Interest Costs	0.0	2.0	0.0	0.0	0.0	2.0
Council Tax Income	(8.1)	0.0	0.0	0.0	(1.3)	(9.4)
Net Business Rates Income	(1.0)	0.0	0.0	0.0	(3.5)	(4.5)
Non-Specific Grants	(3.9)	0.0	0.0	0.0	0.0	(3.9)
Other Corporate Items	2.0	0.0	(7.9)	0.0	0.0	(5.9)
(Surplus)/Deficit on Provision of Services	5.1	3.6	(1.0)	0.0	0.1	7.8
Opening General Fund Balance	(41.3)					
(Surplus)/Deficit on Provision of Services - Statutory Adjustment Business Rates	3.5					
(Surplus)/Deficit on Provision of Services - Approved Reserve Transfers	1.6					
Closing General Fund Balance	(36.2)					

The 2019/20 prior year Deficit on Provision of Services has been restated to show the statutory accounting adjustments in respect of retained business rates and other approved reserve transfers separately. This enables better comparison to the 2020/21 accounts where there was a significant business rates statutory adjustment due to the financial accounting impact of Covid-19 on business rates income.

Explanation of adjustments between funding and accounting basis

Pension Adjustments:

For services this represents the removal of employer pension contribution payments and replacing them with a notional Current Service Cost based on a calculation of how much the pension liability has increased in the current year for the current employees required by IAS19 Employee Benefits.

For Pension Interest Costs this represents the net interest which includes the interest payable on the pension liability and the interest income on the assets in accordance with IAS19.

NOTES TO THE FINANCIAL STATEMENTS

1. EXPENDITURE AND FUNDING ANALYSIS (continued)

Capital Accounting Adjustments:

For services this represents the addition of depreciation, impairments and revaluation gains and losses on assets used in the provision of services. For Investment Property this represents the addition of impairments and revaluation gains and losses on investment property.

Support Service Recharges Adjustments:

Most of the council's employee costs and support service costs (including IT equipment, Council Offices and Vehicles) are held within Business Units, Agency and Holding Accounts and are apportioned to the portfolio services using various recharge methods to identify the total cost of portfolio services. As the CIES shows the total cost of services by portfolio, support service recharges are a reconciling item between the analysis reported internally and the CIES.

Other Statutory Adjustments:

This represents; the separation of Council Tax between amounts collected on behalf of Parishes from the Council's own requirement; the timing differences between the way that Council Tax and Business Rates are accounted for under statute and proper accounting practice under IFRS; and the adjustments made for the statutory reversal of valuation changes to pooled investments funds under IFRS9.

Analysis of the nature of expenditure and income within the EFA

The Code requires a note to the EFA that analyses certain items of income and expense on a segmental (portfolio) basis if they are reported internally (i.e. within General Fund reporting). The only item that needs further analysis is revenues from external customers (service income) and this is already shown by portfolio segments on the face of the CIES.

The Code also requires an analysis of the nature of material expenses included within the segmental reporting. The Council's total revenue expenditure and income can be analysed as follows:

General Fund 2019/20 £M	Statutory Adjust. 2019/20 £M	CIES 2019/20 £M		General Fund 2020/21 £M	Statutory Adjust. 2020/21 £M	CIES 2020/21 £M
			<u>Expenditure</u>			
34.1	0.0	34.1	Housing Benefit Payments	32.1	0.0	32.1
27.9	0.0	27.9	Business Rates Expenditure	16.0	11.9	27.9
27.1	1.6	28.7	Employees	26.1	2.8	28.9
4.7	0.0	4.7	Premises	4.6	0.0	4.6
14.0	0.0	14.0	Supplies and Services	18.3	0.0	18.3
0.0	8.8	8.8	Capital Charges	0.0	7.4	7.4
0.0	0.0	0.0	Property Revaluation Losses	0.0	0.7	0.7
0.0	4.1	4.1	Investment Revaluation Losses	0.0	0.0	0.0
8.3	1.3	9.6	Other Running Costs	8.3	1.3	9.6
116.1	15.8	131.9		105.4	24.1	129.5
			<u>Income</u>			
(34.4)	0.0	(34.4)	Housing Benefit Subsidy	(32.4)	0.0	(32.4)
(28.9)	(3.5)	(32.4)	Income from Business Rates	(32.3)	0.0	(32.3)
(16.7)	0.0	(16.7)	Property Rents	(16.3)	0.0	(16.3)
0.0	(1.4)	(1.4)	Property Revaluation Gains	0.0	0.0	0.0
(3.9)	0.0	(3.9)	General Government Grants	(14.7)	0.0	(14.7)
(8.1)	(1.3)	(9.4)	Income from Council Tax	(8.5)	(1.3)	(9.8)
0.0	0.0	0.0	Investment Revaluation Gains	0.0	(5.6)	(5.6)
(2.8)	0.0	(2.8)	Interest Income	(2.2)	0.0	(2.2)
(6.9)	0.0	(6.9)	Fees and Charges	(5.2)	0.0	(5.2)
(9.3)	(6.9)	(16.2)	Other Income	(11.3)	(4.0)	(15.3)
(111.0)	(13.1)	(124.1)		(122.9)	(10.9)	(133.8)
5.1	2.7	7.8	(Surplus)/Deficit on Services	(17.5)	13.2	(4.3)

NOTES TO THE FINANCIAL STATEMENTS

2. PROPERTY, PLANT AND EQUIPMENT (PPE)

The net book value and movements for the different categories of Property, Plant and Equipment assets are shown below:

	Land and Buildings £M	Vehicles Plant and Equipment £M	Community Assets £M	Total PPE Assets £M
Net Book Value at 31 March 2019	75.7	2.2	8.7	86.6
<u>Cost or Valuation</u>				
As at 31 March 2019	76.1	5.9	8.7	90.7
<u>Movements in 2019/20</u>				
Additions	1.3	1.2	0.0	2.5
Disposals/Derecognitions	0.0	(0.8)	0.0	(0.8)
Reclassifications	0.0	0.0	0.0	0.0
Revaluations (charged to services)	(0.3)	0.0	0.0	(0.3)
Revaluations (to revaluation reserve)	(1.5)	0.0	0.0	(1.5)
As at 31 March 2020	75.6	6.3	8.7	90.6
<u>Accumulated Depreciation</u>				
As at 31 March 2019	(0.4)	(3.7)	0.0	(4.1)
<u>Movements in 2019/20</u>				
Depreciation	(2.8)	(0.7)	0.0	(3.5)
Disposals/Derecognitions	0.0	0.8	0.0	0.8
Depreciation written out (to revaluation reserve)	3.2	0.0	0.0	3.2
As at 31 March 2020	0.0	(3.6)	0.0	(3.6)
Net Book Value at 31 March 2020	75.6	2.7	8.7	87.0
<u>Cost or Valuation</u>				
As at 31 March 2020	75.6	6.3	8.7	90.6
<u>Movements in 2020/21</u>				
Additions	1.3	2.1	0.2	3.6
Disposals/Derecognitions	0.0	(0.4)	0.0	(0.4)
Reclassifications	0.0	0.0	0.0	0.0
Revaluations (charged to services)	(0.7)	0.0	0.0	(0.7)
Revaluations (to revaluation reserve)	(8.1)	0.0	0.0	(8.1)
As at 31 March 2021	68.1	8.0	8.9	85.0
<u>Accumulated Depreciation</u>				
As at 31 March 2020	0.0	(3.6)	0.0	(3.6)
<u>Movements in 2020/21</u>				
Depreciation	(2.7)	(0.7)	0.0	(3.4)
Disposals/Derecognitions	0.0	0.4	0.0	0.4
Depreciation written out (to revaluation reserve)	2.5	0.0	0.0	2.5
As at 31 March 2021	(0.2)	(3.9)	0.0	(4.1)
Net Book Value at 31 March 2021	67.9	4.1	8.9	80.9

NOTES TO THE FINANCIAL STATEMENTS

2. PROPERTY, PLANT AND EQUIPMENT (PPE) (continued)

Depreciation and Estimated Useful Lives

The following useful lives have been used in the calculation of depreciation which is based on a straight-line allocation over the expected life of the asset.

Buildings	from 10 to 100 years
Vehicles, Plant and Equipment	from 3 to 10 years

Revaluations and Impairments

Most of the council's land and building assets have been revalued during 2020/21. The valuations have been carried out in accordance with the methodologies and bases for estimates set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS), the CIPFA Code and the council's Accounting Policies (see note 25). Where the assets are not depreciated (for example, community assets) they are reviewed for impairment at the end of the year.

Please also refer to Note 28 for uncertainties relating to assumptions and estimates used in light of the Covid-19 pandemic.

The following table shows, by category, the PPE assets that are carried at cost, those that are carried at depreciated cost and, for those assets that are revalued, the year in which the revaluations were completed:

Assets	Carried at Cost £M	Carried at Depreciated Cost £M	Revalued During 2018/19 £M	Revalued During 2019/20 £M	Revalued During 2020/21 £M	Total PPE Assets £M
Land and Buildings	0.0	0.0	5.0	0.5	62.4	67.9
Vehicles, Plant and Equipment	0.0	4.1	0.0	0.0	0.0	4.1
Community Assets	8.9	0.0	0.0	0.0	0.0	8.9
Total Property, Plant and Equipment Assets	8.9	4.1	5.0	0.5	62.4	80.9

Revaluations of Significant Land and Buildings Assets

During 2020/21 there were some significant revaluations on operational land and buildings as follows:

31-Mar-20 Carrying Value £M	Asset	2020/21 Additions / Reclassifications £M	2020/21 Depreciation Adjustment £M	2020/21 Revaluation Change - Revaluation Reserve £M	2020/21 Revaluation Change - To Services £M	31-Mar-21 Carrying Value £M
18.8	The Anvil	0.0	0.0	(1.1)	0.0	17.7
16.1	The Aquadrome	0.2	0.0	0.4	0.0	16.7
3.5	Tadley Swimming Pool	0.0	0.0	0.0	0.0	3.5
2.4	Haymarket Theatre	0.0	0.0	(0.3)	0.2	2.3
4.6	Civic Offices	0.3	0.0	(0.2)	(0.4)	4.3
8.3	Public Car Parks	0.2	0.0	(2.9)	0.0	5.6
11.9	Sports Pavilions and Pitches	0.2	0.0	(3.3)	0.0	8.8
10.0	Other PPE Land and Buildings	0.4	(0.2)	(0.7)	(0.5)	9.0
75.6	Total Land and Buildings	1.3	(0.2)	(8.1)	(0.7)	67.9

The 31 March 2020 carrying value for Other PPE Land and Buildings has been split to show Sport Pavilions and Pitches separately which have been subject to revaluation as at 31 March 2021.

NOTES TO THE FINANCIAL STATEMENTS

3. INVESTMENT PROPERTY

The movement in the fair value (estimated market value) of Investment Property is shown below:

2019/20 £M		2020/21 £M
285.7	Balance at the Start of the Year	304.7
	<u>Movements in Year</u>	
7.6	Additions	0.0
10.1	Subsequent Expenditure	14.9
0.0	Disposals - Carrying Value Written Out	(2.0)
(0.1)	Reclassifications - (to)/from Property, Plant and Equipment	0.0
1.4	Net Gain/(Loss) on Revaluations	(1.0)
304.7	Balance at the End of the Year	316.6

Investment Property Revaluations - Fair Value

All Investment Property valuations have been updated in 2020/21 in accordance with the requirements of RICS professional standards and the CIPFA Code on a fair value basis. The fair values have been based on the market approach using observable inputs, namely current market conditions for rents, yields, recent sales prices and other relevant information for similar assets in the local area. Market conditions for these assets types are such that the level of observable inputs are significant leading to the properties being categorised as level 2 in the fair value hierarchy.

The valuation for the Land at Manydown was carried out by District Valuer Services, Valuation Office Agency. The valuations for all other Investment Properties were carried out by Colliers International Property Consultants Limited.

Please refer to Note 28 for uncertainties relating to assumptions and estimates used in light of the Covid-19 pandemic.

Revaluations of Significant Investment Property Assets

During 2020/21 there were some significant revaluations on investment property as follows:

31-Mar-20 Carrying Value £M	Asset	2020/21 Additions / (Disposals) £M	2020/21 Revaluation Change £M	31-Mar-21 Carrying Value £M
48.6	Daneshill Industrial Estate	0.0	0.6	49.2
48.3	Houndmills Industrial Estate	(2.0)	3.6	49.9
39.9	Viables	0.0	2.8	42.7
38.0	Basing View	14.7	(3.2)	49.5
31.8	Property Investment Strategy Acquisitions	0.0	(1.0)	30.8
23.0	Land at Manydown*	0.0	1.6	24.6
17.1	The Malls	0.1	(5.7)	11.5
12.5	Festival Place	0.0	(0.8)	11.7
5.2	West Ham Leisure Park	0.0	(0.5)	4.7
4.4	St Andrews Medical Centre	0.0	0.0	4.4
35.9	Other Investment Property	0.1	1.6	37.6
304.7	Total	12.9	(1.0)	316.6

* This represents a 50% interest in Land at Manydown jointly leased with Hampshire County Council.

An overall £11.5M valuation increase for Basing View mainly due to £14.7M of capital expenditure on development sites across the business park and a revaluation loss across the site. The council's 50% share of the Land at Manydown has increased by £1.6M due to more certainty over the future development of the site. The £5.7M decrease in the value of the Malls reflects the impact of Covid-19 and the significant fall in the retail sector in the past 12 months.

Investment Property held under leases

The council leases land at Manydown that is currently classified as an Investment Property.

NOTES TO THE FINANCIAL STATEMENTS

3. INVESTMENT PROPERTY (continued)

Investment Property Income and Expenditure Account

The Investment Property Income and Expenditure Account is used to record the operating activity relating to investment properties. It does not include expenditure on the acquisition or enhancement of Investment Property as these are shown as investing activities and form part of the cost/value of the assets. The net gain of £12.4M in 2020/21 (net gain of £12.2M in 2019/20) is shown in the Comprehensive Income and Expenditure Statement.

A breakdown of the expenditure and income is shown below:

Restated 2019/20 £M		2020/21 £M
(1.4)	Net (Gain)/Loss on Revaluation of Investment Property	1.0
0.0	Net (Gain)/Loss on Disposals of Investment Property	(0.3)
(17.7)	Income from Investment Property (rents and service charges)	(17.2)
4.2	Maintenance and Running Costs of Investment Property	4.1
4.7	Costs Relating to Strategic Site Development	2.7
(2.0)	Income from Strategic Site Development	(2.6)
(12.2)	Net (Gain)/Loss on Investment Property	(12.3)

The 2019/20 comparatives have been restated to separate out the costs and income of work associated with the development of strategic sites which are Manydown, Basing View and the Leisure Park.

4. OTHER LONG TERM ASSETS

Other long term assets consist of:

2019/20 £M		2020/21 £M
2.3	Loans to Housing Associations (part of Existing Satisfactory Purchases Scheme)	2.3
4.1	Loan to SERCO Ltd. (waste collection contract)	3.5
0.2	Loan to Manydown Garden Communities LLP	0.3
0.0	Loan to Manydown Development LLP	1.3
0.0	Hampshire Pension Fund - Employers Prepayment (2022/23)	2.7
0.8	Other Loans, Intangible and Heritage Assets	1.3
7.4	Other Long Term Assets	11.4

Loans to Housing Associations are held at £2.3M cost as their fair value cannot be measured reliably. This is because the repayment value of principal and a future return based on increases in residential property values (proportionate to the investment amount made by the council and housing association) will not be known until either the sale of the property or the tenth anniversary of the loan advance. The first loan advance was during 2014/15.

In April 2020, the council made a prepayment of £8.4M for future pension contributions in respect of the contributions due in 2020/21 and the next two financial years. The balance of the prepayment as at 31 March 2021 is recorded as a debtor in the balance sheet with the 2022/23 final year of £2.7M held in Long Term Debtors. (The £2.7M in respect of 2021/22 is held in Short Term Debtors).

NOTES TO THE FINANCIAL STATEMENTS

5. STATUTORY CAPITAL EXPENDITURE AND FINANCING

Total capital expenditure for 2020/21 amounted to £23.5M (£25.4M in 2019/20). Movements in the Capital Financing Requirement (the council's need to borrow to finance capital expenditure) are shown below:

2019/20 £M		2020/21 £M
0.0	Opening Capital Financing Requirement	0.0
	<u>Statutory Capital Expenditure</u>	
2.5	Property Plant and Equipment Assets	3.6
17.7	Investment Property Assets	14.9
0.7	Other Long Term Assets	1.7
4.5	Revenue Expenditure Funded from Capital Under Statute	3.3
25.4	Total Capital Expenditure	23.5
	<u>Source of Finance</u>	
(17.1)	Capital Receipts Reserve	(15.8)
(3.8)	Capital Grants and Contributions	(1.5)
(4.5)	Direct Revenue Financing from the General Fund	(4.0)
0.0	Closing Capital Financing Requirement	2.2

Loan debt of £2.2M was advanced in 2020/21 from the Enterprise M3 Local Enterprise Partnership. Whilst there is a requirement to set aside amounts to cover future debt repayments (minimum revenue provision or MRP), the debt is expected to be repaid from additional business rates received in the Basing View enterprise zone. Consequently, the council has determined that making a MRP is not required.

6. LEASES

The council leases out its Investment Property under operating leases for the purpose of generating income. It also leases out land and buildings for the purpose of the provision of community services such as sports and leisure facilities and community centres.

The estimated future aggregate minimum lease rentals receivable from these leases are:

2019/20 £M		2020/21 £M
14.5	Due within one year	14.5
50.5	Due later than one year and not later than five years	55.0
789.6	Due after five years	794.2
854.6	Total Future Minimum Lease Rentals Receivable	863.7

The estimated future minimum lease rentals receivable do not include rents that are contingent on events taking place in the future such as rent reviews.

In 2020/21 the contingent rents receivable by the council for the year were £5.0M (£5.1M in 2019/20).

7. FINANCIAL INSTRUMENTS (INCLUDING INVESTMENTS)

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 where deferred payment terms have been agreed and financial liabilities in the form of short term borrowing and creditors where deferred payment terms have been agreed.

The council's financial assets are shown in different places in the Balance Sheet: Long Term Investments, Short Term Investments, Cash and Cash Equivalents (see note 9), Other Long Term Debtors (see note 4) and Short Term Debtors (see note 8).

This note encompasses the disclosure requirements for long and short term investments and borrowing.

NOTES TO THE FINANCIAL STATEMENTS

7. FINANCIAL INSTRUMENTS (INCLUDING INVESTMENTS) (continued)

Financial Instruments Classifications

The council has two types of financial instrument namely Amortised Cost and Fair Value Through Profit or Loss (FVTPL).

Amortised Cost financial instruments (where cash flows are solely payments of principal and interest and the council's business model is to collect those cash flows) consist of:

- Government Bonds (Gilts) (nil as at 31 March 2021)
- Local Authority Deposits (nil as at 31 March 2021)
- Bank Deposits (shown in Cash and Cash Equivalents)
- Loans made for Service Purposes excluding Loans to Housing Associations (shown in Other Long Term Debtors)

Fair Value Through Profit or Loss financial instruments (where cash flows are not solely payments of principal and interest) consist of:

- Diversified Credit Funds
- Absolute Return Bond Funds
- Short Term Cash Funds
- Money Market Funds (shown in Cash and Cash Equivalents)
- Property Funds
- Loans made for Service Purposes - Loans to Housing Associations (shown in Other Long Term Debtors)

The council's financial liabilities consist of short term borrowing in the form of parish loans (where parishes have deposited cash balances with the council which are subject to variable rates of interest) and a long term loan from the Enterprise M3 Local Enterprise Partnership. Both are measured at amortised cost as their fair value cannot be measured reliably. There is no market to transfer the liabilities and as a result of the specific repayment terms for the liabilities, calculating fair value is not possible due to the uncertain timing of future cash flows.

Financial Instruments - Investment Balances

As at the 31 March 2021 the council had the following balances on investments:

Long Term 31-Mar-20 £M	Short Term 31-Mar-20 £M	Investment Total 31-Mar-20 £M		Long Term 31-Mar-21 £M	Short Term 31-Mar-21 £M	Investment Total 31-Mar-21 £M
0.0	42.0	42.0	Carrying Value	0.0	0.0	0.0
75.3	0.0	75.3	Amortised Cost	80.9	0.0	80.9
0.0	0.6	0.6	Fair Value Through Profit and Loss	0.0	0.3	0.3
			Accrued Interest			
75.3	42.6	117.9	Total Carrying Value	80.9	0.3	81.2

Financial Instruments - Borrowing Balances

As at the 31 March 2021 the council had the following balances on borrowings:

Long Term 31-Mar-20 £M	Short Term 31-Mar-20 £M	Loans Total 31-Mar-20 £M		Long Term 31-Mar-21 £M	Short Term 31-Mar-21 £M	Loans Total 31-Mar-21 £M
0.0	0.1	0.1	Carrying Value	2.2	0.1	2.3
			Amortised Cost			
0.0	0.1	0.1	Total Carrying Value	2.2	0.1	2.3

NOTES TO THE FINANCIAL STATEMENTS

7. FINANCIAL INSTRUMENTS (INCLUDING INVESTMENTS) (continued)

Financial Instruments - Fair Values

The Fair Value Through Profit or Loss financial instruments are shown at fair value level 1 based on quoted market prices in active markets that the council can access at the measurement date, with the exception of £9.0M of property fund investments held at 31/03/21 which are fair value level 2. Values for these investments were based on quoted prices in an active market, but due to a redemption notice period would not have been accessible at the balance sheet date.

Financial Instruments - Amounts included within the Comprehensive Income and Expenditure Statement

The income, expense, gains and losses recognised in the Comprehensive Income and Expenditure Statement for the different categories of financial instruments were as follows:

Amortised Cost 2019/20 £M	Fair Value Through Profit or Loss 2019/20 £M	Total Financial Instruments 2019/20 £M		Amortised Cost 2020/21 £M	Fair Value Through Profit or Loss 2020/21 £M	Total Financial Instruments 2020/21 £M
(1.1)	(1.7)	(2.8)	Within Deficit/(Surplus) on Provision of Services			
			Interest and Investment Income	(0.3)	(1.9)	(2.2)
0.0	4.1	4.1	Net (Gain)/Loss on Revaluation of Investments	0.0	(5.6)	(5.6)
(1.1)	2.4	1.3	Total Income, Expense, Gains and Losses	(0.3)	(7.5)	(7.8)

Financial Instruments - Amounts included within the Cash Flow Statement

The interest income and expenditure figures in the table above include accruals. However, the Code requires the council to disclose the actual cash amounts of interest received and paid. In 2020/21 the council received £1.9M (£2.2M in 2019/20).

Financial Instruments - Nature and Extent of Risk

The council's investment activities expose it to a variety of financial risks. These include 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) and market risk (the possibility that losses may arise due to changes in interest rates and market prices).

The council's risk management on financial instruments (mainly investments) focuses on the credit risk and the unpredictability of financial markets and seeks to minimise the potential for adverse effects on the resources available to fund services.

Risk management in this area is carried out by a central treasury management team under policies approved by the council in the annual Treasury Management Strategy. The council has a policy for risk management, has adopted the Chartered Institute of Public Finance Accountants (CIPFA) Treasury Management Code of Practice and has set treasury management indicators to control financial instrument risks in accordance with the CIPFA Prudential Code of Practice. These indicators are monitored throughout the year and are reported periodically to the council's Audit and Accounts Committee, Cabinet and Full Council.

NOTES TO THE FINANCIAL STATEMENTS

7. FINANCIAL INSTRUMENTS (INCLUDING INVESTMENTS) (continued)

Credit Risk - Investments

Credit risk arises from all of the council's investments and some of the council's customers. These include service related debtors but exclude council tax and business rate debtors.

In order to reduce credit risk the council has transferred the assessment and management of credit selection to external fund managers via the use of highly diversified funds. The external fund managers have the necessary expertise and resources to manage credit risk in a more effective way than the council could do in-house. In-house investments are restricted to government backed instruments, other local authorities or overnight only deposits with highly rated banks. The council also has a policy of maintaining strict investment limits with any one counterparty.

The table below compares the percentage of the council's investment portfolio and cash and cash equivalents that was invested in each type of investment at the beginning and at the end of the year.

Indicative Credit Rating 31-Mar-20	% of Portfolio 31-Mar-20	Investment Instrument	Indicative Credit Rating 31-Mar-21	% of Portfolio 31-Mar-21	% Change
AA-	9%	Government Bonds (Gilts)	AA-	0%	-9%
A-	39%	Diversified Credit Funds	BBB+	44%	5%
A-	10%	Absolute Return Bond Funds	BBB	11%	1%
A+	21%	Local Authority Deposits	A+	0%	-21%
A+	7%	Bank Deposits	A+	2%	-5%
AAAm	7%	Money Market Funds	AAAm	36%	29%
N/A	7%	Property Funds	N/A	7%	0%

The average credit rating for the investment portfolio as a whole is A+ (A+ as at 31 March 2020), which is an indication of the level of credit risk in the investment portfolio.

The code requires the council to disclose the amount that best represents its maximum exposure to credit risk. The council has not had nor expects any default losses in relation to investments. Many of the council's investments are in financial instruments where the amount of credit risk is reflected in the market price of those investments.

Liquidity Risk - Investments

As at 31 March 2021 the council had £121.2M of cash and investments that could be realised within a 3 month period (£105.5M as at 31 March 2020). The council also has access to borrowing from the Public Works Loan Board (PWLb). This means there is no anticipated significant risk that the council will be unable to raise funds to meet its commitments even with the impact of the Covid-19 pandemic.

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

Liquidity Risk - Liabilities

The council has long term borrowing in the form of a loan from Enterprise M3 Local Enterprise Partnership which is repayable when there is additional business rates growth in the Basing View enterprise zone. The terms of the loan state that any remaining balance is renegotiable, not repayable, after 25 years. Therefore the liquidity risk to the council is negligible.

NOTES TO THE FINANCIAL STATEMENTS

7. FINANCIAL INSTRUMENTS (INCLUDING INVESTMENTS) (continued)

Market Risk (interest rates/prices/exchange rates) - Investments

The council mitigates the risk of its exposure to interest rate movements by having an interest rate risk reserve of £2.6M as at 31 March 2021 (£2.6M as at 31 March 2020) to accommodate any adverse changes in the year. The council also has a significant proportion (55% as at 31 March 2021) (49% as at 31 March 2020) of its investments in long term externally managed absolute return and diversified credit funds chosen for their low sensitivity to interest rate changes. The external fund managers have the necessary expertise and resources to manage interest rate risk in a more effective way than the council could do in-house.

In order to give some indication of the level of risk, a 1.0% change in the rate of return on the council's variable rate investments would have resulted in £1.14M of increased or decreased interest income in 2020/21 (£0.9M in 2019/20).

The council is exposed to changes in market prices for its bond investments and pooled investment funds. However, as the council has a policy of purchasing bonds with the intention of holding them to maturity and investing in external funds for the longer term, variations in market prices do not have an immediate financial impact on the council unless they are realised (i.e. investments are sold).

The council has no financial instruments denominated in foreign currencies and thus has no direct exposure to gains or losses arising from movements in exchange rates.

8. SHORT TERM DEBTORS

The council's short term debtors as at 31 March are summarised as follows:

31-Mar-20 £M		31-Mar-21 £M
2.6	Central Government	2.4
2.3	Other Local Authorities	6.0
4.4	Other Entities and Individuals (includes Property Rents and Housing Benefits Overpayments)	6.8
9.3	Total Short Term Debtors	15.2

Debtors are shown net of allowances for doubtful debts. The council has reviewed its judgements and estimates and increased these allowances in light of the economic conditions resulting from the Covid-19 pandemic and the various lockdowns affecting businesses in particular (see Notes 27 and 28). The council has an allowance for doubtful debts of £6.1M as at 31 March 2021 (£4.4M as at 31 March 2020) consisting mainly of an allowance for Housing Benefits overpayments of £2.5M (£2.8M as at 31 March 2020) and other allowances of £3.6M (£1.6M as at 31st March 2020).

Overall increase of £5.9M in short term debtors as at 31/03/21 mainly due to a prepayment to the Hampshire Local Government Pension Fund made in April 2020 for employer pension contributions in the period 2020/21 to 2022/23 where £2.7M is being held as a short term debtor representing the 2021/22 element (the third and final year amount of £2.7M in 2022/23 is held in Other Long Term Debtors). Other Entities and Individuals debtors have increased mainly due to a net increase of £2.5M in general and property related debtors.

NOTES TO THE FINANCIAL STATEMENTS

9. CASH AND CASH EQUIVALENTS

Cash equivalents include deposits and money market funds with financial institutions that are repayable, without penalty, on notice of not more than 30 days and are convertible to known amounts of cash with insignificant risk of change in value.

The main items included within Cash and Cash Equivalents were as follows:

31-Mar-20 £M		31-Mar-21 £M
0.0	Cash In Hand	0.1
9.0	Bank Current Account	1.9
0.0	Notice Deposits (Investments)	0.0
10.2	Money Market Funds (Investments)	46.5
19.2	Total Cash and Cash Equivalents	48.5

The movement in cash and cash equivalents during 2020/21 was an increase of £29.3M (£0.4M reduction in 2019/20). More details of the movements are shown in the Cash Flow Statement.

10. SHORT TERM CREDITORS

The council is required to categorise creditors as at 31 March as follows:

31-Mar-20 £M		31-Mar-21 £M
(13.8)	Central Government (includes net business rates)	(10.7)
0.0	Central Government - Covid-19 Grants (receipts in advance)	(4.4)
(6.9)	Other Local Authorities (includes council tax and business rates payable to precepting authorities)	(3.2)
(9.5)	Other Entities and Individuals (includes contractors deposits, capital works and receipts in advance)	(15.0)
(30.2)	Total Short Term Creditors	(33.3)

Overall increase in short term creditors of £3.1M. Central Government creditors have reduced mainly due to a £1.8M Business Rates Relief grant which was held as a receipt in advance as at 31 March 2020 before being applied in 2020/21, housing benefit subsidy of £2.0M which was due to be repaid to the Government as at 31/03/20 and an increase in business rates tax payers relief of £0.9M due to the Government as at 31 March 2021. Covid-19 grants received of £4.4M are being held as receipts in advance before being distributed in 2021/22. Local authority creditors as at 31 March 2020 included a payment of £2.2M from the Enterprise M3 Local Enterprise Partnership which was advanced early as a receipt in advance and from 1 April 2020 is being shown in Long Term Borrowing, there has been a reduction in the amounts owing to precepting authorities of £2.3M in respect of council tax and business rates and an increase in revenue creditors of £1.0M. Increases in year end creditors to Other Entities and Individuals in respect of capital creditors of £2.8M and revenue creditors of £2.1M.

11. PROVISIONS

Total provisions of £3.0M (£3.2M in 2019/20) consist of the council's share of the provision for appeals on business rates.

The provision for appeals on business rates includes the council's share of movements of £0.9M (£0.9M in 2019/20) of charges to the provision and £0.7M increase in provision (£0.1M decrease in 2019/20).

NOTES TO THE FINANCIAL STATEMENTS

12. NET BUSINESS RATES INCOME AND EXPENDITURE

The government funding arrangements allow the council to retain a proportion of the total £45.8M of business rates income in 2020/21 (£82.9M in 2019/20).

The income and expenditure relating to the council's share of business rates income was as follows:

2019/20 £M		2020/21 £M
	<u>Business Rates Income and Expenditure</u>	
(29.6)	Business Rate Income	(16.8)
(1.0)	Net Change in Provision Made for Business Rates Appeals	(0.2)
0.3	Change in Allowances for Doubtful Debt	0.1
(30.3)	Business Rates Income and Expenditure	(16.9)
	<u>Business Rates Grant Income and Expenditure</u>	
(2.1)	Business Rate Relief Grants from Government	(15.4)
27.0	Tariff Payment to Government	27.4
0.9	Levy to / (Safety net from) Government	0.5
25.8	Business Rates Grant Income and Expenditure	12.5
(4.5)	Total Retained Business Rates	(4.4)

13. GRANTS AND CONTRIBUTIONS INCOME / RECEIPTS IN ADVANCE

Government Grants

The council credited £65.0M in 2020/21 (£41.1M in 2019/20) in government grants to the Comprehensive Income and Expenditure Statement during the year. Details of these credits are shown below. The 2019/20 comparative amounts have been restated to move £0.1M grant income from Other Non-Ringfenced Grants to Non-Ringfenced Covid-19 Grants.

A summary of the government grants received is shown below followed by an analysis of the Covid-19 grants and Other Non-Ringfenced Grants

Restated 2019/20 £M		2020/21 £M
	Included in Cost of Services Specific Grants	
(35.1)	Housing Benefit and Discretionary Housing Payments	(33.0)
0.0	Covid-19 grants	(1.9)
(35.1)	Total Included in Cost of Services	(34.9)
(2.1)	Business Rates Grant Income (included in Note 12)	(15.4)
	Included in Taxation and Non-Specific Grant Income	
(0.1)	Other Non-Ringfenced Covid-19 Grants	(10.4)
(3.8)	Other Non-Ringfenced Grants	(4.3)
(3.9)	Total Included in Taxation and Non-Specific Grant Income	(14.7)
(41.1)	Total Government Grants	(65.0)

NOTES TO THE FINANCIAL STATEMENTS

13. GRANTS AND CONTRIBUTIONS INCOME / RECEIPTS IN ADVANCE (continued)

Restated 2019/20 £M		2020/21 £M
	Service Specific Covid-19 Grants (included in cost of services)	
0.0	Covid-19 Local Authority Compliance and Enforcement	(0.1)
0.0	Local Authority Discretionary Grant Fund	(1.0)
0.0	LRSO Open	(0.4)
0.0	Test and Trace	(0.1)
0.0	Contain Outbreak Management Fund	(0.2)
0.0	Other	(0.1)
0.0	Total Service Specific Covid-19 Grants	(1.9)
	Non Ringfenced Covid-19 Grants (included in taxation and non-specific grant income)	
0.0	Council Tax Hardship Funding Grant Income	(1.0)
(0.1)	Covid-19 LA Support Grant	(2.3)
0.0	BEIS Business Support Grant - ARG	(4.2)
0.0	Fees and Charges Support Grant	(2.1)
0.0	Emergency Assistance Grant	(0.1)
0.0	Clinically Extremely Vulnerable (CEV)	(0.3)
0.0	Council Tax - Income Tax Guarantee Scheme	(0.1)
0.0	Other (including new burdens grants)	(0.3)
(0.1)	Total Covid-19 Grants	(10.4)
	Other Non-Ringfenced Government Grants (included in Taxation and Non-Specific Grant Income)	
(2.1)	New Homes Bonus Grant	(3.1)
(0.4)	Housing Benefit Administration Grant	(0.4)
(0.9)	Garden Towns Capacity Funding	(0.4)
(0.4)	Other Non-Ringfenced Grants	(0.4)
(3.8)	Total Non-Ringfenced Government Grants	(4.3)

Additional grants of £35.8M were received from the Government as part of their response to the Covid-19 pandemic, where the council was deemed to be acting as an agent and so passing these funds onto the eventual beneficiaries. These transactions do not have an impact on the Statement of Accounts, except where they pass through the Cash Flow Statement and adjustments are made for creditors relating to grants not fully paid out at the balance sheet date.

Capital Grants and Contributions

The council credited £2.6M in 2020/21 (£5.8M in 2019/20) in capital grants and contributions to the Comprehensive Income and Expenditure Statement during the year. Details of these credits are shown below:

2019/20 £M		2020/21 £M
(1.4)	Disabled Facilities Grant	(1.6)
(3.5)	Basing View Regeneration (Enterprise M3 LEP)	0.0
(0.9)	Other Contributions	(1.5)
(5.8)	Total Capital Grants and Contributions	(3.1)

NOTES TO THE FINANCIAL STATEMENTS

13. GRANTS AND CONTRIBUTIONS INCOME / RECEIPTS IN ADVANCE (continued)

Grants and Contributions Receipts in Advance

The council has a number of grants and contributions receivable that have yet to be recognised as income as they have conditions attached to them that will, if not met, require the monies to be returned to the contributor. These mainly relate to section 106 developer contributions that have conditions in the form of time limits on them. The balances and movements on these were as follows:

2019/20 £M		2020/21 £M
(9.4)	Balance at the Start of the Year	(10.3)
	<u>Movements in Year</u>	
(2.4)	Amounts receivable (with conditions)	(1.0)
1.5	Amounts recognised as income	1.4
(10.3)	Balance at the End of the Year	(9.9)

14. PENSION SCHEME LIABILITY

Pension Scheme - Participation

As part of the terms and conditions of employment of its employees, the council offers retirement benefits. Although these benefits will not actually be payable until the 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 (LGPS) administered by Hampshire County Council. The scheme is a defined benefit plan with benefits earned up to 31 March 2014 linked to final salary and benefits earned after this date based on a career average earnings. The pension payments are also index linked. This is a funded scheme, meaning that the council and employees pay contributions into a fund, calculated at a level intended to balance the future pension obligations with pension assets (mainly investments).

The council has in the past made discretionary unfunded awards for early retirements which were termination benefits that impact on the council's future pension liability. These are unfunded defined benefit arrangements, under which liabilities are recognised when the awards are made. However, there are no investment assets built up to meet these pension liabilities and cash has to be generated to meet actual pension payments as they eventually fall due.

Pension Scheme - Operation and Risks

The pension scheme is operated under 'The Local Government Pension Scheme Regulations 2013' and 'The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014'. The governance of the scheme is the responsibility of the pension panel of Hampshire County Council. Policy is determined in accordance with the Pension Fund Regulations. The investment managers of the fund are appointed by the panel.

The principal risks to the council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme, changes in inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the council's General Fund the amounts required by statute as described in the accounting policies note.

NOTES TO THE FINANCIAL STATEMENTS

14. PENSION SCHEME LIABILITY (continued)

Pension Scheme - Transactions Relating to Retirement Benefits and Termination Benefits

The following transactions have been made in the financial statements during the year:

2019/20 £M		2020/21 £M
	Included in Cost of Services	
6.1	Current Service Costs	6.0
0.0	Past Service Costs	0.0
	Included in Financing and Investment Income and Expenditure	
2.0	Net Interest on Pension Liability	2.1
8.1	Sub Total Included in Provision of Services	8.1
	Included in Re-measurement of the Pension Liability	
	Actuarial losses/(gains)	
(6.6)	- due to change in financial assumptions	49.6
(6.0)	- due to change in demographic assumptions	0.0
6.0	- due to liability experience	(2.9)
9.5	Return on assets in excess of that recognised in net interest	(35.4)
2.9	Sub Total Included in Re-measurement of Liability	11.3
11.0	Total Included in Comprehensive Income and Expenditure Statement	19.4

2019/20 £M		2020/21 £M
	Movement in Reserves Statement (General Fund)	
(8.1)	Reversal of charges made for retirement benefits	(8.1)
4.5	Inclusion of employer's contributions payable (see below)	3.3
(3.6)	Total Included in Movement in Reserves Statement	(4.8)

The analysis of actual employers contributions payable is as follows:

2019/20 £M		2020/21 £M
4.1	Normal Funded Contributions	2.9
0.4	Discretionary / Unfunded Added Years Contributions	0.4
4.5	Total Employer Contributions	3.3

Pension Scheme - Assets and Liabilities Recognised in the Balance Sheet

2019/20 £M		2020/21 £M
(248.7)	Present value of the pension obligation*	(301.2)
156.9	Fair value of pension fund assets	193.3
(91.8)	Net Liability arising from Pension Obligation	(107.9)

*Includes a liability of £5.7M as at 31 March 2021 for discretionary and unfunded added years (£5.6M as at 31 March 2020).

As at the last valuation date the split of the pension obligation by category of members was 34% active members, 42% pensioners and 24% deferred pensioners.

NOTES TO THE FINANCIAL STATEMENTS

14. PENSION SCHEME LIABILITY (continued)

Pension Scheme - Movement in the Present Value of the Pension Obligation

The movement in the pension obligation for the year was as follows:

2019/20 £M		2020/21 £M
(251.2)	Opening pension obligation	(248.7)
(6.1)	Current service cost	(6.0)
0.0	Past service cost	0.0
(5.9)	Interest on pension obligation	(5.6)
(1.1)	Contributions by scheme participants	(1.2)
	Actuarial gains/(losses):	
6.6	- due to changes in financial assumptions	(49.6)
6.0	- due to changes in demographic assumptions	0.0
(6.0)	- due to liability experience	2.9
9.0	Benefits paid	7.0
(248.7)	Closing present value of pension obligation	(301.2)

Pension Scheme - Movement in the Fair Value of Pension Fund Assets

The movement in the fair value of assets for the year was as follows:

2019/20 £M		2020/21 £M
165.9	Opening fair value of assets	156.9
3.9	Interest Income on assets*	3.6
(9.5)	Re-measurement gains/(losses) on assets*	35.4
4.5	Contributions by the employer	3.2
1.1	Contributions by scheme participants	1.2
(9.0)	Benefits paid	(7.0)
156.9	Closing fair value of assets	193.3

*Actual Return on Scheme Assets

The actual return on scheme assets in the year was a gain of £39.0M (loss of £5.6M in 2019/20).

Pension Scheme - Impact on the Council's Cash Flow

The net liability will be made good by employee's and employer's contributions over the remaining working life of employees as assessed by the scheme actuary.

The Pension Fund's strategy is to achieve a fully funded scheme over the longer term. The latest annual review for 2019/20 identified that as at 31 March 2019 the scheme was 98.9% funded. The scheme will be reviewed again in 2021/22 when the funding level will be assessed again.

In April 2020, the council made a prepayment of £8.4M for future pension contributions in respect of the contributions due in 2020/21 and the next two financial years. The balance of the prepayment is recorded as a debtor in the balance sheet. The contributions relating to 2021/22 for funded benefits are expected to be £2.8M, and for unfunded benefits £0.4M.

NOTES TO THE FINANCIAL STATEMENTS

14. PENSION SCHEME LIABILITY (continued)

Pension Scheme - Basis for Estimating Assets and Liabilities

Pension fund liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years, dependent on assumptions about mortality rates, salary levels, etc. The funded scheme liabilities have been assessed by Aon Hewitt Limited, an independent firm of actuaries, being based on the latest full valuation of the funded scheme as at 31 March 2019. Valuations for unfunded elements were assessed by the actuary at 31 March 2021.

There are a number of recent legal judgements which have implications for the assets and liabilities of the LGPS and, where the effect of this is known or can be estimated, the actuary has taken these into account in its estimates. Where the legal judgements have not been finalised or accepted by the government, or the changes to the pension scheme have not yet been made, the actuary makes certain assumptions. These cases are referred to in the following:-

McCloud and Sargeant. These cases relate to age and sex discrimination and the outcomes reflect measures designed to redress any historical issues. Figures produced by Aon last year included a McCloud 'underpin' liability within the current service cost, together with an allowance within the balance sheet reflecting service since the scheme reforms (2014 in England and Wales). For accounting periods ending in 2021 Aon has adopted the same approach as last year, using a roll-forward method based on last year's results. Thus, Aon has assumed that the remedy will apply to all members in service on 1 April 2012, on retirement or prior withdrawal, and with extension to benefits payable to the dependants of those members. Figures have been calculated using an average cost factor for each individual active member based on their age, sex, and pensionable pay in the latest valuation data. This approach to valuing the McCloud remedy is closely aligned with the method proposed by MHCLG in its consultation last year.

Goodwin. In June 2020 an Employment Tribunal ruled, in relation to the Teachers' Pension Scheme, that provisions for survivor's benefits of a female member in an opposite sex marriage are less favourable than for a female in a same sex marriage or civil partnership, and that treatment amounts to direct discrimination on grounds of sexual orientation. The chief secretary to the Treasury announced in a written ministerial statement on 20 July 2020 that he believed that changes would be required to other public service pension schemes with similar arrangements. Those changes are yet to be reflected in the LGPS Regulations. However, Aon expects that the Goodwin judgement will add around 0.2% (and no more than 0.5%) to the defined benefit obligation for a typical employer, depending on the employer's membership profile. This has not been provided for in the calculations for 2020/21 on grounds of materiality.

Guaranteed Minimum Pension (GMP). This relates to equalisation and indexation of benefits. Aon's approach has been to value full CPI inflation pension increases on GMPs of members whose State Pension Age is on or after 6 April 2016. This is an approximate method of recognising the cost of the Government's commitment to compensate public service scheme members from the removal of the Additional Pension element of the State Pension from this date, and for the outcome of the Lloyds judgement which found GMPs to be illegally sex discriminatory. HM Government has consulted on its approach to compensating affected members and, whilst the final remedy arising from that consultation may be different to the method which was used for accounting in 2021, Aon expect the outcome will include extension of full indexation for many of the members who are yet to be compensated and therefore expect their approach to be a reasonable estimate.

Pension Scheme - Assumptions

The main assumptions used in the actuary's calculations were:

31-Mar-20 Funded	31-Mar-20 Un-funded		31-Mar-21 Funded	31-Mar-21 Un-funded
2.3%	2.3%	General assumptions (per annum):		
3.0%	n/a	Rate for discounting scheme liabilities	2.1%	2.1%
2.0%	2.0%	Rate of Increase in Salaries	3.7%	n/a
		Rate of Increase to pensions in payment	2.7%	2.7%

NOTES TO THE FINANCIAL STATEMENTS

14. PENSION SCHEME LIABILITY (continued)

The main assumptions relating to the split of pension fund assets were:

31-Mar-20 Quoted	31-Mar-20 Un-quoted		31-Mar-21 Quoted	31-Mar-21 Un-quoted
		Assumed Split of Pension Fund Assets		
44.1%	8.6%	Equities	49.4%	7.6%
21.8%	0.0%	Government Bonds	17.3%	0.0%
0.8%	6.5%	Property	0.8%	5.3%
0.0%	0.0%	Corporate Bonds	0.0%	0.0%
2.0%	0.0%	Cash	1.4%	0.0%
14.1%	2.1%	Other Assets	15.9%	2.3%

The basis for the overall expected return is a weighted average of the individual expected returns on each class of assets.

As well as the financial assumptions above, actuaries have made the following assumptions based on recent experience and allowing for reductions in expected future mortality:

31-Mar-20		31-Mar-21
	Mortality Assumptions (measured in years):	
	Future lifetime at 65 for current pensioners	
23.0	Male	23.1
25.5	Female	25.5
	Future lifetime at 65 for future pensioners (currently 45)	
24.7	Male	24.8
27.2	Female	27.3

The assumption for the take up of commutation (converting pension to a lump sum) is based on 70% of the maximum for 2020/21 (70% in 2019/20).

Pension Scheme - Sensitivity of Actuarial Assumptions

The table below shows the sensitivity of the actuarial assumptions and what impact a 0.1% change would have for each of the assumptions.

	Change +/-	Impact on Net Liability +/-	Impact on Projected Service Costs +/-
Discount rate assumption	+0.1%	-£5.9M	-£0.3M
	-0.1%	£6.2M	£0.3M
Rate of Increase in Salaries	+0.1%	£0.6M	£0.0M
	-0.1%	-£0.6M	-£0.0M
Rate of Increase to pensions in payment and	+0.1%	£5.6M	£0.3M
	-0.1%	-£5.3M	-£0.3M
Mortality Assumptions	-1 year	£10.6M	£0.4M
	+1 year	-£10.3M	-£0.3M

NOTES TO THE FINANCIAL STATEMENTS

15. USABLE RESERVES

Usable reserves are reserves that the council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations (for example the Capital Receipts Reserve can only be used to fund capital expenditure).

The balances and movements on usable reserves for 2019/20 are shown below:

	General Fund Reserves £M	Capital Receipts Reserve £M	Capital Grants & Contrib - utions Reserve £M	Total Usable Reserves £M
Balance as at 31 March 2019	(41.3)	(74.6)	(0.5)	(116.4)
(Surplus)/Deficit on provision of services	7.8	0.0	0.0	7.8
Total comprehensive income and expenditure	7.8	0.0	0.0	7.8
Adjustments between accounting basis and funding basis under regulations:				
Depreciation and amortisation of long term assets	(3.6)	0.0	0.0	(3.6)
Revaluation of property, plant and equipment	(0.3)	0.0	0.0	(0.3)
Revaluation of investment property	1.4	0.0	0.0	1.4
Investment property written out (disposals)	0.0	0.0	0.0	0.0
Intangible assets written out	(0.5)	0.0	0.0	(0.5)
Proceeds from investment property disposals	0.0	0.0	0.0	0.0
Proceeds from PPE asset disposals	0.1	(0.1)	0.0	0.0
Revaluation of financial instruments	(0.6)	0.0	0.0	(0.6)
Revaluation of pooled fund investments	(3.5)	0.0	0.0	(3.5)
Revenue expenditure funded from capital under statute	(4.5)	0.0	0.0	(4.5)
Pension costs adjustment	(3.6)	0.0	0.0	(3.6)
Capital expenditure charged to the general fund (financing)	4.5	0.0	0.0	4.5
Capital repayments (loans/grants)	0.0	(0.6)	0.0	(0.6)
Capital grants and contributions unapplied	4.5	0.0	(4.5)	0.0
Capital grants and contributions applied (financing)	0.0	0.0	3.8	3.8
Capital receipts applied (financing)	0.0	17.1	0.0	17.1
Other statutory adjustments	3.4	0.0	0.0	3.4
Total adjustments between accounting basis and funding basis under regulations	(2.7)	16.4	(0.7)	13.0
Net (increase)/decrease	5.1	16.4	(0.7)	20.8
Balance as at 31 March 2020	(36.2)	(58.2)	(1.2)	(95.6)

NOTES TO THE FINANCIAL STATEMENTS

15. USABLE RESERVES (continued)

The balances and movements on usable reserves for 2020/21 are shown below:

	General Fund Reserves £M	Capital Receipts Reserve £M	Capital Grants & Contrib - utions Reserve £M	Total Usable Reserves £M
Balance as at 31 March 2020	(36.2)	(58.2)	(1.2)	(95.6)
(Surplus)/Deficit on provision of services	(4.3)	0.0	0.0	(4.3)
Total comprehensive income and expenditure	(4.3)	0.0	0.0	(4.3)
Adjustments between accounting basis and funding basis under regulations:				
Depreciation and amortisation of long term assets	(3.4)	0.0	0.0	(3.4)
Revaluation of property, plant and equipment	(0.7)	0.0	0.0	(0.7)
Revaluation of investment property	(1.0)	0.0	0.0	(1.0)
Investment property written out (disposals)	(2.0)	0.0	0.0	(2.0)
Intangible assets written out	0.0	0.0	0.0	0.0
Proceeds from investment property disposals	2.3	(2.3)	0.0	0.0
Proceeds from PPE asset disposals	0.1	(0.1)	0.0	0.0
Revaluation of financial instruments	1.4	0.0	0.0	1.4
Revaluation of pooled fund investments	4.2	0.0	0.0	4.2
Revenue expenditure funded from capital under statute	(3.3)	0.0	0.0	(3.3)
Pension costs adjustment	(4.8)	0.0	0.0	(4.8)
Capital expenditure charged to the general fund (financing)	4.0	0.0	0.0	4.0
Capital repayments (loans/grants)	0.0	(0.6)	0.0	(0.6)
Capital grants and contributions unapplied	2.1	0.0	(2.1)	0.0
Capital grants and contributions applied (financing)	0.0	0.0	1.4	1.4
Capital receipts applied (financing)	0.0	15.8	0.0	15.8
Other statutory adjustments	(12.1)	0.0	0.0	(12.1)
Total adjustments between accounting basis and funding basis under regulations	(13.2)	12.8	(0.7)	(1.1)
Net (increase)/decrease	(17.5)	12.8	(0.7)	(5.4)
Balance as at 31 March 2021	(53.7)	(45.4)	(1.9)	(101.0)

Available Resources

The table above shows the reserves that the Code defines as "usable". However, the council has already decided to invest some of these reserves either in property related or treasury investments or in order to earn interest income to support the annual revenue budget rather than make them available to spend. The estimated amount of usable reserves that are available to spend is £62.2M as at 31 March 2021 (£61.0M as at 31 March 2020). In addition to these available funds the council also has £9.9M as at 31 March 2021 (£10.3M as at 31 March 2020) of developers' contributions (shown as long term liabilities) that are also available, resulting in £72.1M of resources that are available to fund future spending plans as at 31 March 2021 (£71.3M as at 31 March 2020). The MTF period to 2024/25 already includes a planned capital programme spend of £57.3M which will be largely funded from the council's usable reserves.

NOTES TO THE FINANCIAL STATEMENTS

15. USABLE RESERVES (continued)

Usable Reserves - Descriptions and Purpose

General Fund Reserves - General Fund reserves consist of earmarked revenue reserves and a General Fund Balance Reserve.

Earmarked Revenue Reserves - These are reserves that are earmarked to fund specific items in the future. There are four types of earmarked revenue reserves; those set aside to fund future capital expenditure, risk reserves, those set aside to fund specific future revenue expenditure and those invested to earn interest to support specific future revenue expenditure.

General Fund Balance Reserve - This represents the council's working balance and is effectively a general reserve that is available for unforeseen events.

The movement and balance for each of the General Fund reserves is shown below:

From/(To) Reserve 2019/20 £M	Balance 31-Mar-20 £M	General Fund Reserves	From/(To) Reserve 2020/21 £M	Balance 31-Mar-21 £M
		Reserves for Future Capital Expenditure		
2.0	(5.0)	Revenue Reserve for Capital Purposes (General)	0.1	(4.9)
1.1	(1.3)	Revenue Reserve for Capital Purposes (AMP Works)	0.6	(0.7)
0.1	(0.5)	Revenue Reserve for Capital Purposes (Green Investment)	0.2	(0.3)
0.9	(1.5)	Manydown Reserve (former Housing Reserve - Manydown)	(0.6)	(2.1)
0.9	(3.2)	Local Infrastructure Fund (LIF) Reserve	0.5	(2.7)
0.0	(0.1)	Basing View Reserve	0.0	(0.1)
		Risk Reserves		
0.4	(2.3)	Rent Risk Reserve	0.0	(2.3)
(0.1)	(2.6)	Interest Rate Risk Reserve	0.0	(2.6)
2.0	(1.5)	Business Rate Risk Reserve	(11.9)	(13.4)
(1.7)	(5.8)	MTFS Risk Reserve	(1.0)	(6.8)
0.0	(0.3)	Other Risk Reserves	0.0	(0.3)
		Reserves for Future Revenue Expenditure		
0.1	(0.3)	Invest to Grow Reserve	0.0	(0.3)
(1.9)	(3.0)	Efficiency, Transformation and Digital Reserve	(1.3)	(4.3)
0.6	0.0	Government Grants Unapplied Reserve	0.0	0.0
0.6	(0.3)	Budget Carry Forward Reserve	(0.2)	(0.5)
(0.1)	(0.4)	Housing and Homelessness Reserve	(0.2)	(0.6)
0.0	0.0	Economic Recovery Fund Reserve	(1.0)	(1.0)
0.0	0.0	Climate Change Reserve	(2.0)	(2.0)
0.0	0.0	Covid--19 Grants Carry Forward Reserve	(0.9)	(0.9)
0.0	(0.2)	Other Earmarked Revenue Reserves	0.0	(0.2)
		Reserves Invested to Earn Interest		
0.2	(6.4)	Commutated Sums Reserve	0.2	(6.2)
0.0	(1.5)	General Fund Balance (Unearmarked)	0.0	(1.5)
5.1	(36.2)	Total General Fund Reserves	(17.5)	(53.7)

Capital Receipts Reserve - This represents the accumulated capital receipts (proceeds from the disposal of long term assets) that are available to finance any future capital expenditure.

Capital Grants and Contributions Reserve - This represents the accumulated capital grants and contributions that are available to finance any future capital expenditure.

NOTES TO THE FINANCIAL STATEMENTS

15. USABLE RESERVES (continued)

The purpose of each of the earmarked reserves held at 31 March 2021 is shown below:

Revenue Reserve for Capital Purposes (General) - To provide resources for current and future capital expenditure.

Revenue Reserve for Capital Purposes (Asset Management Plan Works - AMP) - To provide resources for the Asset Management Plan and property portfolio future capital expenditure.

Revenue Reserve for Capital Purposes (Green Investment) - To provide resources for future green investment.

Manydown Reserve - To provide funds to support the development of Manydown utilising New Homes Bonus grant.

Local Infrastructure Fund (LIF) Reserve - To provide enhanced funding for local community infrastructure utilising New Homes Bonus grant.

Basing View Reserve - To provide resources for Basing View Regeneration.

Rent Risk Reserve - To provide funds to cover the risk of not achieving the required amount of rent income from the council's investment property assets to support the revenue budget.

Interest Risk Reserve - To provide funds to cover the risk of not achieving the required amount of interest income from the council's investments to support the revenue budget.

Business Rate Risk Reserve - To cover the increased risk and volatility from the impact of the localisation of business rates.

MTFS Risk Reserve - To cover the increased risk and volatility from legislative and statutory changes and delays or failure to achieve future years savings or income targets.

Other Risk Reserves - Includes the insurance risk reserve to provide funds to cover the risk of future payments to Municipal Mutual Insurance Company resulting from future claims.

Invest to Grow Reserve - To provide resources to finance the revenue implications of the time delay between capital spend on the council's invest to grow capital schemes and the eventual receipt of financial returns.

Efficiency, Transformation and Digital Reserve - To meet one-off costs of implementing the efficiency and savings strategy and the digital transformation programme.

Government Grants Unapplied Reserve - To deal with the accounting and timing issues of when government grants are received.

Budget Carry Forward Reserve - To provide funds for items that were budgeted for in the year that will not be spent until the following year.

Housing and Homelessness Reserve - To provide additional revenue funding to help the council deal with its statutory housing duties towards homelessness and vulnerable people.

Economic Recovery Fund Reserve - To provide funding to support and progress the Economic Recovery Framework Action Plan for the borough.

Climate Change Reserve - To provide additional resources to support the council's response to the Climate Change Emergency.

Other Earmarked Reserves:

Operational Asset Maintenance Reserve - To provide resources to meet revenue costs associated with the IT, Property and vehicle maintenance programmes that cannot be met from within existing budgets.

Neighbourhood Planning Reserve - To provide resources to meet revenue costs associated with neighbourhood planning, utilising the government's neighbourhood planning grants.

Economic Development and Council Priorities Reserve - To provide resources to meet revenue costs associated with economic development.

Commuted Sums Reserve - To provide funds for the future maintenance of specific areas of land and play areas adopted by the council arising from developer's planning obligations.

General Fund Balance - To provide funds to cushion the effect of any unexpected events.

NOTES TO THE FINANCIAL STATEMENTS

16. UNUSABLE RESERVES

Unusable reserves are reserves that are not available to the council to provide services because they generally relate to unrealised gains or losses on assets and liabilities.

The balances and movements on unusable reserves in 2019/20 are shown below:

	Pension Scheme Reserve £M	Asset Revaluation Reserve £M	Capital Adjustment Account £M	Statutory Adjustment Accounts £M	Total Unusable Reserves £M
Balance as at 31 March 2019	85.3	(32.7)	(357.9)	2.7	(302.6)
Other comprehensive income and expenditure					
(Surplus)/Deficit on revaluation of non current assets	0.0	(1.7)	0.0	0.0	(1.7)
Actuarial loss/(gain) on pension fund assets and liabilities	2.9	0.0	0.0	0.0	2.9
Total comprehensive income and expenditure	2.9	(1.7)	0.0	0.0	1.2
Adjustments between accounting basis and funding basis under regulations:					
Depreciation and amortisation of long term assets	0.0	0.0	3.6	0.0	3.6
Revaluation of property, plant and equipment	0.0	0.0	0.3	0.0	0.3
Revaluation of investment property	0.0	0.0	(1.4)	0.0	(1.4)
Revaluation of pooled fund investments	0.0	0.0	0.6	3.5	4.1
Investment Property written out (disposals)	0.0	0.0	0.0	0.0	0.0
Intangible assets written out	0.0	0.0	0.5	0.0	0.5
Revenue expenditure funded from capital under statute	0.0	0.0	4.5	0.0	4.5
Pension costs adjustment	3.6	0.0	0.0	0.0	3.6
Capital expenditure charged to the general fund (financing)	0.0	0.0	(4.5)	0.0	(4.5)
Capital repayments (loans/grants)	0.0	0.0	0.6	0.0	0.6
Capital grants and contributions applied (financing)	0.0	0.0	(3.8)	0.0	(3.8)
Capital receipts applied (financing)	0.0	0.0	(17.1)	0.0	(17.1)
Other statutory adjustments	0.0	1.3	(1.3)	(3.4)	(3.4)
Total adjustments between accounting basis and funding basis under regulations	3.6	1.3	(18.0)	0.1	(13.0)
Net decrease/(increase) in 2019/20	6.5	(0.4)	(18.0)	0.1	(11.8)
Balance as at 31 March 2020	91.8	(33.1)	(375.9)	2.8	(314.4)

NOTES TO THE FINANCIAL STATEMENTS

16. UNUSABLE RESERVES (continued)

The balances and movements on unusable reserves in 2020/21 are shown below:

	Pension Scheme Reserve £M	Asset Revaluation Reserve £M	Capital Adjustment Account £M	Statutory Adjustment Accounts £M	Total Unusable Reserves £M
Balance as at 31 March 2020	91.8	(33.1)	(375.9)	2.8	(314.4)
Other comprehensive income and expenditure					
(Surplus)/Deficit on revaluation of non current assets	0.0	5.5	0.0	0.0	5.5
Actuarial loss/(gain) on pension fund assets and liabilities	11.3	0.0	0.0	0.0	11.3
Total comprehensive income and expenditure	11.3	5.5	0.0	0.0	16.8
Adjustments between accounting basis and funding basis under regulations:					
Depreciation and amortisation of long term assets	0.0	0.0	3.4	0.0	3.4
Revaluation of property, plant and equipment	0.0	0.0	0.7	0.0	0.7
Revaluation of investment property	0.0	0.0	1.0	0.0	1.0
Revaluation of pooled fund investments	0.0	0.0	(1.4)	(4.2)	(5.6)
Investment Property written out (disposals)	0.0	0.0	2.0	0.0	2.0
Intangible assets written out	0.0	0.0	0.0	0.0	0.0
Revenue expenditure funded from capital under statute	0.0	0.0	3.3	0.0	3.3
Pension costs adjustment	4.8	0.0	0.0	0.0	4.8
Capital expenditure charged to the general fund (financing)	0.0	0.0	(4.0)	0.0	(4.0)
Capital repayments (loans/grants)	0.0	0.0	0.6	0.0	0.6
Capital grants and contributions applied (financing)	0.0	0.0	(1.4)	0.0	(1.4)
Capital receipts applied (financing)	0.0	0.0	(15.8)	0.0	(15.8)
Other statutory adjustments	0.0	1.2	(1.2)	12.1	12.1
Total adjustments between accounting basis and funding basis under regulations	4.8	1.2	(12.8)	7.9	1.1
Net decrease/(increase) in 2020/21	16.1	6.7	(12.8)	7.9	17.9
Balance as at 31 March 2021	107.9	(26.4)	(388.7)	10.7	(296.5)

NOTES TO THE FINANCIAL STATEMENTS

16. UNUSABLE RESERVES (continued)

Unusable Reserves - Descriptions and Purpose

Pension Scheme Reserve

The Code requires the net liability of the council's share in its employees' pension fund to be recognised in the financial statements and this gives rise to a Pension Scheme Reserve.

The debit balance on the Pension Scheme Reserve shows a substantial shortfall in the benefits earned by past and current employees and the resources the council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

Asset Revaluation Reserve

The purpose of this reserve is to reflect movements in the council's Property, Plant and Equipment and Heritage assets resulting from revaluations. The reserve contains only revaluation gains accumulated since 1 April 2007, the date the reserve was created. Accumulated gains arising before that date are consolidated in the Capital Adjustment Account.

Capital Adjustment Account

The purpose of this account is to record capital amounts used to finance capital expenditure, the write down of assets on disposal and adjustments made to the Comprehensive Income and Expenditure Statement relating to capital items.

Statutory Adjustment Accounts

These consist of three adjustment accounts:

- ♦ **Collection Fund Adjustment Account**
This represents the council's share of Council Tax and Business Rates within the Collection Fund Balance.
- ♦ **Paid Absences Adjustment Account**
This represents the reversal of the accrual for paid 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 subsequent level of council tax.
- ♦ **Financial Instruments Adjustment Account**
This represents the reversal of the fair value gains and losses on pooled investment funds (non-capital) that are charged to the General Fund in the first instance, but are then reversed to this account using a government issued statutory override.

17. RELATED PARTY TRANSACTIONS

The council is required to disclose material transactions with related parties. Related parties are bodies or individuals that have the potential to control or significantly influence the council or to be controlled or significantly influenced by 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 a significant amount of its funding in the form of grants and it prescribes the terms of many of the transactions the council has with other parties (e.g. housing benefits). Details of funding transactions with UK government departments in the form of grants and contributions are set out in Notes 12 and 13.

The council entered into a joint venture partnership (Manydown Garden Communities LLP – MGC LLP) with Hampshire County Council in August 2018 to work together with a private sector master developer to create a new development of up to 3,520 homes to the southwest of Basingstoke. As part of this development, MGC LLP became a partner in the Manydown Development Vehicle LLP (MDV LLP) in July 2020, a partnership with Manydown Investco LLP (a joint venture between The Wellcome Trust and Urban and Civic). The council had a loan receivable balance from MGC LLP of £0.293M as at 31 March 2021 (£0.177M at 31 March 2020) and a loan receivable from MDV LLP of £1.365M as at 31 March 2021 (£Nil as at 31 March 2020).

NOTES TO THE FINANCIAL STATEMENTS

17. RELATED PARTY TRANSACTIONS (continued)

Members of the council have direct control over the council's financial and operating policies. During 2020/21 and 2019/20, other than the Council Members' Allowances shown in Note 20, there were no related party transactions between the council and Council Members. Any declarations of interest are recorded in the Register of Members' Interests which is open to public inspection.

Chief Officers have the ability to influence the council. During 2020/21 and 2019/20, other than the Senior Employees' Remuneration shown in Note 23, there were no related party transactions between the council and Chief Officers.

The council holds funds on behalf of parish councils in the form of temporary loans but does not have a controlling influence over them.

18. AGENCY SERVICES

The council undertakes work on an agency basis for Hampshire County Council. The work includes grass cutting, traffic management and highways planning. The total reimbursable expenditure for 2020/21 was £0.3M (£0.3M in 2019/20).

The council also undertakes work on an agency basis for Hart District Council. The work includes legal services, customer services, grounds maintenance, street cleansing, licensing and internal audit. The total reimbursable expenditure for 2020/21 was £1.7M (£1.6M in 2019/20).

19. EXTERNAL AUDIT COSTS

The council incurred the following fees relating to the appointed external auditors:

Restated 2019/20 £'000		Estimated 2020/21 £'000
	Ernst & Young LLP	
42.8	External Audit Services	42.9
56.9	Additional Audit Fees in respect of 2019/20	0.0
0.0	Additional Audit Fees in respect of 2017/18 and 2018/19	10.0
	KPMG	
8.0	Certification of Grant Claims and Returns	7.0
	Cabinet Office	
0.0	National Fraud Initiative (biennial)	2.5
107.7	Total External Audit Costs	62.4

The 2019/20 costs have been restated to include additional scale fee variations that have been proposed by Ernst and Young LLP. At the time of issuing the draft accounts discussions between the council and the PSAA (Public Sector Audit Appointments Ltd) have yet to take place to confirm the final fees.

20. COUNCIL MEMBERS' ALLOWANCES

The total sum paid directly to Council Members for allowances and travelling in 2020/21 was £634,604 (£628,295 in 2019/20).

A detailed breakdown of allowances paid to individual Councillors can be found on the council's website www.basingstoke.gov.uk.

NOTES TO THE FINANCIAL STATEMENTS

21. EMPLOYEES' REMUNERATION

Information relating to employees' remuneration is required to be published in accordance with the Accounts and Audit (England) Regulations 2015. This note gives the number of employees whose remuneration was equal to or more than £50,000 and includes senior employees remuneration. For this purpose remuneration includes gross pay, all taxable benefits and termination benefits but excludes employer pension contributions.

Total Employees 2019/20	Remuneration Band	Total Employees 2020/21
16	£50,000 - £54,999	17
19	£55,000 - £59,999	17
6	£60,000 - £64,999	4
4	£65,000 - £69,999	9
2	£70,000 - £74,999	5
2	£75,000 - £79,999	1
0	£80,000 - £84,999	1
0	£85,000 - £89,999	0
0	£90,000 - £94,999	1
3	£95,000 - £99,999	0
1	£100,000 - £104,999	3
0	£105,000 - £109,999	2
0	£110,000 - £114,999	0
0	£115,000 - £119,999	0
0	£120,000 - £124,999	0
0	£125,000 - £129,999	1
0	£130,000 - £134,999	0
0	£135,000 - £139,999	0
0	£140,000 - £144,999	0
1	£145,000 - £149,999	0
54		61

22. REDUNDANCY AND EXIT PACKAGES

The Code requires information relating to redundancies and exit packages to be disclosed. This note gives the number of redundancies and exit packages. For this purpose, exit packages include compulsory and voluntary redundancy costs, pension contributions in respect of added years, ex-gratia payments and other departure costs.

The council terminated the contracts of 6 employees in 2020/21 incurring liabilities of £79,371 (6 being in the £0 to £40,000 cost band) Of the 6 terminations, 4 were compulsory. In 2019/20 the comparable figures were 4 employees incurring liabilities of £40,189 (4 being in the £0 to £40,000 cost band). Of the 4 terminations in 2019/20, 4 were compulsory.

There were additional pension costs of £34,612 in 2020/21 (£0 in 2019/20) payable to the pension fund for early retirements as a result of redundancy.

23. SENIOR EMPLOYEES' REMUNERATION

Information relating to individual senior employees' remuneration is required to be published under the Accounts and Audit (England) Regulations 2015. This note gives the details of salary, allowances, benefits in kind and pension payments for individual senior employees during 2020/21 (as defined in the regulations) whose salary was £50,000 or more and comparative figures for payments made to those employees in the previous year (where applicable).

NOTES TO THE FINANCIAL STATEMENTS

23. SENIOR EMPLOYEES' REMUNERATION (continued)

Salary, Allowances & Benefits in Kind 2019/20 £	Pension Payments 2019/20 £	Total 2019/20 £	Senior Employee Position	Salary, Allowances & Benefits in Kind 2020/21 £	Pension Payments 2020/21 £	Total 2020/21 £
149,028	23,260	172,288	Chief Executive (note 1)	68,872	10,948	79,820
0	0	0	Chief Executive (note 2)	46,505	7,940	54,445
0	0	0	Chief Executive (note 3)	33,589	5,750	39,339
59,551	9,221	68,772	Executive Director of Borough Development and Deputy Chief Executive (note 4)	82,340	14,058	96,398
0	0	0	Executive Director of Borough Development and Deputy Chief Executive (Acting) (note 5)	34,852	5,972	40,824
99,230	14,350	113,580	Executive Director of Residents' Services (note 6)	104,120	16,611	120,731
104,406	16,071	120,477	Executive Director of Corporate Services (Section 151 Officer) (note 7)	108,894	18,468	127,362
97,749	15,149	112,898	Project Director (Manydown)	100,302	17,106	117,408
99,478	15,390	114,868	Project Director (Basing View and Commercial) (note 8)	69,124	11,845	80,969
67,716	10,420	78,136	Legal Services Manager and Interim Monitoring Officer (note 9)	7,831	959	8,790
0	0	0	Head of Law and Governance and Monitoring Officer (note 10)	90,065	15,354	105,419
30,269	4,633	34,902	Head of Human Resources, Communications and Policy (note 11)	74,999	12,650	87,649
0	0	0	Head of Planning, Sustainability and Infrastructure (note 12)	71,839	12,104	83,943
77,643	11,912	89,555	Head of Environmental Services (note 13)	81,284	13,726	95,010
78,770	12,093	90,863	Head of Financial Services (note 14)	28,412	4,764	33,176
0	0	0	Head of Financial Services and Commercialisation (note 15)	20,623	3,486	24,109

Notes:

1. Left on 31/08/2020
2. From 01/09/2020 to 03/01/2021. Seconded from post of Executive Director of Borough Development and Deputy Chief Executive.
3. Started 04/01/2021
4. Started on 01/10/2019. Seconded to Chief Executive from 01/09/2020 to 03/01/2021 (See note 2).
5. From 01/09/2020 to 03/01/2021. Seconded from post of Project Director (Basing View & Commercial)
6. Post was previously entitled 'Executive Director of Borough Services' in 2019/20.
7. Post was previously entitled 'Executive Director of Finance and Resources' in 2019/20.
8. To 30/08/20 and from 03/03/21. (See note 5)
9. The postholder was Interim Monitoring Officer to 03/05/2020.
10. Started 04/05/2020
11. Started on 04/11/2019. Post was previously entitled 'Head of Human Resources and Organisational Development'
12. Started 21/04/2020.
13. Employee started as Head of Environmental Services on 18/02/2020 having previously been Interim Head of Environmental Services.
14. Left 03/08/2020
15. Started 01/01/2021. Previously was Interim Head of Financial Services and Commercialisation; provided by an agency.

Interim senior officer posts provided by agencies

In addition to the senior employees listed above, the council made payments to an agency totalling £89,986 in 2020/21 (£0 in 2019/20) for an Interim Head of Financial Services and Commercialisation.

In addition to the senior employees listed above, the council made payments to an agency totalling £176,669 in 2020/21 for a Head of Borough Development and Implementation.

NOTES TO THE FINANCIAL STATEMENTS

24. INTEREST IN COMPANIES AND OTHER ENTITIES

The council reviews annually any interests in companies and other entities for financial relationships which would require the council to produce Group Accounts. The council entered into a Joint venture partnership (Manydown Garden Communities LLP – MGC LLP) with Hampshire County Council in August 2018 to work together with a private sector master developer to create a new development of up to 3,520 homes to the southwest of Basingstoke. As part of this development, MGC LLP became a partner in the Manydown Development Vehicle LLP (MDV LLP), a partnership with Manydown Investco LLP (a joint venture between The Wellcome Trust and Urban and Civic). No Group Accounts have been prepared as the transactions between the parties are not yet material, but this will be kept under review as the partnerships and development progress. (See note 17: Related Parties)

25. SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies were reviewed by the Executive Director of Corporate Services (Section 151 Officer) in March 2021.

25.1 Basis of Preparation

The Accounts and Audit Regulations 2015 require the council to prepare a Statement of Accounts for each financial year in accordance with proper accounting practices. For 2020/21, these proper accounting practices principally comprise:

- (i) The Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code)
- (ii) The Local Authorities (Capital Finance and Accounting)(England) Regulations 2003 (SI 2003 No 3146, as amended) (the 2003 Regulations)

The Statement of Accounts is prepared using the going concern and accruals bases. The historical cost convention has been applied, modified by the fair valuation of the following material categories of non-current assets and financial instruments:

Class of Assets	Measurement Basis
Property, Plant and Equipment: Land and Buildings	Current Value Where prices for comparable properties are available in an active market, the current value of properties are measured at Market Value taking into account the existing use. Where no market exists or the property is specialised, current value is measured at Depreciated Replacement Cost (DRC).
Investment Properties	Fair value
Financial Instruments - Fair Value Through Profit or Loss	Fair value
Pensions Assets	Fair value

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

The Statement of Accounts is adjusted to reflect events after 31 March 2021 and before the date the Statement was authorised for issue only where the events provide evidence of conditions that existed at 31 March 2021.

All accounting policies are applied consistently. In applying the accounting policies the council has to make judgements and these are set out in a separate note to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

25.2 Adjustments between Accounting Basis and Funding Basis

The amounts shown in Comprehensive Income and Expenditure Statement (CIES) are on the basis of proper accounting practice. However, the resources available to the council in any financial year and the expenses that are charged against those resources are specified by statute (the 2003 Regulations). Where the statutory provisions differ from the accounting basis used in the CIES, adjustments to the accounting treatment are made in the Movement in Reserves Statement (MiRS) so that usable reserves reflect the statutory funding available at the year end.

Unusable reserves are used to manage the differences between the accounting and statutory funding bases. The material adjustments are:

Expense	Proper Accounting Basis in CIES	Statutory Funding Basis in MiRS	Unusable Reserve (used for differences)
Property, Plant and Equipment	Depreciation and revaluation/impairment losses	Revenue provision to cover historical cost determined in accordance with the 2003 Regs	Capital Adjustment Account
Investment Properties	Movements in fair value	Revenue provision to cover historical cost determined in accordance with the 2003 Regs	Capital Adjustment Account
Revenue Expenditure Funded from Capital under Statute	Expenditure incurred in year	Revenue provision to cover historical cost determined in accordance with the 2003 Regs	Capital Adjustment Account
Capital Grants and Contributions	Grants that became unconditional in year or were received in year without conditions	No credit	Capital Grants Unapplied Reserve (amounts unapplied at year end) Capital Adjustment Account (other amounts)
Long Term Asset Disposals	Gain or loss based on sale proceeds less carrying amount of asset (net of costs of disposal)	No charge or credit	Capital Adjustment Account (carrying amount) Capital Receipts Reserve (sale proceeds and costs of disposal)
Financial Instruments	Movements in the fair value of investments in pooled funds	Historical cost gains/losses for pooled funds disposed of in year	Financial Instruments Adjustment Account
Pensions Costs	Movements in pensions assets and liabilities	Employer's pensions contributions payable and direct payments made by the council to pensioners in year	Pensions Reserve
Council Tax Income	Accrued income from bills in year	Demand on the Collection Fund/precept for year plus recovery of estimated deficit/share of estimated surplus for previous year	Collection Fund Adjustment Account
Business Rates Income	Accrued income from bills in year	Budgeted income receivable from the Collection Fund for the year plus recovery of estimated deficit/share of estimated surplus from the previous year	Collection Fund Adjustment Account
Holiday Pay Accrual	Projected cost of untaken leave entitlements at 31 March	No charge	Paid Absences Adjustment Account

NOTES TO THE FINANCIAL STATEMENTS

25.3 Council Tax and Non Domestic Rates (NDR) (Business Rates)

The council acts as an agent, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principal, collecting council tax and NDR for itself. The council is required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the council's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

25.4 Financial Instruments

Financial instruments are recognised on the Balance Sheet when the council becomes a party to their contractual provisions and are initially measured at fair value or amortised cost if fair value cannot be measured reliably.

Financial Liabilities (borrowing and creditors on deferred payment terms)

Financial liabilities are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are 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 the borrowing that the authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

The council's financial liabilities consist of borrowing in the form of parish loans (where parishes have deposited cash balances with the council which are subject to variable rates of interest), a loan from the Enterprise M3 Local Enterprise Partnership and trade creditors if the council has been given deferred payment terms.

Financial Assets (investments and debtors on deferred payment terms)

Financial assets are classified into one of the following types:

- (i) **Amortised Cost** – these are financial assets that take the form of basic lending arrangements (i.e. they have cash flows that are solely payments of principal and interest on specified dates) and are not held for trading (i.e. the business model is to hold to collect the cash flows).
- (ii) **Fair Value Through Profit or Loss (FVTPL)** – all other financial assets

Amortised Cost Financial Assets (excluding debtors)

Amortised cost financial assets are carried in the Balance Sheet at a cost representing the outstanding principal receivable plus or minus any un-amortised premium/discount initially paid.

Annual credits to the CIES for interest receivable are based on the amortised cost of the asset, multiplied by the effective rate of interest for the instrument. Some amortised cost investments can be purchased above or below face value. This would lead to paying premiums, or receiving discounts, on the face value of these investments in return for being paid a higher or lower interest rate over the life of the investment. Premiums or discounts are amortised to the CIES over the life of the investment. This has the effect of recording the interest income using the effective interest rate rather than the coupon rate.

Any gains and losses that arise on sale or maturity of amortised cost investments are credited or charged to the CIES as Interest and Investment Income. Allowances for impairment losses are calculated for amortised cost assets, applying the expected credit loss model (which is based on the impact and likelihood of default) and are charged to the CIES as Interest and Investment Income.

NOTES TO THE FINANCIAL STATEMENTS

25.4 Financial Instruments (continued)

Fair Value Through Profit or Loss (FVTPL) Financial Assets

FVTPL financial assets are initially measured at fair value (estimated market value) which is deemed to be the purchase price.

FVTPL financial assets are subsequently carried in the Balance Sheet at fair value (estimated market value). The council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Valuation techniques use categories within the fair value hierarchy, as follows:

Level 1 - quoted prices in active markets for identical assets or liabilities

Level 2 - inputs other than quoted prices that are observable for the asset or liability

Level 3 - unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

Any changes in fair value (market price) and gains or losses that arise on sale or maturity are credited or charged to Interest and Investment Income line within the CIES.

The historic purchase of some FVTPL financial assets has been capitalised and financed in accordance with local authority investment regulations. This means that any gains or losses relating to capitalised investments that have been charged to the CIES are not allowed to be charged to the General Fund and are therefore reversed out of the General Fund to the Capital Adjustment Account in the MiRS.

25.5 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 any conditions attached to the payments, and the grants or contributions are expected to be received.

Amounts recognised as due to the council are not credited to the CIES until the council has satisfied any conditions attached to the grant or contribution that would require repayment if not met.

The grant or contribution is credited to the relevant service line (ring-fenced/service specific revenue grants and contributions) or Taxation and Non-specific Grant Income and Expenditure (non-ring-fenced revenue grants and all capital grants) in the CIES.

25.6 Investment Properties

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. Investment properties are measured in the Balance Sheet initially at cost and subsequently at fair value (estimated market value).

Level 1 - quoted prices in active markets for identical assets or liabilities

Level 2 - inputs other than quoted prices that are observable for the asset or liability

Level 3 - unobservable inputs, e.g. non-market data such as cash flow forecasts

Investment properties are not depreciated, because they are revalued every year, with gains and losses on revaluation being posted to the Financing and Investment Income and Expenditure line in the CIES. The line is also credited/debited with gains/losses on the disposal of properties, measured as the difference between the carrying amount and the net sale proceeds.

NOTES TO THE FINANCIAL STATEMENTS

25.7 Leases

Leases are classified as finance leases when 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.

Leases of land are normally classified as operating leases. However extremely long leases of land (say over 250 years) could be treated as finance leases.

Where the council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the CIES. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments.

25.8 Overheads and Support Service Costs

The cost of overheads and support services are charged to services in accordance with the council's arrangements for accountability and financial performance.

25.9 Post-Employment Benefits (Pensions)

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

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

- (i) The liabilities of the Hampshire County Council Pension Fund attributable to the council are included in the Balance Sheet on an actuarial basis using the projected unit method (i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections of earnings for current employees).
- (ii) Liabilities are discounted to their value at current prices, using a calculated discount rate based on a series of calculations for high quality corporate bonds over a range of periods.
- (iii) The assets of the pension fund attributable to the council are included in the Balance Sheet at their fair value (see 26.1).

The change in the net pension liability is analysed into the following components:

- **Service cost comprising:**
 - **Current service cost** – allocated in the CIES to the services for which the employees worked
 - **Past service cost** – debited to the Surplus or Deficit on the Provision of Services in the CIES as part of Non-Distributed Costs (Finance and Service Improvement Portfolio)
 - **Net interest on the net defined benefit liability** – charged to the Financing and Investment Income and Expenditure line of the CIES
- **Re-measurements comprising:**
 - **The return on plan assets** – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure within the CIES
 - **Actuarial gains and losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure within the CIES
 - **Contributions paid to the Hampshire County Council Pension Fund** – accounted for as part of the cost of services within the CIES

NOTES TO THE FINANCIAL STATEMENTS

25.10 Property, Plant and Equipment (PPE)

Recognition: Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as a revenue expense when it is incurred.

Measurement: Assets are initially measured at cost and include the purchase price and any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended.

Certain categories of Property, Plant and Equipment are measured subsequently at current value – see 26.1 for details. All other categories are measured subsequently using depreciated historical cost. Assets included in the Balance Sheet at current value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their current 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.

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

- (i) 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).
- (ii) Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

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

Impairments: Assets are assessed at each year-end as to whether there is any indication that items 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 in the same way as revaluation losses.

Depreciation: Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Disposals: When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Income and Expenditure line in the CIES against any receipts arising from the disposal as a gain or loss on disposal.

25.11 Provisions

Provisions are charged as an expense to the appropriate service line in the CIES when:

- (i) The council has a present obligation (i.e. an event has taken place that gives the council a legal or constructive obligation), and
- (ii) It is probable that an outflow of resources will be required to settle the obligation, and
- (iii) A reliable estimate can be made of the amount of the obligation.

Provisions are charged as the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

NOTES TO THE FINANCIAL STATEMENTS

25.12 Reserves

The council sets aside specific amounts as reserves for future policy purposes or for risks to the revenue budget. Reserves are created by appropriating amounts out of the General Fund Balance in the MiRS.

When expenditure to be financed from a reserve is incurred, it is charged to the appropriate heading within the CIES in that year and is included in the Surplus or Deficit on the CIES. The reserve is then appropriated back into the General Fund Balance in the MiRS so that there is no net charge against council tax for the expenditure.

Certain reserves and accounts are kept to manage the accounting processes for Property, Plant and Equipment assets, investments and retirement benefits and do not represent usable resources for the council – see the table in note 25.2 for unusable reserves.

25.13 VAT

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs, and all VAT paid is recoverable from it.

25.14 Prior Period Adjustments, Changes In Accounting Policies and Estimates and Errors

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

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.

Material errors discovered in prior period figures are corrected retrospectively by amending the opening balance of assets, liabilities and net worth for the earliest prior period, where the error occurred before the earliest prior period, and comparative amounts for the prior period.

26. ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

There are no changes in accounting requirements for 2021/22 that are anticipated to have a material impact on the council's financial position or performance. In response to the Covid-19 pandemic the implementation of IFRS 16 Leases has been deferred to 2022/23.

27. JUDGEMENTS MADE IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies which are set out in Note 25, the council has had to make certain judgements. 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 Property, Plant and Equipment. 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 Property, Plant and Equipment assets. If there is no subsidy and/or full market rent is being charged this would indicate that the asset is an Investment Property. The classification determines the valuation method to be used.

Lease classifications – the council has made judgements on whether its lease arrangements are operating leases or finance leases. These judgements are based on a series of tests designed to assess whether the risks and rewards of ownership have been transferred from the lessor to the lessee. The results of the tests are taken "in the round" and together with a judgement on materiality the decisions have been made. The accounting treatment for operating and finance leases is different and could have a significant effect on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

27. JUDGEMENTS MADE IN APPLYING ACCOUNTING POLICIES (continued)

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

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

Allowances for doubtful debts - the council has made judgements about the level of allowances for doubtful debts that it needs to provide for. These judgements are based on historical experience of debtor defaults adjusted for the estimated impact that the Covid-19 lockdown will have on the rates of debt recovery and the current economic climate.

Conditions on Developers' Contributions - the council has made a judgement about whether developer contributions agreements have conditions based on a "substance over form" concept and has assumed that all agreements have a constructive obligation to repay contributions if not used, even if this is not explicit in the legal agreement.

Events after the balance sheet date - the council has made judgements about whether there have been any material post balance sheet events that it would need to make adjustments for in the financial statements or disclosed as a note.

All of these judgements are the responsibility of the Executive Director of Corporate Services (Section 151 Officer) as set out in the Statement of Responsibilities for the Statement of Accounts.

28. UNCERTAINTIES RELATING TO ASSUMPTIONS AND ESTIMATES USED

The financial statements contain some 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 made.

The items in the council's Balance Sheet at 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year (excluding investments, investment property and land and buildings that are carried at fair value based on recently observed market values) are as follows:

Item and Uncertainties	Effect if Actual Results Differ from
<p>Property Valuations Estimation of property valuations depends on a number of complex judgements and assumptions. The outbreak of Covid-19 has impacted global financial markets and as at the 31/03/20 valuation date, less weight could be attached to previous market evidence to inform opinions of value as there was an unprecedented set of circumstances on which to base a judgement. The council's external valuers therefore reported 31/03/20 valuations on the basis of 'material valuation uncertainty' as per the RICS Red Book Global. As at the 31/03/21 valuation date some property markets have started to function again, with transaction volumes and other relevant evidence returning to levels where an adequate quantum of market evidence exists upon which to base opinions of value. The 31/03/21 values are not reported as being subject to "material valuation uncertainty". In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of Covid-19 the valuer has highlighted the importance of the valuation date.</p>	<p>PPE Land and Buildings - If the value of operational property were to fall by 1%, this would result in a charge to the Revaluation Reserve of £0.5M and an unrealised loss charged to the CIES of £0.2M. An increase in estimated valuations would result in increases to the Revaluation Reserve and / or reversals of previous negative revaluations to the CIES. Building depreciation charges would change in direct relation to changes in estimated current value. Investment Property - Estimated fair values may differ from the actual prices that could be achieved in an arm's length transaction at the reporting date. If the value of the council's Investment Property were to change by 1% this would produce an unrealised charge to the CIES and balance sheet of approximately £3.1M.</p>

NOTES TO THE FINANCIAL STATEMENTS

28. UNCERTAINTIES RELATING TO ASSUMPTIONS AND ESTIMATES USED (continued)

Item and Uncertainties	Effect if Actual Results Differ from Assumptions/Estimates
<p>Pension Liability Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged via Hampshire County Council (the scheme administrators) to provide the council with expert advice about the assumptions to be applied.</p>	<p>The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% decrease in the discount rate assumption would result in an increase in the pension liability of approximately £6.2M.</p> <p>The sensitivity of each of the assumptions used by the actuaries can be seen in Note 14 on pensions.</p>
<p>Allowance For Doubtful Debts As at 31/03/21, the Council had an outstanding balance of short-term debtors totalling £17.6M net of £3.7M of prepayments (£13.1M net of £0.6M as at 31/3/20). Against this debtors' balance, there is an impairment allowance of £6.1M (£4.4M as at 31/03/20). The economic impact of the Covid-19 pandemic has made the estimation of debt impairment more difficult as there is more uncertainty about the economic viability of debtors (especially commercial property tenants) and hence their ability to settle their debts. The impairment allowances are based on policies adapted to historic experience of debtor defaults and success rates experienced in collection. The nature of the debt and service area have been considered and further review has been carried out to reflect the uncertainty of the collection rates as a result of Covid-19.</p>	<p>An understatement of doubtful debts would lead to a future adjustment and impairment to be reflected. eg if commercial rent income collection rates were to deteriorate by 1% an increase in the doubtful debt allowance of £0.2M would be required and the council would need to review its judgements for assessing future allowances for doubtful debts.</p>
<p>Valuation of Financial Instruments and Expected Credit Losses The value of the council's investment the CCLA Property Fund of £9.0M as at 31/03/20 was subject to 'material valuation uncertainty' as per the RICS Red Book Global in line with the Covid-19 impact on all property valuations. As at the 31/03/21 valuation date some property markets have started to function again, with transaction volumes and other relevant evidence returning to levels where an adequate quantum of market evidence exists upon which to base opinions of value. The 31/03/21 values are not reported as being subject to "material valuation uncertainty".</p> <p>The council does not make any specific allowances for expected credit losses because of its prudent approach to investing (see Note 8 Credit Risk). No loss allowance is recognised where the counterparty for the financial asset is central government or a local authority where relevant statutory provisions prevent default and also not for Money Market Funds where any losses would be included in the published list price. An assessment as at 31 March 2021 did not identify any potential material defaults on financial instruments.</p>	<p>A 5% change in commercial property prices at 31 March 2021 would result in a £0.5M unrealised gain or loss on the property fund.</p>
<p>Business Rates Appeals Provision The council has made provision for its share of appeals on business rates of £3.0M (£3.2M in 2019/20) based on what it believes to be a prudent but realistic level also taking into account additional uncertainty as a result of Covid-19. Since the 2017 Rates Revaluation exercise and introduction of a new appeals process ('Check, Challenge, Appeal' (CCA)), the appeals provision has been based on two separate calculations – one for historic appeals and one for the appeals estimated to arise from the Revaluation and CCA process.</p> <p>For the historic appeals, an allowance has been made for outstanding appeals lodged with the Valuation Office Agency in connection with the rateable values that existed prior to the 2017 Revaluation exercise. This allowance is based on historic trends of the outcomes of previous appeals which show an average success rate of 40% and average reduction in the rateable value for successful appeals of 15%. There has not been sufficient appeals activity in connection with the 2017 Revaluation and new CCA process to help establish any meaningful trends. A review of the appeals data available has been undertaken to consider the appeals provision required for the 2017 Rates List.</p>	<p>For the historic appeals allowance if success rates were to deteriorate or improve, a 15% change in the rate would require an adjustment to the financial statements of £0.8M (£1.1M in 2019/20) of which the council's share is £0.3M (£0.4M in 2019/20)</p> <p>For the appeals allowance relating to the 2017 Revaluation exercise, a change in the allowance of 2.5% would require an estimated adjustment to the financial statements of £2.9M (£2.7M in 2019/20) of which the council's share is £1.2M (£1.1M in 2019/20)</p>

NOTES TO THE FINANCIAL STATEMENTS

29. GOING CONCERN

The accounts are prepared on a going concern basis: that is, on the assumption that the authority will continue in operational existence for the foreseeable future from the date that the accounts are authorised for issue.

Covid-19 continues to pose a significant financial challenge for the council, as it will for all local authorities. Work is continuing to assess the financial impact in 2021/22 and future's impact for the period of the Medium Term Financial Strategy (MTFS) and measures are still place to manage spend including a moratorium on non-essential spend and a recruitment freeze.

A balanced 2021/22 budget was set in February 2021 and the Government has announced that support through Covid Support Grant and Sales, Fees and Charges Scheme would continue for the first quarter of 2021/22.

As at 31 March 2021 the council had £48.5M cash and cash equivalents and approximately £61.1M of long term strategic investments that could be liquidated at short notice (within 7 days) if required). Furthermore the council has a General Fund Balance of £1.5M and risk reserves of £12.0M as at 31 March 2021 (excluding the Business Rates Risk Reserve).

The going concern period of assessment is twelve months from the authorisation date of the financial statements. Risk reserves are forecast to increase from £12.0M as at 31 March 2021 to £15.6M at the end of 2022/23 as a result of making approved contributions to the risk reserves with no change to the £1.5M General Fund balance. These balances are not expected to fall below the S151 Officer's assessed minimum required level for the risk reserves of £12.8M and for the General Fund balance of £1.5M.

It is therefore noted that there is significant headroom within the General Fund and Risk Reserves to absorb the estimated financial impact of Covid-19 in the short to medium-term. As well as access to the PWLB for its long-term borrowing needs, the council is also able to borrow short-term for revenue purposes if necessary. The council remains confident in its ability to maintain sufficient liquidity including in the event of future "spikes" in infections and further lockdown measures imposed, without the need to recall investments early or to borrow.

Furthermore, the Code requires that local authorities prepare their accounts on a going concern basis, as they can only be discontinued under statutory prescription. For these reasons, the council does not consider that there is material uncertainty in respect of its ability to continue as a going concern for the foreseeable future.

COLLECTION FUND

FOR THE YEAR ENDED 31 MARCH 2021

The council is required to maintain a separate Collection Fund Account which is used to record the collection and distribution of council tax and business rates on behalf of the Borough, County, Police and Fire Authorities, Parishes and Central Government.

2019/20 Council Tax £M	2019/20 Business Rates £M	2019/20 Total £M		2020/21 Council Tax £M	2020/21 Business Rates £M	2020/21 Total £M
			INCOME			
(109.6)	(77.6)	(187.2)	Amounts Receivable	(115.3)	(44.8)	(160.1)
			Contributions towards Previous Years' Estimated Deficits			
0.0	(2.6)	(2.6)	Central Government	0.0	(0.5)	(0.5)
0.0	(0.5)	(0.5)	Hampshire County Council	0.0	(0.1)	(0.1)
0.0	(2.1)	(2.1)	General Fund (BDBC)	0.0	(0.4)	(0.4)
0.0	(0.1)	(0.1)	Fire and Rescue Authority	0.0	0.0	0.0
(109.6)	(82.9)	(192.5)	TOTAL INCOME	(115.3)	(45.8)	(161.1)
			EXPENDITURE			
			Precepts, Demands and Shares			
0.0	35.7	35.7	Central Government	0.0	36.7	36.7
81.3	6.4	87.7	Hampshire County Council	85.7	6.6	92.3
9.4	28.6	38.0	General Fund (BDBC)	9.9	29.3	39.2
4.4	0.7	5.1	Fire and Rescue Authority	4.6	0.7	5.3
13.2	0.0	13.2	Police Authority	14.1	0.0	14.1
			Distribution of Previous Years' Estimated Surpluses			
1.1	0.0	1.1	Hampshire County Council	0.4	0.0	0.4
0.1	0.0	0.1	General Fund (BDBC)	0.1	0.0	0.1
0.0	0.0	0.0	Fire and Rescue Authority	0.0	0.0	0.0
0.2	0.0	0.2	Police Authority	0.1	0.0	0.1
			Charges to Collection Fund			
0.0	3.1	3.1	Transitional Protection Payments	0.0	2.1	2.1
0.7	(1.3)	(0.6)	Other	1.6	0.5	2.1
110.4	73.2	183.6	TOTAL EXPENDITURE	116.5	75.9	192.4
0.8	(9.7)	(8.9)	MOVEMENT IN FUND BALANCE	1.2	30.1	31.3
(1.5)	5.1	3.6	OPENING FUND BALANCE	(0.7)	(4.6)	(5.3)
(0.7)	(4.6)	(5.3)	CLOSING FUND BALANCE	0.5	25.5	26.0

NOTES TO THE COLLECTION FUND

1. Calculation of the Council Tax Base

The Council Tax Base was calculated as follows:

Band	Ratio to Band D	Discounted Equivalent Properties 2019/20	Band D Equivalent Properties 2019/20	Discounted Equivalent Properties 2020/21	Band D Equivalent Properties 2020/21
*A	5/9	5.50	3.1	6.50	3.6
A	6/9	1,947.50	1,294.1	1,994.75	1,324.0
B	7/9	10,102.00	7,856.3	10,365.50	8,060.9
C	8/9	23,805.25	21,159.8	24,081.00	21,404.9
D	1	13,121.50	13,121.5	13,389.75	13,389.8
E	11/9	10,121.25	12,370.4	10,210.75	12,479.8
F	13/9	5,896.50	8,517.2	5,985.00	8,645.0
G	15/9	3,155.00	5,258.3	3,187.00	5,311.7
H	18/9	401.25	802.5	403.25	806.5
		68,555.75	70,383.2	69,623.50	71,426.2
Growth in tax base			1,263.4		1,147.0
Allowance for council tax support			(4,535.6)		(4,565.8)
Allowance for doubtful debts (2%)			(1,342.2)		(1,360.1)
Council Tax Base (Band D equivalent properties)			65,768.8		66,647.3

*A - Entitled to disabled relief reduction

2. Non-Domestic Rateable Value

For 2020/21 the Uniform Business Rate was 51.2p (50.4p in 2019/20) and the total non-domestic rateable value at 31 March 2021 was £181.4M (£179.7M as at 31 March 2020). The total potential business rates collectable in 2020/21 were £91.1M (£88.4M in 2019/20) but this was reduced to £44.8M in 2020/21 (£77.6M in 2019/20) due to adjustments, including reassessments of rateable values and the expanded business rate reliefs introduced due to COVID-19.

3. Distribution of the Collection Fund Balance

The distribution of the Collection Fund Balance and where it is shown in the financial statements is as follows:

2019/20 Council Tax £M	2019/20 Business Rates £M	2019/20 Total £M		2020/21 Council Tax £M	2020/21 Business Rates £M	2020/21 Total £M
(0.1)	(1.8)	(1.9)	Borough Share (included within the Collection Fund Adjustment Account)	0.0	10.2	10.2
(0.6)	(2.8)	(3.4)	Gov't & Preceptors' Share (incl in Debtors and Creditors)	0.5	15.3	15.8
(0.7)	(4.6)	(5.3)		0.5	25.5	26.0

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

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 Executive Director of Corporate Services (Section 151 Officer);
- Manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets; and
- Approve the Statement of Accounts (the council has delegated this responsibility to the Audit and Accounts Committee).

Responsibilities of the Executive Director of Corporate Services (Section 151 Officer)

The Executive Director of Corporate Services (Section 151 Officer) is responsible for the preparation of the council's Statement of Accounts, in accordance with proper practices, as set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In preparing this Statement of Accounts, the Executive Director of Corporate Services (Section 151 Officer) has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that are reasonable and prudent;
- Complied with the Code of Practice (any significant non-compliance being fully disclosed);
- Kept proper accounting records which are up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Confirmation and Approval

I certify that the Statement of Accounts present a true and fair view of the financial position of the council at 31 March 2021 and its income and expenditure for the year then ended.

Signed: _____ **Date:** 16 December 2021

Sue Cuerden CPFA, ACMA – Executive Director of Corporate Services (Section 151 Officer)

Signed: _____ **Date:** 16 December 2021

Councillor Graham Falconer - Chair of Audit and Accounts Committee

1. SCOPE OF RESPONSIBILITY

- (1) Basingstoke and Deane Borough Council (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, 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.
- (2) In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions which includes arrangements for the management of risk.
- (3) The Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the Delivering Good Governance in Local Government: Framework (CIPFA/SOLACE 2016). A copy of the Code is on our website at: www.basingstoke.gov.uk,

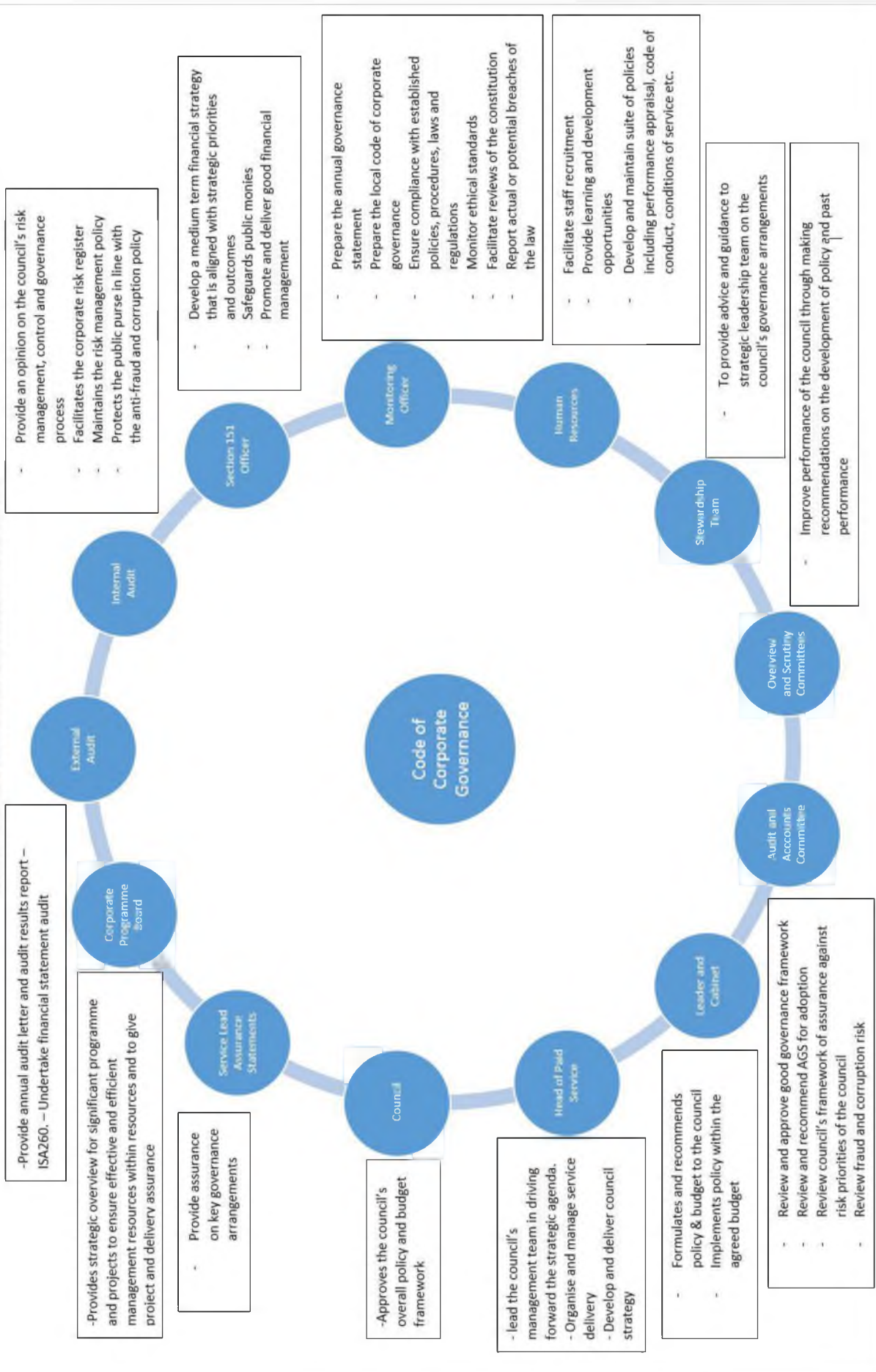
Or can be obtained from the Head of Law and Governance, Basingstoke and Deane Borough Council, Council Offices, London Road, Basingstoke RG21 4AH.

- (4) This statement explains how the Council has complied with the code adopted for the period 2020/21 and also meets the requirements of the Accounts and Audit (England) Regulations 2015, regulation 6(1) which requires all relevant bodies to prepare an Annual Governance Statement.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

- (1) The governance framework comprises the systems, processes, culture and values by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads its communities. To demonstrate compliance with the principles of good governance, the Council must ensure that it does the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.
- (2) Good governance is crucial as it leads to good management, good performance, good stewardship of public money, good public engagement and ultimately good outcomes for citizens and service users. Good governance enables the Council to pursue its aims effectively whilst controlling and managing risk.
- (3) The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. All risk of failing to achieve policies, aims and objectives cannot be eliminated and internal control only provides reasonable and not absolute assurance of effectiveness.
- (4) 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 and potential impact of those risks being realised and to manage them efficiently effectively and economically.
- (5) The governance framework has been in place at the Council for the year ended 31 March 2021 and up to the date of approval of the statement of accounts.

Governance Roles and Responsibilities



3. **THE GOVERNANCE FRAMEWORK**

The fundamental function of good governance is to ensure that the Council achieves its intended outcomes whilst acting in the public interest at all times. The following core, high level principles characterising good governance in the public sector are derived from the “Delivering Good Governance in Local Government: Framework (CIPFA/SOLACE, 2016).

(A) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

The Council’s Constitution sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. Some of these processes are required by law, while other are a matter of choice for the Council. The constitution is divided into 14 Articles which set out the basic rules governing the Council’s business. The constitution is published on the Council’s website at:

<https://www.basingstoke.gov.uk/content/page/58668/Full%20Constitution.pdf>

The constitution includes a Members’ Code of Conduct which sets out the expected behaviour and standards to be adhered to. Officers are required to abide by a Staff Code of Conduct. The Protocol for Councillor and Officer Relations provides guidance on Councillor- officer relations in order to promote good working relationships and to enhance mutual respect, whilst acknowledging the difference between the political leadership role of Councillors and the professional role of the officers in the delivery of the policy framework agreed by Councillors.

The Monitoring Officer has responsibility for ensuring compliance with established policies, procedures, laws and regulation and reporting actual or potential breaches of the law or maladministration, to full Council and/or Cabinet.

The Council has made the Virtual Meetings Procedure Rules to implement the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panels Meetings) (England and Wales) Regulations 2020. These enabled the Council to hold meetings during the emergency period caused by the pandemic without all, or any, of the members being physically present in a room. This allowed for remote meetings through electronic, digital, virtual locations, live webcast, live interactive streaming, video and telephone conferencing. Whilst the regulations allowing for remote meetings ended on the 6th May 2021, the Council has determined to continue holding virtual non decision making meetings from May until July 2021 with decision making meetings being held appropriately socially distanced in person.

The Council has a ‘Whistleblowing Policy’ (Duty to Act) which allows employees to raise reasonably and honestly held concerns that they may have about serious matters that could put the Council and/or the wider public at risk. This policy is on the Council website. Whistleblowing usually involves bringing forward concerns that it is in the public interest to investigate and resolve. Examples are crime, fraud, the giving or taking of bribes, financial malpractice or practices that might endanger individual or the environment.

To ensure the safeguarding of public funds the Council has a suite of documents including an Anti-Fraud and Corruption Strategy, an Anti- Fraud and Corruption Policy, a Fraud Response, a Sanctions Policy, an Anti-Money Laundering Policy and an Anti-Bribery Policy. The Council has a zero tolerance policy to fraud and has a dedicated Counter Fraud team who concerns regarding fraud and corruption should be reported to. Investigations are carried out by Internal Audit and if allegations are made against a Councillor then the

Monitoring Officer will be involved. The Council complies with the CIPFA code of practice on managing the risk of fraud and corruption.

Complaints are managed via a formal Corporate Complaints policy published on the Council's website providing a two stage process with the Local Government Ombudsman providing an independent service to investigate complaints that remain unresolved by the Council. Complaints about Councillors for breach of the Members' Code of Conduct are dealt with under the Arrangements for Determining Complaints against Councillors within the constitution. All such policies are periodically reviewed.

(B) Ensuring openness and comprehensive stakeholder engagement

The Council supports the principle that people should have the opportunity to voice their opinion on issues that affect them. Horizon 2050, a long term community and place focused vision for the future of Basingstoke provides a framework and road map to inform policy making for the borough. It was adopted by the Council in February 2019 and Basingstoke Area Strategic Partnership in March 2019. It provides a long- term vision for the borough up to 2050 setting an ambitious and aspirational shared vision to ensure that residents have high quality homes, jobs and leisure and community facilities. A residents' survey was undertaken in November/December 2019 to inform the emerging Council plan and obtain opinions on the quality of Council services. This was carried out by M E L Research and was a face to face survey of 1,100 households.

The Council encourages all local communities to get involved in shaping their local areas, supporting communities across the borough and villages to develop their own community led plans¹. Community plans for East Woodhay, Kingsclere, North Waltham, Oakley and Deane, and St Mary Bourne have been developed and adopted by the local parish Councils. Within the town itself urban communities have published the following plans-The South Ham Network; the Marnel and Merton Community Plan, Popley East Community Plan, Buckskin Community Plan, Winklebury Community Plan and Kempshott Community Plan. There are ten "made" Neighbourhood Plans and a further eight in progress² in the parished areas outside Basingstoke town.

The Council has introduced a new Community Grant Scheme to enable ward Councillors to support local groups and address neighbourhood issues in a responsive and flexible way. This supports the Council's priorities of strengthening communities and protecting and enhancing the environment. It should be noted that this was due to be introduced in 2020/21 but was postponed to 2021/22 to align it with the, also delayed, implementation of the boundary review and all out elections which could not take place in 2020 due to the Covid-19 pandemic. The Community Grant Scheme was designed to meet ward requirements after the ward changes have been implemented and so will now be implemented in 2021/22.

The Council consulted on its approach to savings, income generation and spending for its four year budget known as the Medium Term Financial Strategy (2021/22 to -2024/25) and this consultation helped to shape the final budget report agreed at Council on in 25 February 2021. The information was made available in any easy to understand format and responses were reported to Cabinet on 9 February 2021 before they made their final recommendation to Council on 25 February.

The Council rules of procedure allow public participation at Council meetings except where personal or confidential matters are disclosed (exempt information)

The Council's website has a Right to Know section where information relating to Freedom of Information, including a disclosure log giving the public access to information that the Borough has previously provided, and the Council's publication scheme, containing

¹ <https://www.basingstoke.gov.uk/communityplans>

² <https://www.basingstoke.gov.uk/neighbourhoodplansprogress>

information that the Council publishes. Information required to be published under the Local Government Transparency Code is also provided in this section.

The Customer Service Charter on the Council website encourages the public to make a comment or compliment upon Council services, as well as providing access to the Customer Complaint form.

(C) Defining outcomes in terms of sustainable economic, social and environmental benefits

The Council has adopted a new Council Plan 2020 to 2024 which sits alongside the Medium Term Financial Strategy. Together these documents set out the basis for an efficient and effective Council delivering on growth and the Council's key priorities. The Council's priorities are

- Strengthening Communities by developing high quality services; supporting local communities, providing outstanding leisure, sport and culture; improving health and well-being and being accessible and inclusive;
- Protecting and enhancing our environment by responding to the climate emergency, becoming a carbon neutral Council by 2025 and a carbon neutral borough by 2030, improving air quality, biodiversity and river and landscape quality;
- Improving Safety by prioritising funding for Community Safety Patrol Officers, reducing anti-social behavior, working alongside partner organisations to tackle crime, responding to emergencies and supporting our most vulnerable residents;
- Planning for the future by promoting more sustainable and better transport options and connections, shaping high quality sustainable communities, well designed, well built homes, supporting jobs and business growth, supporting initiatives for a new hospital; and
- Fit for the future, a corporate objective which includes:
 - being a modern and financially sustainable council;
 - delivering excellence in governance, democratic and electoral services;
 - customer-centric provision of services, including keeping them well-informed about decisions and initiatives;
 - supporting a high performing, motivated, resilient and well-informed workforce;
 - informing and supporting policy change and implementation; and
 - implementing programmes to support improvements in efficiency and effectiveness in provision of services.

Alongside the Medium Term Financial Strategy 2021-22 and Council Plan, the council published individual priority Plans which set out, for each council plan priority, the Executive commitments to support the Plan, key priorities, sub-priorities, partnership activities, actions, and measures and targets.

In addition to the Council Plan, there are a range of published strategies and policies that guide the Council's work and can be viewed on the Council website at <https://www.basingstoke.gov.uk/Councilplan> and include the Local Plan, Housing and Homelessness Strategy, Anti-fraud and corruption policy, Complaints policy, Corporate Equality Plan, and the Policy and Procedure for the safeguarding of children and vulnerable adults.

The Basingstoke Area Strategic Partnership (BASP) is a voluntary partnership which brings together different sectors to focus on local issues in a strategic and coordinated way. BASP acts as a strategic body focusing on current strategic issues and on future challenges and is working, through its partners with the aim of improving the quality of life to the benefit of everyone living and working in the borough of Basingstoke and Deane. The BASP has

developed a Shared Vision for Basingstoke and Deane to 2026, an updated Community Strategy 2011 to 2026; and the Involved Communities Strategy and Action Plan.

Horizon 2050, provides a framework and road map to inform policy making for the borough being a long term community and place focused vision for the future of Basingstoke. It identifies climate change as a key issue and in September Cabinet endorsed a motion put to Council on the 18th July 2019 for the Council to declare a Climate Emergency having refreshed its Climate Change Strategy in 2017. A Climate Change and Air Quality Strategy 2021 to 2030 was approved by Council on 18 March 2021. This outlines the steps to tackle the issue and reduce our impact on the environment to enable the Council to work towards its carbon neutral target for the council by 2025, and carbon neutral as a borough by 2030. A £2.0M Climate Change Revenue Reserve has been set up to help support this agenda.

At sub- regional level the Enterprise M3 is a business-led Local Enterprise Partnership, one of 39 in England, which is working to secure economic growth at sub-national level through its Strategic Economic Plan to 2030 (<https://www.enterprisem3.org.uk/strategic-economic-plan>). Enterprise M3 brings together business leaders from 14 district authorities across two counties and Basingstoke is one of four interconnected urban centres known as 'Growth' towns. It brings together leaders from the business, public and not-for-profit sectors and provides the vision, knowledge and strategic leadership needed to drive sustainable private sector growth. This LEP has produced a Strategic Economic Plan for the region. The Council plays an active role in Enterprise M3 to secure funding to support economic growth in the area.

The Council has adopted an Economic Master Plan for Basingstoke 2033 which sets out an ambitious vision for the next 20 years to ensure a thriving future for all those who live and work in the borough. To support economic recovery from Covid-19 the council has approved an Economic Recovery Framework. This was presented to the Economic, Planning and Housing Committee on 3 September 2020 for their comment and approved by Cabinet on 6 October 2020. Also established as a partnership with local businesses and stakeholders is an Economic Recovery Board.

The Council also engages frequently and proactively with the Government in representing local residents, businesses and stakeholders' needs through consultation responses, informed by horizon scanning and policy analysis. This takes place on a wide range of themes such as local government funding, planning and low carbon initiatives, taking every opportunity to influence Government policy at each stage of its development. In 2020/21 the Council responded to government consultations on First Homes; Hampshire Together: Modernising our Hospitals and Health Services; HM Treasury fundamental review of business rates; Planning for the future – the Government's Planning White Paper; Changes to the current planning system; National Planning Policy Framework and National Model Design Code; Waste Prevention Programme for England: Towards a resource efficient economy; Right to regenerate: reform of the right to contest.

(D) Determining the interventions necessary to optimise the achievement of the intended outcomes

The Council has in place a robust decision-making process with all cabinet reports being considered by the Strategic Leadership Team to give a view on the strategic implications. Additionally, report authors should seek clearance from all corporate services, including legal and finance, for reports prior to publication. All reports follow a standard template which identifies the decision maker, the decision or action required, why the report is recommended, alternative options considered together with details of consultation carried out section. The template also includes separate sections detailing any financial, legal, risk management, equalities, climate change, consultation and communications and HR implications. These consider how proposals will be funded, the statutory power to undertake the recommendations with the relevant legislation being cited, information on the risks that are being accepted as

part of the decision and confirmation that the report proposal(s) are in accordance with the Council's approved Policy Framework.

The Council's Scrutiny and Policy Committees manage the Council's overview and scrutiny process which includes scrutinising all the functions covered by cabinet, and those of portfolio holders including those of the Leader and Deputy Leader. There are a number of scrutiny committees that support the work of the cabinet and the Council as a whole. The scrutiny committees have power to call –in executive decisions, agree a scrutiny programme and monitor performance and budgets. Scrutiny provides the role of critical friend to decision makers and assists in policy development.

Scrutiny meetings are usually held in public with an opportunity for the public to ask questions in accordance with the Council's Public Participation in Meetings Scheme. Scrutiny inquiries can consider written evidence and members of the public, community groups or other key stakeholders, can bring evidence to the attention of the committee members.

Scrutiny processes will be reviewed in 2021/22 as part of the review of the Constitution referred to in Section 5 – Significant Governance Issues.

Performance monitoring is undertaken to understand if and how the priorities identified within the Council Plan are being achieved. This is undertaken through service planning and identification of key performance indicators to show how services help to achieve the priorities of the Council. A number of Corporate Indicators have been identified and are reported quarterly to the Strategic Leadership Team, Cabinet and Performance Panel.

Additionally, an update on all major projects is reported to the Corporate Programme Board on a monthly basis to review project progress and identify any key issues and risks, with actions identified and monitored as relevant. This is then reported in summary to Cabinet Members and from 2021/22 to Performance Panel.

Budget pressures arising from services are identified through the annual review of the Medium Term Financial Strategy and by regular monitoring of budgets, projects and service plans with actions to address any significant in year budget variances agreed by Cabinet (and Council as relevant) as part of the quarterly monitoring report.

(E) Developing the entity's capacity, including the capability of its leadership and the individuals within it

The Council's People Strategy aims to have "the right people, in the right job, with the right skills, at the right time". The key priorities within the strategy are focused around attracting, engaging, developing and appropriately rewarding our staff. It sets out the principles under which the Council will act as an employer and what is expected of staff in return. The underpinning principle of the Strategy is that because our services are delivered through our people, it is imperative that we demonstrate excellent leadership and recognise the value of our employees by enabling a high performing, happy, motivated and highly skilled workforce. In addition to the People Strategy the Council has a set of organisational values which are woven throughout the activities of the organisation and are expected to be demonstrated by staff on an ongoing basis. The Council aims to position itself as an employer of choice so that it can attract and retain the very best people to provide excellent, trusted and user-friendly services to its customers and communities. As such the strategy has a continued focus on equality, diversity and inclusion which is a fundamental principle in how the Council both delivers its services and supports its staff. The Council has signed the Race at Work Charter as part of its ongoing commitment to creating an inclusive working environment where all staff are supported to achieve their potential.. The wellbeing of our staff is of paramount importance and supported through an ongoing programme of wellbeing activity and a range of support mechanisms for staff.

The Council is currently undertaking a fit for the future transformation programme to ensure that it can continue to deliver well those services highly valued by residents. A digital transformation agenda and smarter ways of working programme form the basis of this transformation, underpinned by a culture change programme within the Council.

The Council has a range of development opportunities available for staff throughout the organisation, from bespoke training developed in response to particular needs or events (such as modules to support staff and managers through the COVID-19 pandemic), to professional training, apprenticeship opportunities and a broad E-learning programme. Senior leaders work together on key organisational priorities through the Wider Leadership Team, which also provides a forum for the development of these leaders in their leadership approach and wider organisational, local and national understanding.

The Council's Staff Handbook contains all the Council's staff policies including those on pay and rewards, recruitment, training and the management of performance including guidance on the appraisal process. Staff have access to all policies affecting their employment on the Council's intranet site.

(F) Managing risk and performance through robust internal control and strong public financial management

The Council has a Risk Management Policy that was revised in February 2019. The Council recognises that risk management is an intrinsic part of corporate governance and seeks to ensure that every member and employee of the Council has regard for the management of risk throughout the organisation, from planning and decision making processes down to day to day work situations to ensure that the Council's resources are not wasted as a result of uncontrolled risk. The Council maintains a corporate risk register and service management teams are responsible for identifying and managing risks within their individual areas. An internal audit review of the risk management process was undertaken during 2020/21 which resulted in a substantial assurance opinion and was reported to the Audit and Accounts committee on 25 January 2021.

The Council's Audit and Accounts Committee has responsibility to provide independent assurance on the adequacy of the risk management framework and the internal control and reporting environment and the integrity of the financial reporting and annual governance statement process. This committee receives periodic reports regarding risk management and approves the risk management policy. This committee undertakes the core functions of an audit committee and operates in accordance with CIPFA guidance.

The Council Plan 2020-2024 is monitored by the Council's Performance Panel, appointed by Scrutiny committee, which reviews performance and financial monitoring information to support the delivery of the Council Plan and budget strategy. The Annual Statement of Accounts contains a review of key achievements and performance made against the local plan.

The Council has a number of key corporate projects. Monthly highlight reporting is undertaken for each of these projects which feeds back from the relevant project activity and individual project boards. This is reported monthly to the Corporate Programme Board comprised of the Chief Executive and Executive Directors.

Key projects such as Manydown, have additional governance arrangements. The project is to deliver up to 3,500 new homes, businesses, shops and community facilities, two new primary schools, land for a secondary school and a country park, upon land owned by the borough Council and the County Council.

The Councils appointed partner, Urban and Civic, now part of the Welcome Trust Group, as its private sector development partner who will join the borough and the County Council

forming a limited liability partnership to deliver the scheme. The outline planning application was submitted in March 2017 and was approved on 8 July 2020

The Council entered a joint venture with Hampshire County Council and formed both the Manydown Garden Community LLP to operate joint governance of the Manydown Project along with the Manydown Development Vehicle with Urban & Civic and Wellcome Trust. The Manydown programme is also reviewed by the Manydown Overview Committee.

The Council is committed to effective, timely and compliant procurement and contract management to ensure the Council achieves best value for its services and facilities. Regular review meetings are held with key suppliers in order to ensure that contracts remain fit for purpose. A fundamental review of the procurement process commenced in 2020 and is due to complete in Autumn 2021 to ensure that the procurement and contract procedure remains effective and compliant and to make recommendations for improvements, where required.

The Council's Contract Standing Orders require the procurement service to sign-off contracts at £75k or above. The exception request procedures have also been reviewed, with exception spend above £75k requiring the approval of the Executive Director of Corporate Services (Section 151 Officer). The Contracts register is subject to a monthly review with proactive monitoring of contracts that are due to expire to allow timely re-procurement to ensure best value.

The Council has a number of shared services with Hart District Council; Rushmoor Borough Council and Winchester City Council. The Joint Services Partnership Board has been established to manage these partnership arrangements.

The Council Plan sets out the corporate priority aims and objectives. To help achieve these the Council is involved in partnership working at various levels. A Partnership Governance Framework has been designed to guide, establish and review partnership governance and achievement against objectives. There is an annual review process of the Partnership Governance Framework including a review of the framework document and a review of the consolidated list of partnerships which is due to take place in January each year. Due to changes in personnel and responsibilities a formal review was not completed in January 2021. A review of all framework documents will be undertaken and a review of the consolidated list of partnerships is scheduled for January 2022. The Framework contains guidance to ensure the Council meets the requirements set out in the Local Code of Corporate Governance, required financial assurance and the Council's risk assessment process and policy.

The GDPR introduced a requirement for accountability and governance in discharging the Council's obligations as data controller. The Council has established an Information Governance Steering Group. The role of this group is to oversee the effectiveness, compliance and governance of information practice across the Council. The group is led by the Head of Law and Governance, as the senior responsible officer, with officers from all service areas across the Council. The group meets bi-monthly and reports twice a year to the Council's Strategic Leadership Team to monitor compliance. Reports on data breaches are also received by the Audits and Accounts committee quarterly.

Data protection training is mandatory for all employees of the Council and temporary members of staff and an online training module is available for elected Council members.

The Council has undertaken a full review of cyber security arrangements including the technology used, upgrading components of the IT Infrastructure, implementing new systems to better manage the network and updating corporate applications. The Digital Transformation project builds upon this work. Work has been undertaken to increase the awareness of staff and members on Cyber Security issues, with ownership by the Strategic Leadership Team.

The IT environment is checked for PSN and PCI DSS compliance and Internal Audit employ ethical hackers to test the Council's IT systems.

The Council recognises that Cyber Security is a persistent and growing threat to the systems and data that the Council holds and uses. It therefore recognised that reviews of Cyber Security and the associated awareness for staff and members is not a one-off exercise. The Council will keep technology, threats and education under constant review to ensure it is meeting with its obligations for all systems regardless of setting. Further work is currently under way within Transformation and Improvement to review, rationalise and enhance security and education of its systems and users.

The Council's financial management arrangements conform to the governance requirement of the CIPFA 'statement on the Role of the Chief Financial Officer ("CFO") in Local Government (2019). The CFO is professionally qualified and is a member of the Council's Strategic Leadership Team reporting to the Chief Executive. The CFO is actively involved in ensuring that strategic objectives are aligned to the longer-term finance strategy. The CFO has input into all major decisions, advises the Executive on financial matters and is responsible for ensuring that budgets are agreed in advance, that the agreed budget is robust and that the finance function is fit for purpose. The CFO is responsible for the review and consideration of the CIPFA Resilience Index in providing the S25 S151 Financial Robustness Statement in setting the annual budget and also for ensuring that the Financial Management Code is appropriately implemented. The code provides guidance for good and sustainable financial management in local authorities to provide assurance that the Council is managing resources effectively. The CFO has reviewed the index finding which has not flagged any potential areas of significant financial risk. The CFO has also reviewed the Council's Financial Procedural rules and the Financial Regulations in setting the budget approved by Council in February 2021.

The Council maintains an internal audit function which operates to the standards set out in the 'Public Sector Internal Audit Standards'. An assessment against the standard is carried out each year with the outcome being reported to the Audit and Accounts committee as part of the chief internal auditor's annual report. A chief internal auditor protocol, to ensure that arrangements operated by the Council meet the requirements of the CIPFA Statement on the Role of the Head of Internal Audit in Public Sector Organisations, has been included in the constitution.

(G) Implementing good practices in transparency, reporting, and audit, to deliver effective accountability

The Council is committed to openness and transparency and publishing as much Council data as it can in order to increase accountability. The Council has established a webpage entitled "Your right to Know" that enables the public to access a range of information that is published in accordance with the Local Government Transparency Code (2015).

The "Our Spending and accounts" and "Council budgets and spending" webpages includes information on Council spending and fees and charges, with a link to the Council's Medium Term Financial Strategy with details of the assumptions made and risks considered in setting the budget. This page also provides a link to the Statement of Accounts which shows how public money has been used.

The Council's constitution sets out how decisions are made and specific reference to decision making by Full Council, by the Executive (Cabinet), committees and subcommittees established by the Council and scrutinised by the Overview and Scrutiny Committee. The constitution includes the officer Scheme of Delegation which sets out the powers and functions that are delegated to named Council officers. The compilation of a Register of Delegated powers is a statutory requirement and is maintained by the Head of Law and Governance.

The Council produces a Forward Plan of all Key Decisions which are proposed to be taken within the four months (updated monthly) 28 clear days prior to scheduled Cabinet meetings on a rolling basis. All agendas and minutes of meetings in respect of Council Cabinet, Overview and Scrutiny, and Non-Executive Committees are published on the Council's website.

4. **REVIEW OF EFFECTIVENESS**

- (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.
- (2) The review of effectiveness is informed by the work of the Stewardship Team comprising the Executive Director of Corporate Services (Section 151 Officer), the Head of Law and Governance, the Legal Services Manager, the Chief Internal Auditor, the Head of Financial Services and the Head of HR Communications and Policy, applied in respect of maintaining and reviewing the effectiveness of the system of internal control, is informed by:
 - (a) The views of internal audit are reported to the Audit and Accounts Committee throughout the year in the internal audit progress reports. This includes a summary report and recommendations to improve the control environment for each completed audit assignment. Progress made against recommendations is also reported to the Audit and Accounts committee and the committee are able to call any service manager to the committee to explain reasons for overdue recommendations. During 2020/21 internal audit carried out 26 audit reviews. This resulted in 11 full assurance, 10 significant assurance and 5 reasonable assurance being issued.
 - (b) The Chief Internal Auditor's annual report provides an opinion on the effectiveness of the Council's risk management, control and governance processes and is reported to the Audit and Accounts committee each year. This opinion is based on the work conducted by internal audit during the year.

Opinion of the Chief Internal Auditor – 2020/21

I am satisfied that sufficient internal audit work has been undertaken to allow me to draw a reasonable conclusion as to the effectiveness of the Council's risk management, control and governance processes.

I can give substantial assurance¹ on the effectiveness of the Council's risk management, control and governance processes which enables the Council to meet its aims and objectives.

¹Substantial assurance means key controls designed to achieve the system/function/process objectives are in place. There are opportunities to enhance/strengthen those controls.

- (c) The views of external auditors, Ernst & Young LLP (who may seek to place reliance on the work carried out by internal audit, where they consider it to be appropriate to do so for the purposes of their statutory audit), are regularly reported to Audit and Accounts Committee, including regular progress reports, the Annual Audit Letter and Audit Results Report – ISA260. This year the external auditors will commence their audit of the Council's accounts in June. The government has extended the publication date for final audited accounts to 30th September 2021 and plans are in place to achieve this deadline reporting to the Audit and Accounts Committee in September 2021. The Senior Leadership Team within the Council have responsibility for the development and maintenance of the governance framework.

- (f) The completion of 'Service Lead Assurance Statements' that are countersigned by the relevant executive director, covers the key processes and systems that comprise the Council's governance arrangements and is intended to identify any areas where improvement or further development is required. All were completed appropriately.
 - (g) The annual review of the Council's Local Code of Corporate Governance which reflects the key components of the Council's overall governance and internal control environment. This document, based on CIPFA/SOLACE guidance, records the key controls in place, and sources of assurance, and identifies any significant gaps or weaknesses in key controls.
 - (h) The Risk Management Policy and Corporate Risk Register.
 - (i) The work of the Audit and Accounts committee in relation to the discharge of its responsibility to lead on all aspects of corporate governance.
- (3) We have been advised on the implications of the result of the review of effectiveness of the governance framework by the Audit and Accounts Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new action planning are outlined below.

5. SIGNIFICANT GOVERNANCE ISSUES

Set out below are the significant governance issues for 2021/2022 identified by the work of the Stewardship Team who is responsible for corporate governance and reviewed by the Council's Strategic Leadership Team:

	Governance Issue	Planned Action	Responsible Officer	Target for Completion
1	Review of constitution	Full review of constitution, to give due regard to best practice and to remove inconsistencies and give clearer delegations; Key decision provisions Scheme of delegation	Head of Law and Governance	Ongoing through-out the year
2	Economic Recovery Framework and Action Plan	Develop and implement a full recovery plan for the ongoing provision of Council services, development, growth and economic recovery within the Borough. To include a review of the internal operation of the Council in a post Covid environment	Senior Leadership Team/Cabinet	An Economic Recovery Plan was approved by Cabinet on 6 October 2020. Review of progress throughout the year. Working with partners on support to vulnerable people.

ANNUAL GOVERNANCE STATEMENT 2020/21

3	Financial Management Code	Full review of Financial Management Code requirements and development and implementation of an action plan for the council to be able to demonstrate that it can meet the code from April 2022.	Executive Director of Corporate Finance (S151 Officer) & Head of Financial Services & Commercialisation	September 2021
4	Procurement & Contract Review	Complete full review of all procurement and contract management activity with appropriate recommendations and updates to the Contract Standing Orders	Head of Law & Governance	September 2021
5	Partnership Governance Framework Review	Undertake review of the partnership framework document and of the consolidated list of partnerships	Executive Director of Borough Development	February 2022

6. CONCLUSION

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the needs 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: _____ **Date: 1 October 2021**

Russell O’Keefe

Chief Executive

Signed: _____ **Date: 1 October 2021**

Cllr Ken Rhatigan

Leader of the Council

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BASINGSTOKE AND DEANE BOROUGH COUNCIL

Opinion

We have audited the financial statements of Basingstoke and Deane Borough Council for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014. The financial statements comprise the Comprehensive Income and Expenditure Statement, Balance Sheet, Movement in Reserves Statement, Cash Flow Statement and related Notes to the Financial Statements 1 to 29; the Collection Fund and Notes to the Collection Fund 1 to 3.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion the financial statements:

- give a true and fair view of the financial position of Basingstoke and Deane Borough Council as at 31 March 2021 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Executive Director of Corporate Services (Section 151 Officer)'s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from the date when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Executive Director of Corporate Services (Section 151 Officer) with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions

INDEPENDENT AUDITORS' REPORT

can be predicted, this statement is not a guarantee as to the Authority's ability to continue as a going concern.

Other information

The other information comprises the information included in the Statement of Accounts 2020/21, other than the financial statements and our auditor's report thereon. The Executive Director of Corporate Services (Section 151 Officer) is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Authority;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014;
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014;
- we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have nothing to report in these respects.

Responsibility of the Executive Director of Corporate Services (Section 151 Officer)

As explained more fully in the Statement of the Executive Director of Corporate Services (Section 151 Officer)'s Responsibilities set out on page 70, the Executive Director of Corporate Services (Section 151 Officer) is responsible for the preparation

INDEPENDENT AUDITORS' REPORT

of the Statement of Accounts, which includes the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Director of Corporate Services (Section 151 Officer) is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant are:

- The Local Government Act 1972;
- Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992);
- the Local Government Act 2003;
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018 and 2020;
- Planning Act 2008 and the Community Infrastructure Levy Regulations 2010 (SI 2010/948);

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- The Local Government Finance Act 2012;
- The Local Audit and Accountability Act 2014; and
- The Accounts and Audit Regulations 2015.

In addition, the Authority has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment legislation, tax legislation, general power of competence, procurement and health & safety.

We understood how Basingstoke and Deane Borough Council is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of Executive Director of Corporate Services (Section 151 Officer), Chief Internal Auditor, Head of Law & Governance and Monitoring Officer, and Chairman of the Audit and Accounts Committee and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the Authority's committee minutes, through enquiry of employees to confirm Authority policies and other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified inappropriate capitalisation of revenue expenditure and management override of controls to be our fraud risks.

- To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the Authority's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine.
- To address our fraud risk of management override of controls, we tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; assessed accounting estimates for evidence of management bias; and evaluated the business rationale for significant unusual transactions.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General (C&AG) in April 2021, as to whether Basingstoke and Deane Borough Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider

INDEPENDENT AUDITORS' REPORT

under the Code of Audit Practice in satisfying ourselves whether Basingstoke and Deane Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Basingstoke and Deane Borough Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or our work on value for money arrangements.

Until we have completed these procedures we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of Basingstoke and Deane Borough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Maria Grindley (Key Audit Partner)

Ernst & Young LLP (Local Auditor)

Reading

16 December 2021

GLOSSARY OF TERMS

ABSOLUTE RETURN BONDS FUNDS (ARB's)

These are pooled investment schemes which invest in a wide range of credit asset classes. They provide better protection than traditional bond funds against rising interest rates or widening credit spreads.

ACCOUNTING POLICIES

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

- (i) recognising;
- (ii) selecting measurement bases for; and
- (iii) presenting assets, liabilities, gains, losses and changes to reserves.

Accounting policies do not include estimation techniques.

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

ACCRUALS ACCOUNTING

A basis of accounting in which the effects of transactions and other events on an authority's resources are accounted for when the effects occur; not when the relevant cash receipts or payments take place. For instance, employee costs are treated as an expense as employees provide services to the authority, not when salaries are paid.

ACTUARIAL GAINS AND LOSSES (PENSIONS)

Changes in the Council's pensions liabilities calculated at the end of the previous year as a result of actual events being different from those predicted by the actuary or because the actuary has updated their assumptions.

AGENCY SERVICES

Arrangements under which the Council provides goods or services to third parties on behalf of another organisation.

ALLOWANCES FOR DOUBTFUL DEBTS

An allowance that is made from debts that the council is unlikely to recover based on how long the debts have been outstanding.

AMORTISATION

This is the writing down of an asset's value over its useful life (similar to depreciation). This is applied to intangible fixed assets and some types of investments.

AMORTISED COST FINANCIAL ASSETS

A category of financial instrument under IFRS 9 from which the cash flows are solely payments of principal and interest and the council's business model is to collect those cash flows. Examples include gilts and corporate bonds.

GLOSSARY OF TERMS

ASSET REVALUATION RESERVE

This is an unusable reserve to reflect movements in Property Plant and Equipment assets resulting from revaluations.

AUTHORISED LIMIT

The statutory limit on borrowing that the Council sets for itself under the Prudential Code and which it is not permitted to exceed.

AVAILABLE FOR SALE FINANCIAL ASSETS / INSTRUMENTS

A category of financial instrument (prior to IFRS 9) which is traded in an active market and is valued at fair value based on quoted market prices. Examples include gilts and corporate bonds.

BUDGET

The council's aims and policies set out in financial terms against which performance is monitored. Both revenue and capital budgets are prepared.

BUSINESS UNITS

The council's employee and employee related expenditure is recorded and monitored in business unit accounts during the year and then recharged to services based on a suitable allocation basis.

CAPITAL ADJUSTMENT ACCOUNT (RESERVE)

An unusable reserve to record capital amounts used to finance capital expenditure, the write down of assets on disposal and adjustments made to the comprehensive income and expenditure statement relating to capital items.

CAPITAL CHARGES

Charges to service revenue accounts to reflect the cost of long term assets used in the provision of services.

CAPITAL EXPENDITURE (STATUTORY)

This is expenditure on the acquisition of long term assets, or expenditure which adds to and not merely maintains the value of existing long term assets. The statutory definition also includes revenue expenditure funded from capital under statute (REFCUS) and expenditure on the acquisition of some long term investments (e.g. corporate bonds).

CAPITAL FINANCING

The Council's arrangements for meeting the cost of capital expenditure, covering capital grants and contributions, capital receipts and charges to revenue over the period that will benefit from the expenditure.

CAPITAL FINANCING REQUIREMENT (CFR)

The measure of the Council's capital expenditure that has yet to be financed, as defined in the Prudential Code. It increases as capital expenditure is incurred and reduces when resources are set aside as capital finance.

CAPITAL INVESTMENT

This is expenditure on long term assets.

GLOSSARY OF TERMS

CAPITAL INVESTMENTS

These are financial instruments that under statute are deemed to count as capital expenditure when acquired and on disposal or maturity gives rise to a capital receipt (e.g. individual equities).

CAPITAL RECEIPTS

The proceeds from the sale of (or reduction in our interest in) long term assets such as property, plant and equipment, investment property and capital investments.

CAPITAL RECEIPTS RESERVE

This is a usable reserve consisting of capital receipts that have not yet been used to finance capital investment.

CAPITAL STRATEGY

The annual strategy that the Prudential Code requires the Council to prepare. It gives an overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services, how associated risk is managed and the implications for future financial sustainability.

CASH AND CASH EQUIVALENTS

Cash constitutes notes and coins held by the Council and money in bank accounts that can be withdrawn on demand. Cash equivalents are investments that are comparable to cash, being short-term, highly liquid and readily convertible to known amounts of cash and unlikely to change in value.

CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING (THE 'CODE')

The document that specifies the contents of the Council's statement of accounts, the accounting policies it must follow, the presentation of the financial statements and the notes to be provided.

COLLECTION FUND

The separate accounting arrangements for the collection of council tax and business rates and the sharing of the proceeds between the Council, Government and other public bodies.

COMMUNITY ASSETS

A category of long term assets that the local authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and cemeteries.

CONTINGENT ASSET

An asset that the Council might be able to recognise as a result of something that has happened before the year-end, but whose existence will not be confirmed until an uncertain future event (not wholly within the Council's control) either takes place or does not.

CONTINGENT LIABILITY

A possible obligation for the Council that arises as a result of something that has happened before the year-end, but whose existence will not be confirmed until an uncertain future event (not wholly within the Council's control) either takes place or does not.

GLOSSARY OF TERMS

CONTINGENT RENT

Rent income that is based on outcomes (i.e. sales/profits etc.) rather than a contracted sum.

CREDITOR

This is an individual or body to whom, at the balance sheet date, the council owes money.

CURRENT ASSET

An asset that is realisable or disposable within less than one year.

CURRENT LIABILITY

A liability that is due to be settled within one year.

CURRENT SERVICE COST (PENSIONS)

The increase in pensions' liabilities arising from employee service in the current year.

COUNCIL TAX

A local tax levied on domestic properties by local authorities to help meet the cost of services. It is based on the estimated value of the properties. Properties are valued within eight bands (Band A, the lowest, up to Band H the highest)

COUNCIL TAX BASE

The number of Band D equivalent dwellings in a local authority area
The tax base is used to determine the level of council tax an authority charges each dwelling

DEBTOR

This is an individual or body whom, at the balance sheet date, owes money to the council.

DEFINED BENEFIT SCHEME (PENSIONS)

A pension scheme where the future benefits receivable by pensioners are guaranteed and sufficient contributions have to be paid into the fund to ensure that payments will be affordable.

DIVERSIFIED CREDIT FUNDS (DCF's)

Externally managed pooled investment schemes investing in wide ranging mix of credit instruments including Gilts, Corporate Bonds, Investment Grade Credit, Asset Backed Securities, Senior Mortgages, Leverage Loans and High Yield Bonds.

DEPRECIATION

This is the measure of the wearing out, consumption, or other reduction in the useful economic life of a long term asset, whether arising from use, passage of time, obsolescence or other changes.

DEPRECIATED REPLACEMENT COST (DRC)

A valuation method used as a proxy for market value of a specialised property. It consists of the estimated market value of any land in existing use and the replacement cost of any buildings.

GLOSSARY OF TERMS

DIRECT REVENUE FINANCING

The council's capital expenditure is financed from various sources (e.g. capital receipts and contributions). Direct revenue financing is the term used for funding from revenue sources such as earmarked revenue reserves and revenue grants or contributions.

DISCRETIONARY BENEFITS (PENSIONS)

Pension benefits that the Council can choose to award in certain circumstances that employees would not otherwise be entitled to.

DOUBTFUL DEBT

This is a debt that the council is unlikely to recover. An allowance is made in the accounts for doubtful debts each year based on how long debts have been outstanding.

EARMARKED REVENUE RESERVES

Usable reserves consisting of amounts set aside from revenue (general fund) to fund future expenditure or provide funds for unforeseen events.

EFFECTIVE INTEREST RATE

The implied rate of interest in an arrangement calculated by reference to the cash flows within the arrangement as opposed to quoted rates of interest.

EMPLOYEE BENEFITS

All the forms of remuneration given to the Council's officers in return for the services they render (including salaries, allowances, pensions benefits and awards on the termination of their employment).

ESTIMATED MARKET VALUE or FAIR VALUE

The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

EXISTING SATISFACTORY PURCHASES (ESP's)

Loans to housing associations to partly fund the purchase and conversion of existing properties for use as temporary accommodation.

EXISTING USE VALUE (EUV)

A basis for valuing property, plant and equipment that estimates a sale price for an asset disregarding potential alternative uses and any other characteristics of the asset that would make its market value different from the expenditure needed to replace the remaining service potential at least cost.

EXPECTED CREDIT LOSSES (ECLs)

The credit losses that the Council estimates will arise from the amounts that it is currently owed. ECLs are calculated by measuring the losses that would arise from different default scenarios, resulting in a weighted average loss based on the probability of each scenario taking place.

GLOSSARY OF TERMS

FAIR VALUE or ESTIMATED MARKET VALUE

The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME FINANCIAL ASSETS

Investments for which gains and losses in fair value are recognised on the Balance Sheet but do not impact on the Council's income as they arise but only when the investment matures or is sold. Defined as financial assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling investments, and which have the form of a basic lending arrangement.

FAIR VALUE THROUGH PROFIT OR LOSS FINANCIAL INSTRUMENTS

A category of financial instrument under IFRS 9 of which the cash flows are not solely payments of principal and interest. These are valued at fair market value. Pooled investment funds are included in this category

FINANCE LEASE

This is a lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. Such a transfer of risks and rewards may be presumed to occur if at the inception of the lease the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.

FINANCIAL INSTRUMENTS

A contract that gives one party a financial asset and the other party a financial liability (or an equity instrument), such as a loan, credit terms for the purchase of goods or services or a share in a company).

FINANCIAL INSTRUMENTS REVALUATION RESERVE

An unusable reserve that contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The Council might benefit in the future from the gains when the investments mature or are sold or they might be lost in falls in value.

FINANCIAL REPORTING STANDARDS (FRS)

Accounting standards issued by the Accounting Standards Board (ASB) that the council is required to follow subject to the requirement to follow IFRS's.

FINANCING ACTIVITY

This is income and expenditure relating to long term borrowing.

GENERAL FUND

This is a statutory division of the council's accounts covering the cost of services.

GILTS

These are financial instruments issued by the UK government in order to finance public expenditure. Gilts are generally issued for a set period and pay a fixed rate of interest for that period. At the end of the set period the investment is repaid (at face value) by the government. However, during the life of a gilt it will often be traded (bought and sold) at a price decided by the market.

GLOSSARY OF TERMS

GOING CONCERN

The assumption made when preparing the financial statements that the functions of the Council will continue in operational existence for the foreseeable future, in particular so that assets can be valued on the contribution they will continue to make to the Council's services rather than the price that would be obtained if they were sold on its liquidation.

GOVERNMENT GRANTS

This is government assistance whether in the form of cash or transfers of assets. Sometimes the assistance is in return for compliance with certain conditions relating to the activities of the authority (these are referred to as ring-fenced).

GRANTS AND CAPITAL CONTRIBUTIONS UNAPPLIED (RESERVE)

This is a usable reserve consisting of capital grants and contributions that have been received but have yet to be used / applied to finance capital expenditure.

GRANTS AND CONTRIBUTIONS (RECEIPTS IN ADVANCE)

These are grants and contributions receivable that have conditions on their use that might require the council to return them to the contributor. Examples include time limited developer contributions.

GROSS VALUE ADDED (GVA)

The measure of the value of goods and services produced in the borough of Basingstoke and Deane.

GROUP ACCOUNTS

Financial statements that bring together the transactions and balances of a local authority and its subsidiaries, associates and joint ventures as if they were a single economic entity.

HERITAGE ASSETS

Assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture (such as historic buildings, museum collections and public art).

IMPAIRMENT

This is a reduction in the value of a long term asset below its carrying amount in the Balance Sheet.

INFRASTRUCTURE ASSETS

These are a category of long term assets that are inalienable, in that expenditure is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

INTANGIBLE ASSETS

Assets that do not have physical substance, such as computer software, licences and websites supporting the Council's services.

GLOSSARY OF TERMS

INTEREST COST (PENSIONS)

For a defined benefit pension scheme, the expected increase during the period in the present value of scheme liabilities because the benefits are one period closer to settlement.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

These are international accounting standards governing the treatment and reporting of income and expenditure in an organisation's accounts.

INVESTING ACTIVITY

This is expenditure and income relating to long term assets.

INVESTMENT PREMIUMS

An investment premium is the amount above the face value that a purchaser pays to obtain a financial instrument and its income.

INVESTMENT PROPERTY

This is a category of long term asset which is held for its investment potential and is not used in the delivery of services.

LOCAL AUTHORITY BONDS (LA Bonds)

Similar to gilts, these are issued by UK local authorities rather than the Government in order to raise capital.

LEASE

This is any arrangement that involves payment or a series of payments for use of an asset.

LOANS AND RECEIVABLES

A category of financial instruments (prior to IFRS 9) that has fixed or determinable payments but are not quoted in an active market.

LONG-TERM ASSETS

This is the collective name for assets that may be held indefinitely for the provision of services or are realisable over a period longer than one year.

LONG-TERM BORROWING

This is a loan repayable in more than one year from the Balance Sheet date.

LONG-TERM DEBTOR

An individual or body that owes money to the council that is not due for payment within one year from the Balance Sheet date.

LONG TERM INVESTMENTS

Financial instruments with maturity dates that are longer than 365 days at the time of making the investment.

GLOSSARY OF TERMS

MATERIALITY

A measure of the significance of information potentially to be included in the financial statements, whereby its omission, misstatement or obscuration could reasonably be expected to influence decisions that the primary users make on the basis of those financial statements. Materiality is important for influencing what figures should be included in the financial statements, how precise those figures need to be, and how much additional information needs to be provided about them.

MINIMUM LEASE RENTAL

The rental amount that is guaranteed under a lease agreement excluding future rent reviews.

MINIMUM REVENUE PROVISION (MRP)

The method by which capital expenditure is financed by setting aside amounts from revenue over the useful life of the relevant asset (or in accordance with some other methodology that prudently approximates this).

MONEY MARKET FUNDS

Externally managed pooled investment schemes investing in short term cash instruments.

NET ASSETS

This is the amount by which total assets exceed total liabilities.

NET BOOK VALUE

This is the amount at which PPE assets are included in the Balance Sheet (i.e. their historical costs or current value less the cumulative amounts provided for depreciation).

NET CURRENT REPLACEMENT COST

This is the cost of replacing or recreating the particular asset in its existing condition and in its existing use (i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset).

NON-DOMESTIC RATE (NDR)

A tax levied on business premises (also known as business rates).

NON-DISTRIBUTED COSTS

These are overheads for which no direct service benefits and which are therefore not apportioned to services (e.g. past service pension costs).

OPERATING LEASES

This is a lease that does not transfer substantially all of the risks and rewards of ownership to the lessee.

OTHER LONG TERM ASSETS

This is a grouping of long term assets and includes Heritage Assets, Intangible Assets and Other Long Term Debtors.

PORTFOLIO SERVICES

These are grouping of services determined by members of the council.

GLOSSARY OF TERMS

PAID ABSENCES ADJUSTMENT ACCOUNT

These are benefits (mainly holiday pay) that employees receive as part of their contract of employment, entitlement to which is built up during the year. The paid absences adjustment account is an unusable reserve that absorbs the differences that would otherwise arise from accruing for the cost of holiday entitlements outstanding at the end of the year whereas statutory provisions permit them to be funded in the year the benefit is taken.

PAST SERVICE COST (PENSIONS)

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

PENSION SCHEME RESERVE

An unusable reserve that reflects the net liability/asset in the council employees' pension fund.

POST BALANCE SHEET EVENTS

These are events, both favourable and unfavourable, which occur between the Balance Sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.

PRECEPTS/PRECEPTORS

Amounts levied on the council by other local authorities (preceptors) that the council is required to collect and distribute council tax for.

PRIOR PERIOD ADJUSTMENTS

The correction of an error or the effect of a change in accounting policies that involves amending the numbers in the financial statements for prior years as if the error had not been made or the policy had always applied.

PROJECTED UNIT METHOD (PENSIONS)

This is an accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- (i) the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependents, allowing where appropriate for future increases; and
- (ii) the accrued benefits for members in service on the valuation date.

The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not.

PROPERTY, PLANT AND EQUIPMENT (PPE)

A category of long term assets that are used in the provision of services as opposed to investment property that is used to generate income or for capital growth purposes.

PROVISIONS

Estimated amounts set aside to meet liabilities that are known to exist, but that cannot be measured accurately.

GLOSSARY OF TERMS

PRUDENTIAL CODE

The Code of Practice for capital financing issued by CIPFA. The Council is required by law to have regard to the Code when taking decisions about incurring capital expenditure and taking out borrowing.

PUBLIC WORKS LOANS BOARD (PWLB)

The Public Works Loan Board is a statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury.

PWLB's function is to lend money from the National Loans Fund to local authorities, and to collect the repayments.

RELATED PARTIES

Two or more parties are related parties when at any time during the financial period:

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

RELATED PARTY TRANSACTION

A related party transaction is the transfer of assets or liabilities or the performance of services by, to, or for a related party irrespective of whether a charge is made.

REMUNERATION

Amounts paid to or receivable by an employee and amounts due by way of expenses allowances (as far as those amounts are chargeable to UK income tax) and the money value of any other benefits received other than in cash.

RESIDUAL VALUE

This is the net realisable value of an asset at the end of its useful life. Residual values are based on prices prevailing at the date of the acquisition (or revaluation) of the asset and do not take account of expected future price changes.

RETIREMENT BENEFITS

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either (i) an employer's decision to terminate an employee's employment before the normal retirement date or (ii) an employer's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

Expenditure which may properly be capitalised in accordance with statutes, but where no tangible long term asset is created and therefore under IFRS is deemed to be revenue expenditure (e.g. improvement and renewal grants).

GLOSSARY OF TERMS

REVENUE EXPENDITURE/INCOME

The cost or income associated with the day-to-day running of the council's services.

REVENUE SUPPORT GRANT (RSG)

A government grant (financial support) that is not ring-fenced (i.e. does not have to be spent on a particular service). It is based on the Government's assessment of the council's spending need, its receipt from national non-domestic rates and its ability to generate income from the Council Tax.

RUNNING COSTS

The day to day costs of running the council which include premises costs, transport costs and supplies and services costs.

SCHEME LIABILITIES (PENSIONS)

The liabilities of a defined scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflects the benefits that the employer is committed to provide for service up to the valuation date.

SETTLEMENT

A transaction that eliminates pensions liabilities, such as the transfer of an employee to a new employer that participates in the Local Government Pension Scheme.

SHORT TERM BORROWING

This is loans repayable in less than one year from the Balance Sheet date.

SHORT TERM CREDITOR

An individual or body that the council owes money to that is due for payment within one year from the Balance Sheet date.

SHORT TERM DEBTORS

An individual or body that owes money to the council that is due for payment within one year from the Balance Sheet date.

SHORT TERM INVESTMENTS

These are financial instruments with maturity dates not more than 365 days after the date of the initial investment.

STATUTORY ADJUSTMENT ACCOUNTS (RESERVES)

Unusable reserves relating to statutory adjustments made in the accounts (e.g. Paid Absences Account, Collection Fund Adjustment Account and Financial Instruments Adjustment Account).

SUPRANATIONAL BONDS

These are very similar in nature to gilts except that rather than being issued by the UK Government they are issued by supranational bodies supported by more than one national government such as the European Investment Bank which is supported by all of the EU member states.

GLOSSARY OF TERMS

TERMINATION BENEFITS

Amounts paid to employees as a result of termination of their contract with the council usually in the form of redundancy payments.

TRUE AND FAIR

The standard against which local authority accounts are prepared, requiring compliance with statutory requirements and the Accounting Code, the absence of material misstatements and bias in the presentation of information, and faithful representation of transactions and events.

UNUSABLE RESERVES

Amounts set aside that the council is not able to use to fund expenditure because they are unrealised or notional (i.e. they are not cash backed).

USABLE RESERVES

Amounts set aside that the council is able to use to fund expenditure.

USEFUL LIFE

This is the period over which the local authority will derive benefits from the use of a long term asset.

VALUE IN USE

The net present value of future cash flows obtainable as a result of an asset's continued use, including those resulting from its ultimate disposal.