

Statement of Accounts

for year ended 31 March 2022

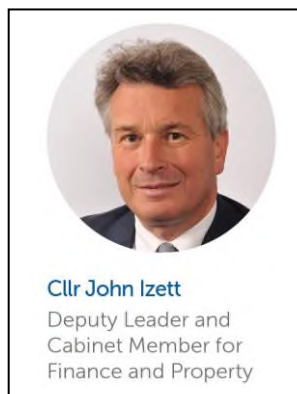


Basingstoke
and Deane

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Introduction to Statement of Accounts – Cllr John Izett, Cabinet Member for Finance and Property and Deputy Leader



Welcome to Basingstoke and Deane Borough Council's Statement of Accounts for 2021/22.

This year was the second year of our current 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 2021/22, the borough element of council tax increased by £5 to £131.42 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 residual economic impact of the Covid-19 pandemic, Basingstoke and Deane's element of the council tax 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 £18M 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.

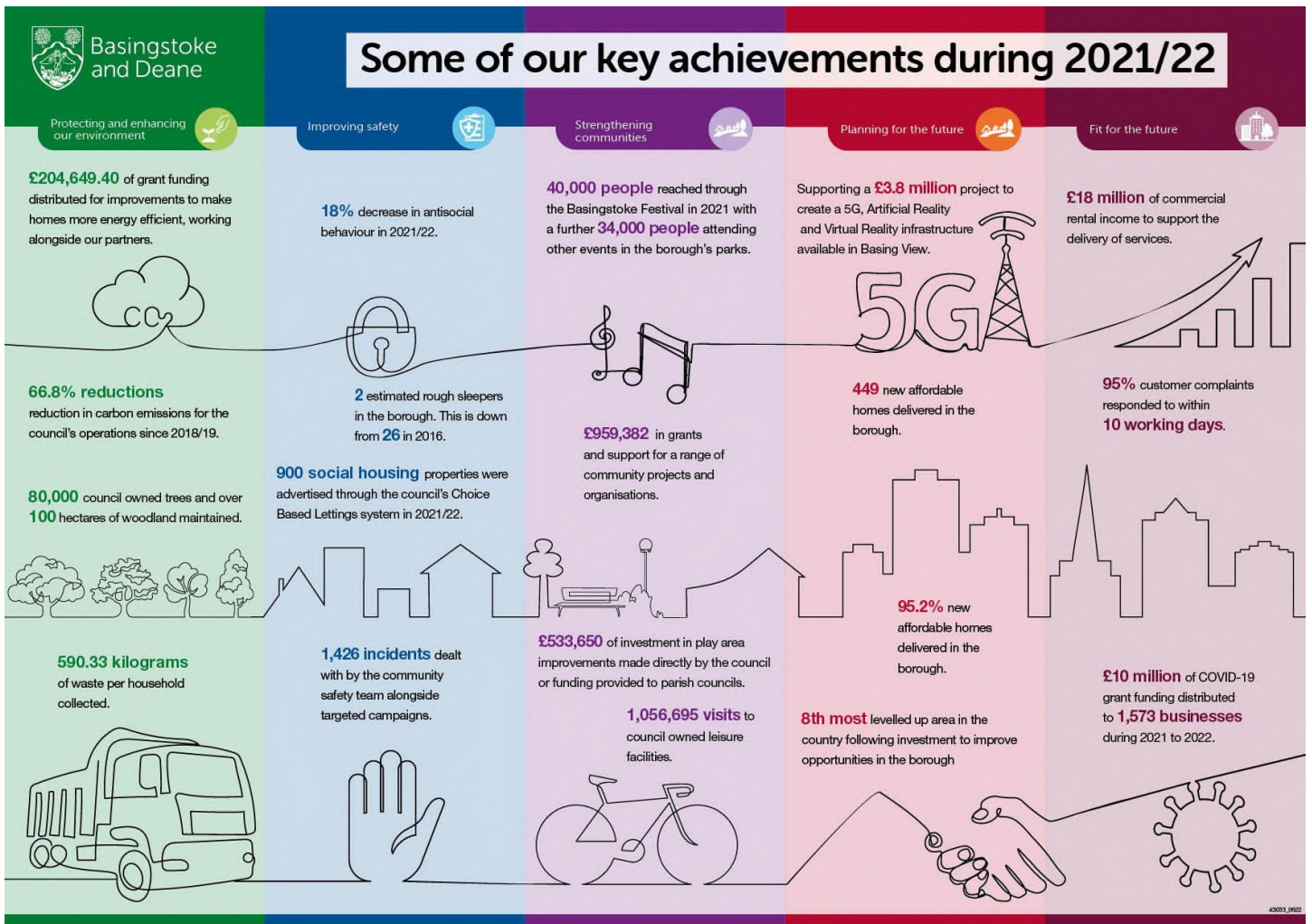
The year continued to be dominated by the council's response to the Covid-19 pandemic, ensuring residents and businesses were given the support they needed during this unprecedented time. As well as the practical actions taken to support our communities, the council continued to control its expenditure 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

To support our priority of protecting and enhancing our environment this year we have installed 13 new electric vehicle chargers in the borough, which responds to the 58% increase in ULEVs registered in the borough in the year to 31 December 2021, which includes 2 vehicles used by our parking team. There has been a 4.8% reduction in average annual emissions and reduction in average monthly household waste which equates to 4.47kg per household.

To support strengthening our communities this year we have provided over £500,000 of funding to parish councils to invest in play areas and paid over £950,000 in grants to support a range of community projects and organisations.

Against our improving safety priority there was a 18% reduction in antisocial behaviour in the year and due to the innovative approaches and joint working of the Basingstoke and Deane Social Inclusion Partnership (SIP) we continued to have a low number of rough sleepers, an estimated total of two in the borough.



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. During 2021/22 1,573 businesses in the borough were given business grants totalling £10M. Residents were also given a helping hand with council tax and benefits support and test and trace isolation payments.

As we look to the 2022/23 financial year, our residents now face further financial challenges with significant cost of living increases. Due to the financial stewardship undertaken through 2021/22, it has been possible to utilise unspent monies towards a Cost of Living Assistance Fund (COLAF) which received unilateral approval by all political groups at Council in July 2022.

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



Sue Cuerden
Executive Director of
Corporate Services
(section 151 Officer)

My role as the Chief Financial Officer of the council (S151 Officer) is to ensure that Basingstoke and Deane Borough Council's finances are managed appropriately and that the financial position remains strong and sustainable. This narrative statement provides an overview of the council including 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 2021/22. Regular budget monitoring is carried out throughout the year and reported to both Cabinet, Council as appropriate and Scrutiny Committee, with a final revenue outturn surplus of £1.5M being reported for the year.

Not only did the council have to deal with the ongoing financial impact of the pandemic, it continued to deal with the funding pressures of reduced government grants. Core grant income from the government was £3.1M lower in 2021/22 compared to 2015/16 with further reductions of £5.2M anticipated over the future years to 2025/26.

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 continued to have an impact in 2021/22.

Despite this, the council has managed its finances, aiming to maintain service levels and has not had to rely on reserves to fund ongoing expenditure. Through good financial management the council has achieved savings since 2009 of £17.2M (33%) 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.

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.

Financial management was returning to normal during 2021/22, however controls on non-essential spend and recruitment remained in place to ensure that resources were used in line with council priorities.

The expected financial impacts in respect of Covid-19 were considered in setting the budget for 2021/22 particularly in respect of some areas of income, such as car parking and investment income.

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Total Government Covid-19 support grant funding of £61.98M has been allocated since the start of the pandemic, of this £13.7M was received during 2021/22. The funding was to support the council with the financial impact of the emergency response, to support specific Government Covid-19 local initiatives and to compensate councils for an element of lost income from services such as car parking.

The continuing 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 2021/22 Code would apply. Due to the ongoing impact of the pandemic, as with the last two financial years, the Local Authority Accounts and Audit Regulations 2015 have been amended in respect of approval and publication dates for the 2021/22 annual accounts. The dates for publishing the audited Annual Accounts 2021/22 have been extended up to 30 November 2022.

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, how, when and where staff undertake activities in providing council services.

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. The pandemic accelerated our move to a hybrid working pattern, with most staff splitting their time between the office and home working, with an expectation that staff will on average work in the office three days per week. This has been facilitated through the refurbishment of the council's Deanes building to provide technology for hybrid meetings through Microsoft Teams and a modern and flexible working space for those in the office. This has also allowed for the Parklands Building to be let to another public sector partner, generating additional income to support the provision of council services.

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 how we provide services in the future and in the development of our Customer Experience Strategy and with 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, with a further update being published in mid-2022.

In October 2019 CIPFA published the Financial Management Code, which provides guidance for good and sustainable financial management in local authorities. The code is effective from 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.

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In April 2022 CIPFA announced the deferral of the adoption of IFRS 16 for Lease Accounting for a further two years to 1 April 2024 (the 2024/25 financial 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.

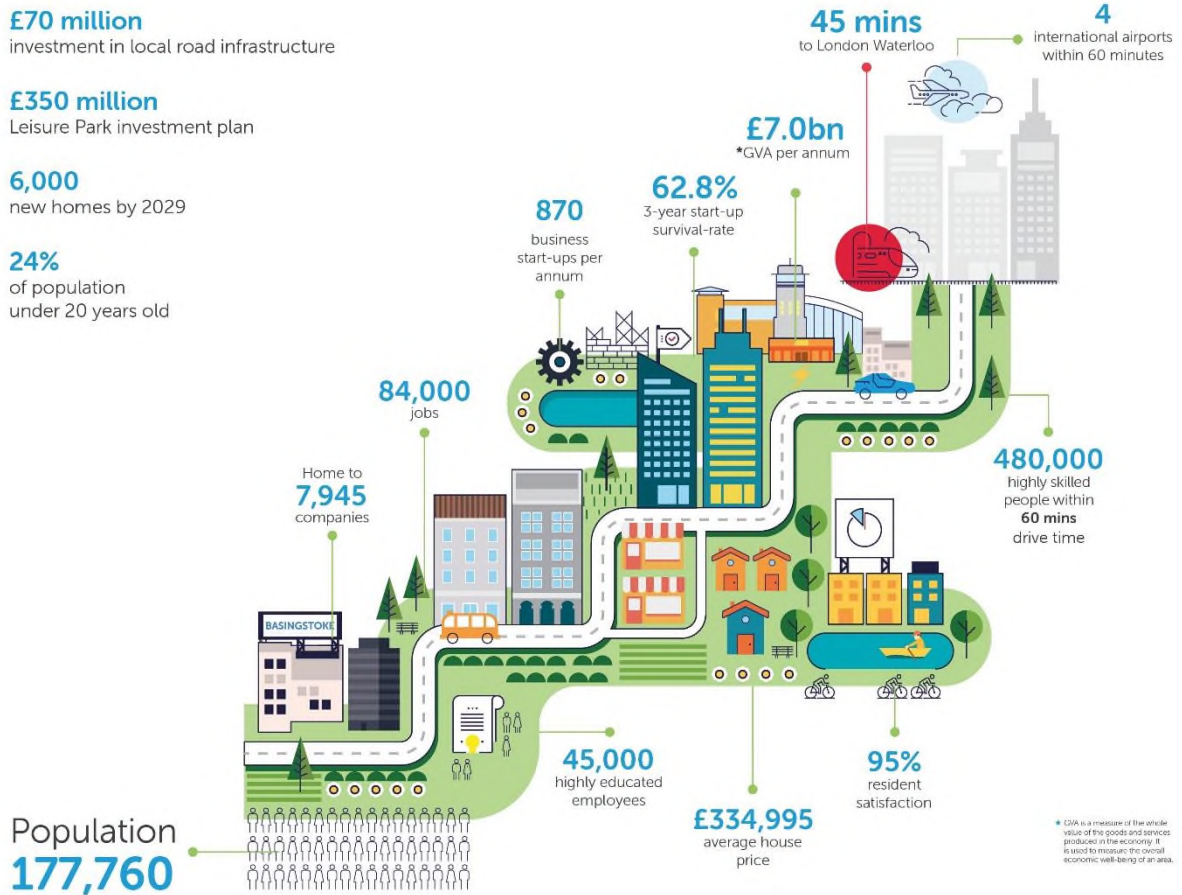
On 24 February 2022 Russia invaded Ukraine. This resulted in the introduction of a significant number of financial sanctions on individuals and businesses based in both Russia and Belarus. The council has reviewed its contracts, including investments, and found that it had no direct exposure to Russian or Belarusian companies.

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 76.

1. KEY FACTS ABOUT THE BOROUGH OF BASINGSTOKE AND DEANE



Further information about the Borough of Basingstoke and Deane are available on our website in the key facts section, available on this link: <https://www.basingstoke.gov.uk/Basingstoke-and-Deane-key-facts>.

2. KEY FACTS ABOUT BASINGSTOKE AND DEANE BOROUGH COUNCIL

Basingstoke and Deane Borough Council is responsible for most of the 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 2021/22, there were 42 town and parish councils, and following a boundary review in May 2021 there are 54 elected members of the Council representing 18 wards.

Following the elections on 5 May 2022 the political structure is as follows:
Conservative Group 29; Labour Group 10; Basingstoke & Deane Independents 8; Liberal Democrats Group 7

The elected Leader of the Council is Cllr Simon Bound, who replaced Cllr Ken Rhatigan in February 2022.

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 an 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 76 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 2022 the council employed 531.9 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 the first half of 2021/22 where possible staff worked from home. With the ending of restrictions relating to the pandemic the council moved to a hybrid working pattern later in the financial year with staff working an average of 3 days per week in the office.

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 several joint working arrangements with Hart District Council which include household waste collection, street cleansing, legal, licensing and customer services.

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.

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. During 2021/22 Scrutiny Committee reviewed 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 Council adopted the Council Plan 2020 to 2024 in February 2020. Council approved individual Priority Plans in February 2021. These informed updated performance management this year. 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 Council Plan and summary of performance in these areas is shown below:

STRENGTHENING COMMUNITIES						
Supporting local communities	2020/21	2021/22 Target	2021/22	Target achieved/on track	Direction of Travel	Comments
Increase (%) in visits to council-owned community facilities	-89.8%	1.5%	377.1%	Yes		There has been a continued upward trend of visitors to community facilities following the end of the pandemic
Outstanding leisure, sport and culture	2020/21	2021/22 Target	2021/22	Target achieved/on track	Direction of Travel	Comments
Maintain number of people attending cultural organisation experiences and events	18.5%	>=100%	330.9%	Yes		Proteus have continued to develop events in the Creation Space. Cafe and studio events and workshops have been very popular. The performance programme continued in The Anvil, The Haymarket, and The Forge at full capacity. Varying confidence about returning to performances among different audiences continues to have a significant effect on some ticket sales. Whichurch Silk Mill have exceeded visitor targets reaching over 32,000 visitors. The second winter lights was a success. Milestones visitor numbers quietened in January, and then continued to build over the quarter with a focus on February half-term.










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Being accessible and inclusive	2020/21	2021/22 Target	2021/22	Target achieved/on track	Direction of Travel	Comments
Maintain number of people attending focussed outreach programmes e.g. Target at priority needs such as dementia, autism, older people, young offenders, low incomes, special needs, etc	5.7%	>=100%	79.6%	No		Proteus have worked with Hampshire Youth Offending Team to provide them with workshop space for a week-long project. Proteus were able to employ a Kickstart apprentice working across all aspects of the company including marketing, box office, administration and stage management. Proteus have appointed a new Youth Board Member. Anvil Arts dementia project Finding the Words ran a pilot session at Viabes Memory Club. Anvil Arts have extended a work placement for a young person on the autistic spectrum from Dove House post-16 group. Hampshire Cultural Trust have supported 152 hours of volunteering at the Willis Museum.
PROTECTING AND ENHANCING OUR ENVIRONMENT						
Becoming a zero carbon council by 2025	2020/21	2021/22 Target	2021/22	Target achieved/on track	Direction of Travel	Comments
Reduction in estimated carbon emissions (%) in council's building and operations, through completed energy efficiency schemes	-14.42%	Year-on-year reduction	16%	No		During 20/21, there was a marked decrease in emissions as buildings were closed and operations undertaken in a different manner as a result of the pandemic and periods of lockdown restrictions. During the course of 21/22, these restrictions were gradually relaxed, with buildings re-opening, including leisure facilities, with emissions. This resulted in a 16% increase in emissions in 21/22 compared to 20/21 (lockdown period).
Reduction in paper purchasing rates	N/A	Year-on-year reduction	£10,609	No		Expenditure has increased (from £8,164) as people were returning to the office and undertaking more copying and making more paper printing requests. However, when comparing the expenditure with the pre-pandemic figure of £22,028, expenditure has more than halved.
Improving air quality	2020/21	2021/22 Target	2021/22	Target achieved/on track	Direction of Travel	Comments
Increase in the number of borough operated electric vehicle chargers in the borough	N/A	10	13	Yes		New public chargers have been installed in Overton and Whitchurch.
Reduction (%) in average annual emissions in the borough	N/A	Year-on-year reduction	-4.80%	Yes		Total Borough emissions within the scope of influence of Local Authorities (i.e., excluding large industrial sites, railways, motorways and land-use) decreased by 4.8% between 2018-19, and 28.1% in the 10 years from 2009-2019.
Increase (%) in the proportion of low carbon vehicles leased or purchased by the council	N/A	Year-on-year increase	2%	Yes		There are now 2 ULEV vehicles, in use by our Parking Team (Civil Enforcement Officers).
Reduction (%) in 'grey fleet' mileage	N/A	Year-on-year reduction	8.6%	No		The increase is expected because of relaxation of Covid-19 rules, which have led to a return to increased travel, site visits, etc.
Increase in the proportion of electric buses in use in the borough	N/A	Year-on-year increase	0	No	N/A	There are no new electric buses in the Borough.
Increase in the number of electric vehicles registered in the borough	N/A	Year-on-year increase	58%	Yes		In December 2021 there were 1,294 ULEVs registered, which is an increase 475 vehicles, or 58%.
Improving biodiversity	2020/21	2021/22 Target	2021/22	Target achieved/on track	Direction of Travel	Comments
Maintain the percentage of the borough land area covered by priority habitats	N/A	13.6%	13.38%	No		There has been a minor loss of priority habitats across the borough.








NARRATIVE STATEMENT

Improving biodiversity (continued)	2020/21	2021/22 Target	2021/22	Target achieved/on track	Direction of Travel	Comments
Maintain the percentage of the borough covered by ancient woodland	N/A	N/A	7.50%	Yes		There has been no loss of ancient woodland over the last year.
Biodiversity net gains delivered on new developments	N/A	100%	100%	Yes		Nineteen planning applications are subject to the Biodiversity Net Gain monitoring.
Increase in the amount (ha) of council open spaces managed for biodiversity interest	50.32	>45.15	51.82	Yes		There has been an increase in areas managed for biodiversity interest.
Responding to the climate emergency	2020/21	2021/22 Target	2021/22	Target achieved/on track	Direction of Travel	Comments
Increase (%) in recycled household waste	29.18%	27%	26.83%	No		Recycling rates are slightly below target which may have been caused by garden waste service suspensions due to staffing issues. Kg of waste per household has decreased substantially on last year's figure.
Kg of waste per household (monthly average per quarter)	51.37	<=49.43	46.9	Yes		
Reduction (%) in emissions from scope 1, 2 and 3	N/A	Year-on-year reduction	16%	No		During 20/21, there was a marked decrease in emissions as buildings were closed and operations undertaken in a different manner as a result of the pandemic and periods of lockdown restrictions. During the course of 21/22, these restrictions were gradually relaxed, with buildings re-opening, including leisure facilities, with emissions. This resulted in a 16% increase in emissions in 21/22 compared to 20/21 (lockdown period).
Increase (%) of properties that are allocated an EPC C rating or above	N/A	Year-on-year increase	0.5%	Yes		At the end of December 2021, there were 36,699 out of 66,109 properties with a lodged EPC having a rating of C or above.
IMPROVING SAFETY						
Prioritising funding for community safety patrol officers	2020/21	2021/22 Target	2021/22	Target achieved/on track	Direction of Travel	Comments
Percentage of respondents stating quality of life improved/feel safer as results of community safety activity in their areas	87.2%	85%	89.5%	Yes		Effective engagement with the local community relating to issues of antisocial behaviour and environmental crime are essential parts of ensuring that concerns can be properly addressed.
Reducing antisocial behaviour	2020/21	2021/22 Target	2021/22	Target achieved/on track	Direction of Travel	Comments
Reduction (%) in antisocial behaviour	-10%	year-on-year reduction	-18%	Yes		Throughout 2021/22, 2,160 reports of antisocial behaviour were made to the Police, which represents an 18% reduction in antisocial behaviour compared to data for the previous year.
% of ASB perpetrator cases managed which have resulted in an improvement in behaviour following proactive case management	N/A	95%	92.5%	No		The Community Safety Team take a proactive approach to managing cases of antisocial behaviour. A monthly antisocial behaviour panel considers and agrees strategies and measures to reduce the impact on victims of antisocial behaviour and consider interventions for ASB perpetrators.












NARRATIVE STATEMENT

Supporting our most vulnerable residents (continued)	2020/21	2021/22 Target	2021/22	Target achieved/on track	Direction of Travel	Comments
Number of homeless households with dependant children placed into B&B during the quarter	9	<=20	14	Yes		Additional staff resources into the service have ensured this performance remains below the annual target of 20.
Households with children in B&B (including pregnant family member) > 6 weeks	0	0	1	No		This related to quarter 3.
New placements into private rented sector (using rent bonds and/or other assistance) per annum	89	>=64	79	Yes		Quarter 4 showed a resurgence in placements which led to the target being exceeded. Placements have been bolstered by proactive use of the Department for Levelling Up, Housing and Communities (LUHC) Private Rented Sector grant funding and been achieved in spite of increasing rents and reduced flexibility in household budgets.
Number of social housing vacancies delivered through single point CBL per annum	N/A	850	889	Yes		The target has been exceeded.
Halve the number of rough sleepers by 2022	N/A	2	2	Yes		The target has been achieved.
PLANNING FOR THE FUTURE						
Securing the future of the hospital	2020/21	2021/22 Target	2021/22	Target achieved/on track	Direction of Travel	Comments
Undertake wider partnership working with authorities and organisations involved in the process of securing the hospital	N/A	Ongoing	Met	Yes	N/A	Officers attended and participated in the Hampshire Hospital Public Sector Steering Group meetings, chaired by HCC and also participated in the Hampshire Healthcare Campus Workshop in November 2021, where the health and wellbeing agenda, and principles of good design for healthy outcomes were themes.
Shaping high quality sustainable communities	2020/21	2021/22 Target	2021/22	Target achieved/on track	Direction of Travel	Comments
Major planning applications determined (%) within the statutory timelines (excluding any planning performance agreements)	76%	72%	70.8%	No		Whilst marginally below the KI, the performance remains above national requirements.
Minor planning applications determined (%) within the statutory timelines (excluding any planning performance agreements)	67.35%	75%	51.26%	No		An improvement plan for performance on non-major applications has been implemented which will continue into 2022/23.
Other planning applications determined (%) within the statutory timelines (excluding any planning performance agreements)	80.17%	90%	65.7%	No		Performance has remained relatively consistent as a higher-than-average number of other applications, including some older applications, were progressed to decision.
Number of planning appeals allowed/lost (as a % of overall planning appeals)	31.7%	<33%	31.9%	Yes		The final quarter included a number of appeals allowed particularly in relation to residential development in the context of not being able to demonstrate a 5-year housing land supply.









NARRATIVE STATEMENT

Shaping high quality sustainable communities (continued)	2020/21	2021/22 Target	2021/22	Target achieved/on track	Direction of Travel	Comments
Investigate enforcement complaints with target number of working days from receipt: Priority 1 - site visit within 2 working days, Priority 2 - site visit within 5 working days, Priority 3 - site visit within 20 working days, Priority 4 - site visit when workloads and resources allow	N/A	Achieved	Not Achieved	No	N/A	A majority of site visits have been carried out in accordance with the quoted timescales including 100% within 2 days for Priority 1 site visits. Most enforcement cases are Priority 3 where 64.46% were visited in the required timescales.
Supporting jobs and business growth	2020/21	2021/22 Target	2021/22	Target achieved/on track	Direction of Travel	Comments
% of BDBC workforce starting apprenticeships in the past 12 months	1.3%	2.3%	0.69%	No		There were 3 new apprenticeship starts within the last 12 months, plus one new staff member upskill apprenticeship course, a number of internal upskill apprenticeships have been confirmed for the new 2022/23 financial year.
Number of apprenticeship starts achieved by residents of Basingstoke and Deane	430	Annual increase	480	Yes		Achievements increased from 430 in 2019/20 to 480 in 2020/21. Apprenticeship starts however decreased from 1,120 to 1,030 over the same period mirroring the national picture.
Number of Employment & Skills Plans delivered	N/A	2	2	Yes		There were 2 Employment and Skills plans agreed which are in progress. Eleven consultation requests were responded to where an Employment and Skills Plan is required.
Number of businesses engaged and/or supported	N/A	700	over 1,100	Yes		In 2021/22, over 1,110 were supported through business advice, signposting, referrals and access to funding.
Well designed, well built, good quality homes	2020/21	2021/22 Target	2021/22	Target achieved/on track	Direction of Travel	Comments
Number of total new housing units (individual homes) delivered through council land or initiatives (excluding Manydown)	28	40	13	No		The council does not have significant surplus areas of land remaining for housing development and consideration must be given to other uses as well as housing.
Own Home Loan Scheme	N/A	20	4	No		There have been 4 applicants which represents 20% of the allocated funding for the scheme. A Cabinet decision to alter the eligibility criteria to align with the recently approved First Homes eligibility criteria will make the scheme more accessible and as a result more purchases are anticipated through the scheme in 2022/23.
FIT FOR THE FUTURE						
Being a modern and financially sustainable council	2020/21	2021/22 Target	2021/22	Target achieved/on track	Direction of Travel	Comments
Forecast of revenue expenditure within 1% of budget	6.91%	+/-1%	1.06%	No		The overspend is a result of several variances in each direction across the authority that culminate in this position. Borough Development and Residents Service both have small underspends countered by an overspend within Corporate Services predominantly as a result of Housing Benefit expenditure, however additional Housing Benefit Subsidy income exceeds the additional expenditure.

NARRATIVE STATEMENT

Being a modern and financially sustainable council (continued)	2020/21	2021/22 Target	2021/22	Target achieved/on track	Direction of Travel	Comments
Forecast of revenue income within 1% of budget	8.40%	+/-1%	1.93%	Yes		The over achievement of income is a result of additional forecast income from Housing Benefits, which exceeds the additional expenditure referenced above. Along with additional rental income which is countered to some extent by income losses from car parking and the impact of Covid-19 on sport and recreation.
Forecast capital expenditure within 15% of budget	-12.19%	+/-15%	-24.4%	No		Nearly half of the underspend relates to the 5G Living Lab project due to the timing of the contract being awarded. The remainder also relates to changes in the timeframe of delivery for a large number of projects across the authority and requests to rephase the budgets into 2022/23 will be made.
Treasury management portfolio return (average, %)	1.65%	1.59%	1.15%	No		Historically low interest rates have remained in place for most of the year and almost all of the council's treasury management investments have been affected. The return from bond funds in particular, the council's largest investment, has been lower than expected this year and this accounts for the majority of the reduction in interest income. Although interest rates began to increase in the latter part Q3, the full effect of this is unlikely to be felt until 2022/23.
Treasury management portfolio return (actual, £)	£2.15m	£2.17m	£1.68m	No		
Debt collection rates (%) by end of next quarter - Sundry	96.72%	90%	98.77%	Yes		This category of debt continues to track considerably ahead of target with active pursuance of debts or planned payment arrangements in place. Debts marked as in dispute are currently in negotiation with debtors and originator officers.
Debt collection rates (%) by end of next quarter - Property	93.09%	95%	98.57%	Yes		Tenants' arrears are continually actively managed with all debts currently in negotiation or having an agreed action in place. Commercial tenants had been protected from any substantial debt recovery until 25 March 2022 due to the Commercial Rents Code of Practice published in November 2021.
Collection rates (% of annual amount due) - Council Tax	97.95%	99.2%	98.16%	No		Council tax recovery for 2021/22 has been challenging with the need to balance collecting tax and the economic pressures felt by the residents whilst coming out of Covid-19. The team are continuing with this balanced debt recovery approach into 2022/23.
Collection rates (% of annual amount due) - Business tax (NDR)	99.63%	99.2%	99.61%	Yes		The collection rate for business rates is significantly above target and one of our highest ever recorded. Engaging with and building relationships with our Business Rates customers has clearly paid dividends particularly through difficult times and we will continue to build on this throughout 2022/23.
Customer centric provision of services	2020/21	2021/22 Target	2021/22	Target achieved/on track	Direction of Travel	Comments
% of customer complaints responded to within 10 working days	94.38%	95%	97.1%	Yes		There were 2 late responses.
Delivering excellence in governance, democratic and electoral services	2020/21	2021/22 Target	2021/22	Target achieved/on track	Direction of Travel	Comments
Percentage of FOI requests dealt with on time	N/A	90%	90%	Yes		Although the target has been achieved, delays have been experienced in obtaining the necessary information from the relevant business units.
Percentage of subject access requests dealt with on time	N/A	100%	70%	No		The target of 100% of SARs being dealt with on time has not been met as a result of needing third party consent for release, which is outside the council's control, the information requiring significant redaction before release and obtaining access to the relevant software for redacting CCTV footage.

NARRATIVE STATEMENT

Delivering excellence in governance, democratic and electoral services (continued)	2020/21	2021/22 Target	2021/22	Target achieved/on track	Direction of Travel	Comments
Protect the public purse to ensure that resources are used for their intended purpose by the identification of fraud and error	N/A	£250,000	£173,984	No		This year has seen the fraud team being able to provide assurance in multiple areas. Assurance given in relation to Covid-19 including the test & trace payments and the various grant payments. Another area of assurance is the participation in the Cabinet Office run 'National Fraud Initiative (NFI) exercise.
Implementing programmes to support improvements in efficiency and effectiveness in provision of services	2020/21	2021/22 Target	2021/22	Target achieved/on track	Direction of Travel	Comments
Additional income derived by accommodating further public sector partners	N/A	Achieved	Achieved	Yes	N/A	Letting an industrial unit at Wade Road and the ground and first floors of Parklands has generated additional income.
Ratio of successfully completed strategic projects to all completed projects in the portfolio (per period) (%)	N/A	50%	25%	No		There were 8 projects due to be completed in 21/22, however only 2 were completed.
Ratio of estimated completed strategic project duration to actual duration (%)	N/A	40%	50%	No		Out of the 2 projects completed in 21/22, 1 project was delayed by 3 months (to ensure the consultation process under TUPE was followed correctly) and 1 was completed on time.
Ratio of estimated completed project costs to actual costs (%)	N/A	45%	50%	No		Out of the 2 projects completed in 21/22, 1 project was under budget and 1 project had no budget.
Supporting a high performing, motivated and resilient workforce	2020/21	2021/22 Target	2021/22	Target achieved/on track	Direction of Travel	Comments
Staff turnover - all reasons (%)	7.93%	13.8%	14.17%	No		Seventy-nine individuals left the council's employment in 2021/22. Of these, 50 were due to voluntary resignation. Other reasons for leaving included redundancy, retirement (normal, early, ill health), temporary contracts expiring and unfortunately death in service.
Staff turnover - voluntary resignation (%)	4.06%	9.2%	8.97%	Yes		Fifty individuals resigned from the council's employment in 2021/22. Whilst there are naturally fluctuations in the voluntary turnover rate between service areas, no trends of concern have been identified, but management information is provided to service managers where relevant to enable them to monitor this on an ongoing basis and take any required action supported by HR.
Total work time lost (%) due to sickness absence (current Qtr= YTD)	2.41%	2.5%	3.36%	No		At the end of the year, this indicator was 0.86% (or 34% of the target) over target. The figure does however show that the workforce was available for over 96.5% of all working days available in the year, which is positive.
Total average workdays lost due to sickness absence	5.7	6.5	8.32	No		This indicator has increased by 2.58 days (45%) compared to 2020/21. Against the target for the year, it is 1.82 days (28%) over target. In the 12 months up to the end of the period, 50% of staff had zero absence. Sickness absence due to Covid-19 continued to be prevalent - making up over 18% of all absence in 2021/22.

Residents Survey 2019

As part of the council's engagement with the community, specialist independent researchers are regularly commissioned to carry out resident's surveys 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:



Most 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.

An updated survey was undertaken in 2022 and the results are currently being collated. The outcomes will be reported in the Autumn 2022 and used to inform updates to the council's plans and priorities.

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 several 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 Ref	Risk Description	Current Risk Score	Mitigations
RR1	Staffing, Skills and Capacity There is a risk that the council is unable to effectively compete for the best talent, with challenges recruiting into specialist roles in areas such as property, legal, finance and planning. The challenges within the labour market may also impact the ability of external providers to fulfil contracts for the council.	MEDIUM RISK Likelihood Possible (3) Impact Marginal (2)	Some of the mitigating actions taken to ensure that the council is able to recruit and retain the right people, in the right jobs, with the right skills include: <ul style="list-style-type: none"> Pay and Benefits review - designed to provide a fair and transparent system for establishing pay grades and relevant allowances which ensures the council can attract and retain staff, respond to market changes and comply with equal pay legislation. The council's Smarter Ways of Working programme offers staff the ability to work flexibly between home and work supporting a better work-life balance and a greatly improved environment when working in the office. Increased focus on apprenticeships as a route into employment within the organization and as part of an overall focus on "growing our own" to address key skills gaps in shortage areas.
RR2	Major Strategic Partnerships / Projects There is a risk that strong and effective strategic partnerships won't be effectively established and managed to deliver our major strategic projects.	MEDIUM RISK Likelihood Possible (3) Impact Critical (3)	Some of the mitigating actions that have been taken include: <ul style="list-style-type: none"> Key projects having the appropriate buy-in across the organisation to maximise collective corporate input, including having identified Portfolio Holder and senior officer leads Programme and project management governance is appropriate and resourced correctly, including programme boards and reviews Regular engagement with partners Regular review and lessons learnt exercises
RR3	Information Management These is a risk that personal and commercially sensitive information is in appropriately held and processed by the Council.	HIGH RISK Likelihood Significant (4) Impact Critical (3)	Some of the mitigating actions that have been taken include: <ul style="list-style-type: none"> Appropriate policies in place, which have been reviewed and updated to ensure compliance with the UK GDPR Having a named Data Protection Officer and Senior Information Risk Owner (SIRO) Mandatory, annual e-learning training for all staff, including temporary staff and contractors and members Guidance for residents on the council's website Information Audits carried out with all service areas (as part of GDPR preparation)

NARRATIVE STATEMENT

Risk Ref	Risk Description	Current Risk Score	Mitigations
RR4	<p><u>Communities, Relationships and Partnerships</u> Description These is a risk that 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.</p>	<p>MEDIUM RISK</p> <p>Likelihood Possible (3)</p> <p>Impact Critical (3)</p>	<p>Some of the mitigating actions that have been taken include:</p> <ul style="list-style-type: none"> • Grant agreements with funded organisations, and contracts in place where relevant • Corporate Programme Board • Performance Panel reviews • Contract Management boards and reviews • Regular communication and engagement with partners and communities • Open and transparent performance – monitoring partnerships and community engagement / cohesion work
RR5	<p><u>Finance and Budgets</u> There is a risk that over the MTFS (Medium Term Financial Strategy) that budgets are not balanced and savings are not delivered.</p>	<p>MEDIUM RISK</p> <p>Likelihood Possible (3)</p> <p>Impact Critical (3)</p>	<p>Some of the mitigating actions that have been taken include:</p> <ul style="list-style-type: none"> • Robust budget setting process linked to Priority Based Planning & Budgeting • Annually updated Medium Term Financial Strategy budget forecast which is linked to council service planning and priorities, including clear budget/savings strategy and targets • Effective and timely in year budget monitoring and forecasting with regular reporting • Maintaining an appropriate general fund balance and adequate specific risk reserves (rents, interest and business rates) <p>Specific savings and income targets achievement monitoring by SLT</p>
RR6	<p><u>Treasury Management</u> There is a risk that significant funds invested by the council could fail to provide the anticipated returns.</p>	<p>MEDIUM RISK</p> <p>Likelihood Possible (3)</p> <p>Impact Marginal (2)</p>	<p>Some of the mitigating actions that have been taken include:</p> <ul style="list-style-type: none"> • Regularly updated Treasury Management Strategy which for 2022/23 includes a wider diverse suite of managed funds • Use of money market and external funds to further diversify investment • Treasury Management processes including monthly officer meetings with Section 151 Officer • External advice and information services utilised <p>Regular monitoring reports produced, with scrutiny of activity via Audit and Accounts Committee</p>
RR7	<p><u>Cyber Risk</u> The computer systems are subject to daily cyber-attacks.</p>	<p>HIGH RISK</p> <p>Likelihood Significant (4)</p> <p>Impact Catastrophic (4)</p>	<p>Some of the mitigating actions that have been taken include:</p> <ul style="list-style-type: none"> • continual monitoring of threats to its systems externally by way of an Intrusion Protection system (IPS) • Email is scanned by two solutions. Firewalls are used to prevent unauthorised access to services and protect data. • Extensive internal and external penetration tests are performed by a third party security consultancy provider as part of councils PSN and PCI DSS compliance. • Mobile Device Management software is deployed to protect council information on mobile devices • Malware protection is in place which provides endpoint protection to Malware infection via email and website. • Council data is replicated and backed up to a secondary site daily. <p>Phishing exercise are performed to increase learning and risk knowledge.</p>
RR8	<p><u>Business Continuity</u> 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.</p>	<p>MEDIUM RISK</p> <p>Likelihood Possible (3)</p> <p>Impact Critical (3)</p>	<p>Some of the mitigating actions that have been taken include:</p> <ul style="list-style-type: none"> • Annually reviewed Business Continuity Policy, Crisis Management Plan and Critical Service Delivery Plans (CSDPs). • Business continuity considered as part of council procurement procedure • Business Units required to review services annually to identify any change and update CSDPs using Business Impact Assessment <p>Business continuity coordinators to meet twice per year and BC programme board annually to review arrangements</p>
RR9	<p><u>Fraud</u> The council is vulnerable to fraudulent activities, particularly due to the finances it manages and its role in awarding contracts and partnerships.</p>	<p>MEDIUM RISK</p> <p>Likelihood Possible (3)</p> <p>Impact Marginal (2)</p>	<p>The following is in place that aids the effectiveness of the fraud service:</p> <ul style="list-style-type: none"> • Fraud investigators dedicated email address and hotline • Dedicated highly skilled fraud staff • Highly skilled internal audit team in place who test the council's control environment and recommend improvements to deter fraud • Adoption of 'CIPFA Code of Good Practice on Managing the Risk of Fraud and Corruption' and the Fighting Fraud and Corruption Locally initiative. <p>Continuous programme for raising awareness of fraud (incl. Fraud Awareness Week, Mandatory E-learning module, Focus on Fraud newsletters and Catch up email articles)</p>

NARRATIVE STATEMENT

Risk Ref	Risk Description	Current Risk Score	Mitigations
RR10	<p>Climate Emergency</p> <p>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.</p>	<p>MEDIUM RISK</p> <p>Likelihood Possible (3)</p> <p>Impact Critical (3)</p>	<p>Some of the mitigating actions that have been taken include:</p> <ul style="list-style-type: none"> • Reporting of Progress against the adopted Climate Change and Air Quality Strategy and Action Plan to the Communities, Environment and Partnerships committee three times a year to enable scrutiny of plans and progress. One of these will be a full annual review of the action plan and update on numerical progress, with two additional updates throughout the year. • New Climate Change and Sustainability team established to co-ordinate and progress action • An 'action tracker' to monitor work of the Officer Delivery Group to ensure that progress is made, and for this to be made available to Cabinet Members and Heads of Service • Liaison with and assistance to local groups and Parish Councils to develop their own actions to tackle climate change at grass roots level including support for the preparation of a 'how to' guide • Climate change section added to the council's decision making report template and being embedded in other internal board reports <p>Engagement with key partners such as 'Low Carbon Energy Forum' (a group of local business representatives and experts) and 'Basingstoke Transition Network' to both scrutinise and support development of council policy in tackling the Climate Emergency</p>

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 2022/23 and for the next four years. The latest strategy was approved in February 2022 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 final 2021/22 outturn after the transfer of grants to carry forward reserves is a £1.5M surplus.

A significant amount of work has already been undertaken to assess the financial impact in 2022/23 and for the four year MTFS which includes a review of the adequacy of reserves. The council has usable reserves of £93.3M as at 31 March 2022. The financial position for the council for 2022/23 and future years will be informed by any further funding announcements by government, both in response to the financial impact of Covid-19, the current cost of living pressures 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 2022/23 was set by Council on 28 February 2022. 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.

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Revenue Budget Outturn 2021/22

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

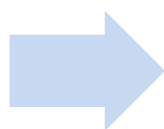
	Original Budget 2021/22 £M	Budget Movements 2021/22 £M	Latest Approved Budget 2021/22 £M	Total Actual Outturn 2021/22 £M	Outturn Variation 2021/22 £M
<i>Council Plan Priorities:</i>					
Fit for the Future	1.3	0.5	1.8	1.2	(0.6)
Improving Safety	(0.5)	0.5	0.0	(0.4)	(0.4)
Planning for the Future	(0.7)	0.1	(0.6)	(0.8)	(0.2)
Protecting & Enhancing our Environment	1.0	0.1	1.1	1.1	0.0
Strengthening Communities	4.8	0.2	5.0	5.4	0.4
Holding and Agency Accounts	(0.3)	(0.3)	(0.6)	(0.6)	0.0
Business Units	26.1	0.2	26.3	26.3	0.0
Net Cost of Council Plan Services	31.7	1.3	33.0	32.2	(0.8)
<i>Corporate Income:</i>					
Investment Property Accounts	(15.9)	0.1	(15.8)	(16.7)	(0.9)
Interest and Investment Income	(2.6)	0.0	(2.6)	(1.9)	0.7
Council Tax Income	(8.7)	0.0	(8.7)	(8.7)	0.0
Retained Business Rates	(4.4)	0.0	(4.4)	2.5	6.9
Retained Business Rates - Statutory Adjustment (Business Rates Risk Reserve)	0.0	0.0	0.0	(6.9)	(6.9)
Government Grants	(4.2)	(0.4)	(4.6)	(5.6)	(1.0)
Corporate Income	(35.8)	(0.3)	(36.1)	(37.3)	(1.2)
Approved Movement in Reserves	4.1	(1.0)	3.1	3.1	0.0
Net Expenditure (Surplus)/Deficit	0.0	0.0	0.0	(2.0)	(2.0)
<i>Year End Reserve Movements:</i>					
To Grants Carry Forward Reserve	0.0	0.0	0.0	0.5	0.5
Net Expenditure (Surplus)/Deficit After Grant Carry Forwards	0.0	0.0	0.0	(1.5)	(1.5)
<i>Year End Outturn Surplus Reserve Movements:</i>					
To Budget Carry Forward Reserve	0.0	0.0	0.0	1.0	1.0
To MTFs Risk Reserve	0.0	0.0	0.0	0.5	0.5
Overall (Surplus)/Deficit	0.0	0.0	0.0	0.0	0.0

The net revenue expenditure outturn variance, after carry forwards of grants to reserves, was a surplus of £1.5M. An amount of £0.5M of government grants has been transferred to Grants Carry Forward Reserves to be spent in 2022/23 and future years and of the remaining surplus of £1.0M has been allocated to the Budget Carry Forward Reserve and £0.5M 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 retained business rates after the statutory accounting adjustments required to account for surplus/deficits in the collection fund between years.

Where the money came from

- Housing Benefit Subsidy £29.4M
- Business Rates £25.5M
- Property Rents £18.0M
- General Government Grants £5.6M
- Council Tax £8.7M
- Fees and Charges £6.8M
- Interest Income £1.9M
- Other Income £13.4M
- From Reserves £6.9M



Where the money was spent

- Housing Benefit Payments £29.0M
- Business Rates Tariff £28.0M
- Employees £26.9M
- Supplies and Services £14.8M
- Premises Costs £4.7M
- Other Running Costs £12.8M

Capital Programme Outturn 2021/22

The capital outturn position, as at 31st March 2022, was £11.4M which was £5.1M lower than the latest budget of £21.1M after allowing for a £4.6M change in accounting treatment of a new investment property (Planning for the Future). Capital expenditure during the year was financed from capital receipts (£3.2M), capital grants and contributions (£0.8M) and direct revenue financing from the general fund (£7.4M).

Council Plan Priority	Latest Budget 2021/22 £M	Outturn 2021/22 £M	Outturn Variance 2021/22 £M
Fit for the future	5.4	4.4	(1.0)
Improving Safety	1.7	1.3	(0.4)
Planning for the Future	9.0	1.5	(7.5)
Protecting and Enhancing our Environment	0.5	0.4	(0.1)
Strengthening Communities	4.5	3.8	(0.7)
Total Capital Programme	21.1	11.4	(9.7)

The council has a substantial capital programme of £117.6M for the next four years from 2022/23 to 2025/26 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.

After a challenging year dealing with the Covid-19 pandemic and its effect upon service delivery, significant and disruptive supply chain issues as well as the emergent impact upon costs, most especially with fuel costs in the wake of the war in Ukraine, this has affected the council's ability to deliver against its revised capital programme. The capital outturn for 2021/22 reported a £5.1M underspend which has been rephased into 2022/23.

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The new financial year, 2022/23, has already shown that costs are rising, interest rates are increasing from their historic low level as part of the Bank of England's response to rates of inflation which have not been seen for a decade or more. Consequently, this is likely to remain a challenging year for the delivery of the capital programme.

The council is implementing capital scheme budget profiling to improve the financial management of capital expenditure and ensuring that delays are highlighted early so that remedial actions can be taken to get schemes back on track. The council is committed to managing its revised capital programme closely through its Capital Programme Board, which meets monthly to mitigate any in-year pressures and to report quarterly to Cabinet and, where appropriate, to Council.

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 2021/22 (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 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 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 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 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 2021/22 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 £485.5M consisting of: an investment property asset portfolio of £372.8M; cash and investment assets of £145.4M; other assets (mainly operational land and buildings) of £95.4M; a potential future liability of £77.4M in its employees’ pension fund; developers’ contributions and other capital grants and contributions of £10.4M that could potentially require repayment (if the terms of the contributions are not met) and other net liabilities of £40.3M.

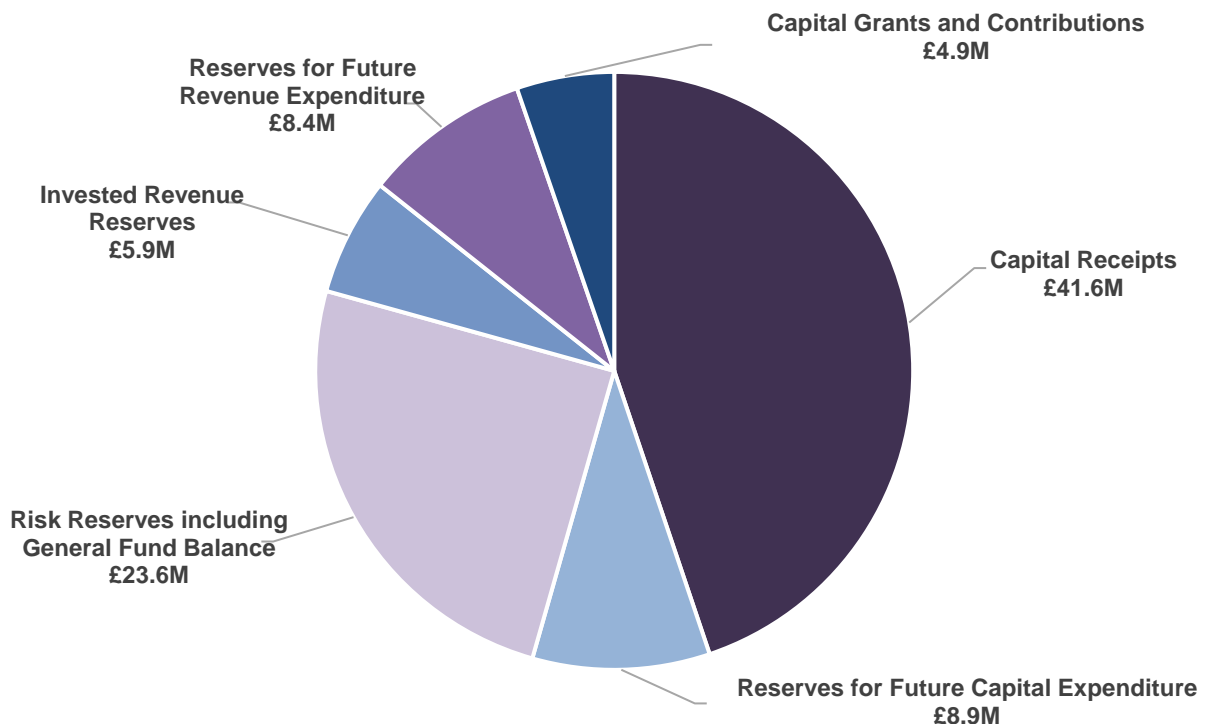
Reserves and Available Resources

The council’s Balance Sheet also shows usable reserves of £93.3M and usable developers’ contributions of £10.4M (shown as a long term liability). However of this £103.7M of usable resource, £67.0M is available (based on current policies) to fund current and future spending plans and programmes.

The remaining £36.7M 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 £93.3M 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:

Usable Reserves as at 31st March 2022 - £93.3M



NARRATIVE STATEMENT

Borrowing

The council had no external debt as at 31 March 2022 and 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 £47.2M on the provision of services for 2021/22 (£4.3M surplus in 2020/21).

However, the reported deficits/surpluses in the financial statements include 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 unusable reserves. For these reasons, when looking at performance, it is advisable to exclude them and focus on the controllable General Fund items. In 2021/22 the £47.2M surplus on the provision of services shown in the Comprehensive Income and Expenditure Statement was adjusted by £54.1M of statutory adjustments to arrive at a movement to General Fund Reserves of £6.9M (in 2020/21 the £4.3M surplus was adjusted by £13.2M to arrive at a movement from General Fund reserves of £17.5M).

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 2020/21 £M	Net Charge to General Fund 2021/22 £M	Year on Year Variance £M
Net Cost of Service	39.0	32.2	(6.8)
Investment Property Net Income	(16.8)	(16.7)	0.1
Interest and Investment Income	(2.2)	(1.9)	0.3
Council Tax Income	(8.5)	(8.7)	(0.2)
Net Business Rate Income	(16.3)	2.5	18.8
General Government Grant Income	(14.7)	(5.6)	9.1
Other Corporate Items	2.0	5.1	3.1
General Fund Deficit/(Surplus) Transferred From/(To) Reserves	(17.5)	6.9	24.4
Reserve Movements:			
Business Rates Statutory Accounting Adjustment	(11.9)	6.9	18.8
Revenue Outturn Deficit/(Surplus) Transferred From/(To) Reserves	(5.6)	0.0	5.6
General Fund Deficit/(Surplus) Transferred From/(To) Reserves	(17.5)	6.9	24.4

NARRATIVE STATEMENT

The table shows a £24.4M variance between years. This is due to a reduction in the net cost of services of £6.8M mainly due to a reduced Covid-19 impact on expenditure and increased fees and charges income received during 2021/22. The £18.8M net business rates movement relates to the statutory timing adjustments required to account for business rates income in specific accounting periods. There is reduced government grant income of £9.1M mainly due to higher levels of Covid -19 grant support funding in 2020/21. Other corporate items includes the impact of increased financing of capital expenditure from revenue reserves which was £3.0M higher in 2021/22.

8. SIGNIFICANT MOVEMENTS AND EVENTS

There were a number of material differences (greater than £2.0M) between the financial statements for 2020/21 and 2021/22 as follows:

Comprehensive Income and Expenditure Statement Movements

Surplus on Provision of Services – The reported surplus on the provision of services has increased by £42.9M from a £4.3M surplus in 2020/21 to a £47.2M surplus in 2021/22. The main reason for this is as follows:

Cost of Services - The cost of services has reduced overall by £3.3M from £44.4M to £41.1M. Within the cost of services net expenditure there was an increase of £2.7M in pension current service costs and net interest on pension liability (see note 14 to the financial statements) and an increase in capital charges of £1.4M. Net expenditure on Covid-19 and economic recovery was £5.6M less than in 2020/21 and fees and charges income increased by £1.6M. In addition, there was reduced housing benefit expenditure of £3.1M which was offset by reduced housing benefit subsidy income of £3.0M.

Net Gain on Investment Property – The net gain on investment property increased by £52.9M from £12.3M to £65.2M mainly due to property revaluation changes. The 2020/21 accounts included £1.0M of revaluation losses on investment property whilst there were revaluation gains of £56.2M in 2021/22. Net additional capital income of £0.9M was received in respect of re-gearing of property leases and disposals.

Unrealised Loss on Pooled Investment Funds – the unrealised loss on the council's externally managed investments was £0.5M in 2021/22. This is in contrast to an unrealised gain of £5.6M in 2020/21 which was due to a recovery in valuations after the prior impact of Covid-19.

Other Non-Ringfenced Government Grants – reduced grant income of £9.1M mainly due to higher levels of government funding support received in respect of the Covid-19 pandemic paid in 2020/21 (details of the grants recognised can be seen in note 13 to the financial statements).

Balance Sheet Movements

Decrease in Net Asset/Net Worth – Overall the total net assets reported in the Balance Sheet have increased by £88.0M, taking the total net assets to £485.5M. 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 2021/22. 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 £56.2M in the net book value of investment property and an increase of £3.1M 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 increased by £15.7M, mostly due to the timing between receipts and payments. Receipts in advance from Government grants received later in 2021/22 were invested pending their redistribution in 2022/23 financial year. Further details on the specific amounts can be found in the note on the Increase in Creditors below.

NARRATIVE STATEMENT

Increase in Creditors – There is an increase in year-end creditors of £13.4M. Central Government creditors have increased by £16.3M mainly due to a £7.2M increase in business rates taxpayer receipts to be paid over to central government and £8.4M of council tax energy rebate held in receipts in advance to be used in 2022/23 financial year. Covid-19 grants received of £6.9M are being held as receipts in advance before being distributed in 2022/23. Decreases in year end creditors to Other Entities and Individuals is in the main due to reduced capital creditors of £4.1M between years.

Reduction in Pension Scheme Liability - The estimated future potential liability for the council has reduced by £30.5M. This is mainly due to an increase of £12.7M in the value of the council's share of the pension scheme assets, as a result of higher than expected returns over the previous accounting period, together with a reduction of £17.8M in the future pension obligation as a result of the actuary's assumptions, which are particularly sensitive to change, and an increase in the rate at which liabilities are discounted.

Long Term Borrowing – Loan debt of £2.2M was repaid in 2021/22 to the Enterprise M3 Local Enterprise Partnership. Under the terms of this arrangement and taking advantage of a disparity between the rate of interest payable on the loan and the rates being achieved on its own cash investments, the council was able to repay the loan early, in December 2021.

Deferred Lease Income – In 2021/22 the council entered into a development agreement for a surrender and regrant of a ground lease for an investment property site. As part of the development agreement one building, valued at £4.6M, was transferred to the ownership of the council for direct letting. Under IAS17 the terms of this transaction are considered to be a lease premium, and the value of this is recognised as a deferred liability on the balance sheet and is amortised over the length of the lease.

Other Significant Events

The council declared a Climate Emergency in July 2019 which is focussed on 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.

Horizon Scanning

Major Projects

The council has already started work on a number of major capital regeneration projects, including the Leisure Park and Town Centre, that will lead to significant increases in revenue and capital expenditure and income in future years. The decision to exit the European Union, the recent Covid-19 pandemic, rising inflation and energy costs and the ongoing war on Ukraine create uncertainty and may have significant impacts on some of the council's key income and expenditure items in future years.

Organisational Development and Transformation Programme

In support of achieving the Council Plan and the provision of services that meet the priorities and objectives of the council, a review of the operational resources and capacity, processes and internal controls has been undertaken and a new 'operating model' will be finalised in 2022/23. This is supported by further organisational development activities including a review of pay and benefits and a refresh of organisational culture and behaviours.

Customer Experience Strategy

An update of the Customer Experience Strategy will be completed in 2022/23. Basingstoke and Deane Borough Council is committed to delivering the best outcomes for the diverse range of people living and working in Basingstoke and Deane. Our values commit us to listening to and understanding what our customers need and responding appropriately by designing services which respond to customer needs and that these services are delivered in a way which provides value for money. The strategy will set out the council's vision to deliver against this commitment and to provide the best possible experience for our customers, whoever they are and however they contact us.

Strategic Asset Management Plan (SAMP)

The SAMP was approved by Council in February 2022 which introduces a new Property Investment Strategy and significant emphasis on improving asset management of the Council's significant property portfolio and sustainability.

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 2022

Restated 2020/21 Expenditure £M	Restated 2020/21 Income £M	Restated 2020/21 NET £M		2021/22 Expenditure £M	2021/22 Income £M	2021/22 NET £M
			Council Plan Priority			
7.2	(1.3)	5.9	Fit for the Future	6.4	(0.5)	5.9
44.7	(34.7)	10.0	Improving Safety	40.8	(34.7)	6.1
8.2	(2.8)	5.4	Planning for the Future	9.3	(3.4)	5.9
4.0	(0.4)	3.6	Protecting and Enhancing our Environment	4.5	(0.2)	4.3
23.0	(3.5)	19.5	Strengthening Communities	23.7	(4.8)	18.9
87.1	(42.7)	44.4	COST OF SERVICES	84.7	(43.6)	41.1
			Other Operating Income and Expenditure			
		1.4	Payment of Precepts (collected on behalf of Parish Councils)			1.5
		(0.1)	Other Operating Income and Expenditure			0.1
			Financing and Investment Income and Expenditure			
		(12.3)	Net (Gain)/Loss on Investment Property (Note 3)			(65.2)
		(2.2)	Interest and Investment Income (Note 7)			(1.9)
		(5.6)	Unrealised (Gain)/Loss on Pooled Investment Funds (Note 7)			0.5
		2.1	Net Interest on the Pension Liability (Note 14)			2.2
			Taxation and Non-Specific Grant Income and Expenditure			
		(9.8)	Council Tax Income (including parish precepts)			(10.5)
		(4.4)	Net Business Rates Income and Expenditure (Note 12)			(4.4)
		(14.7)	Other Non-Ring-fenced Government Grants Income (Note 13)			(5.6)
		(3.1)	Capital Grants and Contributions Income (Note 13)			(5.0)
		(4.3)	DEFICIT/(SURPLUS) ON PROVISION OF SERVICES			(47.2)
			Other Comprehensive Income and Expenditure			
		5.5	(Gain)/Loss on Revaluation of Non Current Assets (Note 2)			(2.9)
		11.3	Re-measurement of Pension Liability (Note 14)			(37.8)
		12.5	TOTAL COMPREHENSIVE (INCOME) / EXPENDITURE			(87.9)

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).

To allow comparison between the current and previous financial years, the prior year expenditure and income figures have been restated to align these amounts with the council plan priority areas used to report expenditure and income to management in 2021/22. The prior year comparators for Note 1 - Expenditure and Funding Analysis have also been restated to reflect this change.

BALANCE SHEET

AS AT 31 MARCH 2022

31 Mar-21 £M		31 Mar-22 £M	Notes
80.9	Property, Plant and Equipment	84.0	2
316.6	Investment Property	372.8	3
80.9	Long Term Investments	85.4	7
11.4	Other Long Term Assets	11.4	4
489.8	LONG TERM ASSETS	553.6	
0.3	Short Term Investments	20.5	7
15.2	Short Term Debtors	13.3	8
48.5	Cash and Cash Equivalents	39.5	9
64.0	CURRENT ASSETS	73.3	
(33.3)	Short Term Creditors	(46.7)	10
(3.0)	Provisions	(2.3)	11
(36.3)	CURRENT LIABILITIES	(49.0)	
(9.9)	Grants and Contributions Receipts In Advance	(10.4)	13
(107.9)	Pension Scheme Liability	(77.4)	14
0.0	Deferred Lease Income	(4.6)	3
(2.2)	Long Term Borrowing	0.0	7
(120.0)	LONG TERM LIABILITIES	(92.4)	
397.5	NET ASSETS	485.5	
(101.0)	Usable Reserves	(93.3)	15
(296.5)	Unusable Reserves	(392.2)	16
(397.5)	TOTAL RESERVES	(485.5)	

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 2022

2020/21	Balance as at 31/03/20 £M	Total Comprehen- sive Income and Expenditure Statement £M	Movements Adjustment between accounting basis and funding basis under regulations £M	Total Movement in 2020/21 £M	Balance as at 31/03/21 £M
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)

2021/22	Balance as at 31/03/21 £M	Total Comprehen- sive Income and Expenditure Statement £M	Movements Adjustment between accounting basis and funding basis under regulations £M	Total Movement in 2021/22 £M	Balance as at 31/03/22 £M
Usable Reserves					
General Fund Balance (incl. earmarked reserves)	(53.7)	(47.2)	54.1	6.9	(46.8)
Capital Receipts Reserve	(45.4)	0.0	3.8	3.8	(41.6)
Capital Grants and Contributions	(1.9)	0.0	(3.0)	(3.0)	(4.9)
Total Usable Reserves	(101.0)	(47.2)	54.9	7.7	(93.3)
Unusable Reserves					
Pension Scheme Reserve	107.9	(37.9)	7.4	(30.5)	77.4
Asset Revaluation Reserve	(26.4)	(2.9)	1.0	(1.9)	(28.3)
Capital Adjustment Account	(388.7)	0.0	(56.4)	(56.4)	(445.1)
Other Statutory Adjustment Accounts	10.7	0.0	(6.9)	(6.9)	3.8
Total Unusable Reserves	(296.5)	(40.8)	(54.9)	(95.7)	(392.2)
Total Reserves	(397.5)	(88.0)	0.0	(88.0)	(485.5)

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).

CASHFLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2022

2020/21 £M		2021/22 £M
(4.3)	OPERATING ACTIVITIES (Surplus)/Deficit on the Provision of Services	(47.2)
	Adjustments for Non-Cash Movements:	
(4.8)	Pension Fund adjustments	(7.4)
(3.4)	Depreciation and amortisation of long term assets	(3.5)
(0.7)	Revaluation of property, plant and equipment	(1.5)
(1.0)	Revaluation of investment property	51.6
(2.0)	Write out of long term assets on disposal	0.0
5.6	Revaluation of Pooled Investment Funds	(0.5)
(1.5)	Other Non-Cash Movements	1.4
	Adjustments for Items included in Investing Activities:	
2.5	Proceeds from disposal of long term assets	0.9
	Adjustments for Items on an Accruals Basis:	
9.4	Increase/(decrease) in operating activity debtors	(3.2)
(3.5)	(Increase)/decrease in operating activity creditors	(7.9)
0.2	(Increase)/decrease in provisions	0.7
(3.5)	Net Cash Out Flow/(In Flow) from Operating Activities	(16.6)
	INVESTING ACTIVITIES	
16.0	Payments for additions and subsequent expenditure on long term assets	15.2
200.5	Payments for purchase of investments	320.9
(2.5)	Proceeds from disposal of long term assets	(5.5)
(242.8)	Proceeds from disposal of investments	(295.8)
(28.8)	Net Cash Out Flow/(In Flow) from Investing Activities	34.8
	FINANCING ACTIVITIES	
2.2	Net (inflow)/outflow for business rates payable to government and preceptors	(8.8)
0.8	Net (inflow)/outflow for council tax payable to preceptors	(2.6)
0.0	Loans Repaid (External Borrowing)	2.2
3.0	Net Cash (In Flow)/Out Flow from Financing Activities	(9.2)
(29.3)	NET DECREASE/(INCREASE) IN CASH AND CASH EQUIVALENTS	9.0

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 2021/22 is as follows:

	Adjustments between funding and accounting basis					Net charge to CIES 2021/22 £M
	Net charge to General Fund 2021/22 £M	Pension Adjustments 2021/22 £M	Capital Accounting 2021/22 £M	Support Service Recharges 2021/22 £M	Other Statutory Adjustments 2021/22 £M	
Service Costs by Council Plan Priority						
Fit for the Future	1.2	(0.3)	0.0	5.0	0.0	5.9
Improving Safety	(0.4)	0.0	1.1	5.4	0.0	6.1
Planning for the Future	(0.8)	0.0	0.0	6.7	0.0	5.9
Protecting and Enhancing our Environment	1.1	0.0	0.3	2.9	0.0	4.3
Strengthening Communities	5.4	0.0	4.6	8.9	0.0	18.9
Priority Total	6.5	(0.3)	6.0	28.9	0.0	41.1
Business Units	26.3	5.5	0.1	(31.9)	0.0	0.0
Agency and Holding Accounts	(0.6)	0.0	1.6	(1.0)	0.0	0.0
Cost of Services	32.2	5.2	7.7	(4.0)	0.0	41.1
Corporate Items						
Payments to Parishes	0.0	0.0	0.0	0.0	1.5	1.5
Investment Property	(16.7)	0.0	(52.5)	4.0	0.0	(65.2)
Interest and Investment Income	(1.9)	0.0	0.0	0.0	0.0	(1.9)
Pooled Investment Funds	0.0	0.0	0.0	0.0	0.5	0.5
Pension Interest Costs	0.0	2.2	0.0	0.0	0.0	2.2
Council Tax Income	(8.7)	0.0	0.0	0.0	(1.8)	(10.5)
Net Business Rates Income	2.5	0.0	0.0	0.0	(6.9)	(4.4)
Non-Specific Grants	(5.6)	0.0	0.0	0.0	0.0	(5.6)
Other Corporate Items	5.1	0.0	(10.0)	0.0	0.0	(4.9)
(Surplus)/Deficit on Provision of Services	6.9	7.4	(54.8)	0.0	(6.7)	(47.2)

Opening General Fund Balance	(53.7)
(Surplus)/Deficit on Provision of Services - Statutory Adjustment Business Rates	6.9
(Surplus)/Deficit on Provision of Services - Approved Reserve Transfers	0.0
Closing General Fund Balance	(46.8)

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 2020/21 were:

	Adjustments between funding and accounting basis (Restated)					
	Net charge to General Fund Restated 2020/21 £M	Pension Adjustments Restated 2020/21 £M	Capital Accounting Restated 2020/21 £M	Support Service Recharges Restated 2020/21 £M	Other Statutory Adjustments Restated 2020/21 £M	Net charge to CIES Restated 2020/21 £M
<u>Service Costs by Priority</u>						
Fit for the Future	1.9	(0.4)	0.0	4.4	0.0	5.9
Improving Safety	3.9	0.0	1.2	4.9	0.0	10.0
Planning for the Future	(0.7)	0.0	0.0	6.1	0.0	5.4
Protecting and Enhancing our Environment	0.8	0.0	0.3	2.5	0.0	3.6
Strengthening Communities	8.0	0.0	3.8	7.7	0.0	19.5
Priority 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	(0.00)	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)

To allow comparison between the current and previous financial years, the Service Costs figures above have been restated to align these amounts with the council plan priority areas used in reporting to management in 2021/22.

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 council plan services using various recharge methods to identify the total cost of council plan services. As the CIES shows the total cost of services by council plan, 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 (council plan) 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 council plan 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 2020/21 £M	Statutory Adjustment 2020/21 £M	CIES 2020/21 £M		General Fund 2021/22 £M	Statutory Adjustment 2021/22 £M	CIES 2021/22 £M
			Expenditure			
32.1	0.0	32.1	Housing Benefit Payments	29.0	0.0	29.0
16.0	11.9	27.9	Business Rates Expenditure	28.0	0.0	28.0
26.1	2.8	28.9	Employees	26.9	5.1	32.0
4.6	0.0	4.6	Premises	4.7	0.0	4.7
18.3	0.0	18.3	Supplies and Services	14.8	0.0	14.8
0.0	7.4	7.4	Capital Charges	0.0	8.8	8.8
0.0	0.7	0.7	Property Revaluation Losses	0.0	0.0	0.0
0.0	0.0	0.0	Investment Revaluation Losses	0.0	0.5	0.5
8.3	1.3	9.6	Other Running Costs	12.8	(1.3)	11.5
105.4	24.1	129.5		116.2	13.1	129.3
			Income			
(32.4)	0.0	(32.4)	Housing Benefit Subsidy	(29.4)	0.0	(29.4)
(32.3)	0.0	(32.3)	Income from Business Rates	(25.5)	(6.9)	(32.4)
(16.3)	0.0	(16.3)	Property Rents	(18.0)	0.0	(18.0)
0.0	0.0	0.0	Property Revaluation Gains	0.0	(52.5)	(52.5)
(14.7)	0.0	(14.7)	General Government Grants	(5.6)	0.0	(5.6)
(8.5)	(1.3)	(9.8)	Income from Council Tax	(8.7)	(1.8)	(10.5)
0.0	(5.6)	(5.6)	Investment Revaluation Gains	0.0	0.0	0.0
(2.2)	0.0	(2.2)	Interest Income	(1.9)	0.0	(1.9)
(5.2)	0.0	(5.2)	Fees and Charges	(6.8)	0.0	(6.8)
(11.3)	(4.0)	(15.3)	Other Income	(13.4)	(6.0)	(19.4)
(122.9)	(10.9)	(133.8)		(109.3)	(67.2)	(176.5)
(17.5)	13.2	(4.3)	(Surplus)/Deficit on Services	6.9	(54.1)	(47.2)

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 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
<u>Cost or Valuation</u>				
As at 31 March 2021	68.1	8.0	8.9	85.0
<u>Movements in 2021/22</u>				
Additions	3.1	1.8	0.2	5.1
Disposals/Derecognitions	(0.1)	(0.3)	0.0	(0.4)
Reclassifications	0.2	0.0	0.0	0.2
Revaluations (charged to services)	(1.5)	0.0	0.0	(1.5)
Revaluations (to revaluation reserve)	0.1	0.0	0.0	0.1
As at 31 March 2022	69.9	9.5	9.1	88.5
<u>Accumulated Depreciation</u>				
As at 31 March 2021	(0.2)	(3.9)	0.0	(4.1)
<u>Movements in 2021/22</u>				
Depreciation	(2.6)	(0.9)	0.0	(3.5)
Disposals/Derecognitions	0.0	0.3	0.0	0.3
Depreciation written out (to revaluation reserve)	2.8	0.0	0.0	2.8
As at 31 March 2022	0.0	(4.5)	0.0	(4.5)
Net Book Value at 31 March 2022	69.9	5.0	9.1	84.0

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 2021/22. 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 and economic uncertainty.

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	Revalued During 2019/20 £M	Revalued During 2020/21 £M	Revalued During 2021/22 £M	Total PPE Assets £M
Land and Buildings	0.0	0.0	0.2	0.4	9.7	59.6	69.9
Vehicles, Plant and Equipment	0.0	5.0	0.0	0.0	0.0	0.0	5.0
Community Assets	9.1	0.0	0.0	0.0	0.0	0.0	9.1
Total Property, Plant and Equipment Assets	9.1	5.0	0.2	0.4	9.7	59.6	84.0

Revaluations of Significant Land and Buildings Assets

During 2021/22 there were revaluations on significant operational land and buildings as follows:

31-Mar-21 Carrying Value £M	Asset	2021/22 Additions / Disposals / Reclassifications £M	2021/22 Depreciation Adjustment £M	2021/22 Revaluation Change Revaluation Reserve £M	2021/22 Revaluation Change To Services £M	31 Mar-22 Carrying Value £M
17.7	The Anvil	0.0	0.0	(0.6)	0.0	17.1
16.7	The Aquadrome	1.3	0.0	(0.3)	0.0	17.7
3.5	Tadley Swimming Pool	0.0	0.0	0.2	0.0	3.7
2.3	Haymarket Theatre	0.0	0.0	(0.2)	0.0	2.1
4.3	Civic Offices	1.1	0.0	0.0	(0.8)	4.6
5.6	Public Car Parks	0.0	0.0	0.6	(0.5)	5.7
8.8	Sports Pavilions and Pitches	0.3	0.0	(0.1)	(0.1)	8.9
9.0	Other PPE Land and Buildings	0.5	0.2	0.5	(0.1)	10.1
67.9	Total Land and Buildings	3.2	0.2	0.1	(1.5)	69.9

NOTES TO THE FINANCIAL STATEMENTS

3. INVESTMENT PROPERTY

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

2020/21 £M		2021/22 £M
304.7	Balance at the Start of the Year	316.6
	<u>Movements in Year</u>	
0.0	Additions*	4.6
14.9	Subsequent Expenditure	0.2
(2.0)	Disposals - Carrying Value Written Out	0.0
0.0	Reclassifications - (to)/from Property, Plant and Equipment	(0.2)
(1.0)	Net Gain/(Loss) on Revaluations	51.6
316.6	Balance at the End of the Year	372.8

***Deferred Lease Income**

The council entered into a development agreement for a surrender and regrant of a ground lease for an investment property site. As part of the development agreement one building, valued at £4.6M, was transferred to the ownership of the council as an investment property in 2021/22. Under IAS17 the terms of this transaction are considered to be a lease premium, and the value of the building is also recognised as a deferred liability on the balance sheet and is amortised over the length of the lease.

Investment Property Revaluations - Fair Value

All Investment Property valuations have been updated in 2021/22 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.

Revaluations of Significant Investment Property Assets

During 2021/22 there were some significant revaluations on investment property as follows:

31-Mar-21 Carrying Value £M	Asset	2021/22 Additions / Disposals / Reclass- ification £M	2021/22 Revaluation Change £M	31-Mar-22 Carrying Value £M
49.2	Daneshill Industrial Estate	0.0	7.3	56.5
49.9	Houndmills Industrial Estate	0.0	8.4	58.3
42.7	Viables	4.6	7.4	54.7
49.5	Basing View	0.0	3.5	53.0
30.8	Property Investment Strategy Acquisitions	0.0	7.3	38.1
24.6	Land at Manydown*	0.0	12.2	36.8
11.5	The Malls	0.0	0.0	11.5
11.7	Festival Place	0.0	0.0	11.7
4.7	West Ham Leisure Park	0.0	0.2	4.9
4.4	St Andrews Medical Centre	0.0	0.2	4.6
37.6	Other Investment Property	0.0	5.1	42.7
316.6	Total	4.6	51.6	372.8

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

NOTES TO THE FINANCIAL STATEMENTS

3. INVESTMENT PROPERTY (continued)

The main reasons for the significant revaluation increase is due to unprecedented demand for industrial and logistics property and land which has led to a rapid increase in land values in the last year together with favourable rent reviews and lease restructuring completed during 2021/22. There was also a property acquisition made at the Viables site.

The council's 50% share of the Land at Manydown has increased by £12.2M, which reflects settlement of rent reviews and that the northern part of Manydown is now allocated as a significant housing site having received outline planning permission in July 2021.

Investment Property held under leases

The council leases land at Manydown jointly with Hampshire County Council that is currently classified as an Investment Property. Further information can be seen in Note 24 - Interest in Companies and Other Entities.

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 £69.8M in 2021/22 (net gain of £12.3M in 2020/21) is shown in the Comprehensive Income and Expenditure Statement.

A breakdown of the expenditure and income is shown below:

2020/21 £M		2021/22 £M
1.0	Net (Gain)/Loss on Revaluation of Investment Property	(51.6)
(0.3)	Net (Gain)/Loss on Disposals of Investment Property	(0.9)
(17.2)	Income from Investment Property (rents and service charges)	(19.1)
4.1	Maintenance and Running Costs of Investment Property	4.3
2.7	Costs Relating to Strategic Site Development	2.6
(2.6)	Income from Strategic Site Development	(0.5)
(12.3)	Net (Gain)/Loss on Investment Property	(65.2)

The costs and income of work associated with the development of strategic sites which are Manydown, Basing View and the Leisure Park has been shown separately.

4. OTHER LONG TERM ASSETS

Other long term assets consist of:

2020/21 £M		2021/22 £M
2.3	Loans to Housing Associations (part of Existing Satisfactory Purchases Scheme)	2.3
3.5	Loan to SERCO Ltd. (waste collection contract)	2.8
0.3	Loan to Manydown Garden Communities LLP	0.4
1.3	Loan to Manydown Development LLP	2.3
2.7	Hampshire Pension Fund - Employer's Prepayment	0.0
0.2	Intangible Assets	1.5
1.1	Heritage Assets	1.2
0.0	Other Long Term Assets	0.9
11.4	Other Long Term Assets	11.4

NOTES TO THE FINANCIAL STATEMENTS

4. OTHER LONG TERM ASSETS (Continued)

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 2022 (i.e. the third year of the prepayment period) is recorded as a short-term debtor in the balance sheet.

The council have a small number of heritage assets, including the mayors regalia and historic monuments, they are reported in the Balance Sheet at insurance valuation, which is based on market values, where one is held or at cost less allowance for impairment, where impairment indicators are identified. Insurance valuations are updated at least every five years, with any changes in valuations taken to the Revaluation Reserve.

Capitalised expenditure on intangible assets to date generally relates to the purchase of software and associated development costs. This includes the costs associated with development and implementation of the council's new Enterprise Resource Programme (ERP) which replaces existing Finance, HR and Payroll systems in the 2022/23 financial year and other Digital transformation programmes. The council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of property, plant and equipment. The intangible assets include both purchased licenses and development costs associated with implementation. The capitalised expenditure will be amortised over the useful life of each asset with an indicative life of 5 years, and is charged to the Comprehensive Income and Expenditure Statement (from the year following acquisition).

5. STATUTORY CAPITAL EXPENDITURE AND FINANCING

Total capital expenditure for 2021/22 amounted to £16.0M (£23.5M in 2020/21). Movements in the Capital Financing Requirement (the council's need to borrow to finance capital expenditure) are shown below:

2020/21 £M		2021/22 £M
0.0	Opening Capital Financing Requirement	2.2
	<u>Statutory Capital Expenditure</u>	
3.6	Property Plant and Equipment Assets	5.1
14.9	Investment Property Assets	0.2
1.7	Other Long Term Assets	2.2
3.3	Revenue Expenditure Funded from Capital Under Statute	3.9
23.5	Total Capital Expenditure	11.4
	<u>Source of Finance</u>	
(15.8)	Capital Receipts Reserve	(5.4)
(1.5)	Capital Grants and Contributions	(0.8)
(4.0)	Direct Revenue Financing from the General Fund	(7.4)
2.2	Closing Capital Financing Requirement	0.0

Loan debt of £2.2M was advanced in 2020/21 from the Enterprise M3 Local Enterprise Partnership. Under the terms of this arrangement, and taking advantage of a disparity between the rate of interest payable on the loan and the rates being achieved on its own cash investments, the council was able to repay the loan early in December 2021. By applying capital receipts in 2021/22 to finance the associated, previously unfinanced, capital expenditure, together with financing the total capital expenditure incurred in 2021/22, the capital financing requirement was reduced to £0.0M.

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:

2020/21 £M		2021/22 £M
14.5	Due within one year	15.0
55.0	Due later than one year and not later than five years	55.2
794.2	Due after five years	807.8
863.7	Total Future Minimum Lease Rentals Receivable	878.0

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 2021/22 the contingent rents receivable by the council for the year were £4.7M (£5.0M in 2020/21).

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.

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) (£5.0M as at 31 March 2022)
- Supranational Bonds (£10.1M as at 31 March 2022)
- Local Authority Deposits (£10.0M as at 31 March 2022)
- 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)

NOTES TO THE FINANCIAL STATEMENTS

7. FINANCIAL INSTRUMENTS (INCLUDING INVESTMENTS) (continued)

The council's financial liabilities consist only 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). These 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 2022 the council had the following balances on investments:

Long Term 31-Mar-21 £M	Short Term 31-Mar-21 £M	Investment Total 31-Mar-21 £M		Long Term 31-Mar-22 £M	Short Term 31-Mar-22 £M	Investment Total 31-Mar-22 £M
0.0	0.0	0.0	Carrying Value			
80.9	0.0	80.9	Amortised Cost	5.0	20.1	25.1
0.0	0.3	0.3	Fair Value Through Profit and Loss	80.4	0.0	80.4
			Accrued Interest	0.0	0.4	0.4
80.9	0.3	81.2	Total Carrying Value	85.4	20.5	105.9

Financial Instruments - Borrowing Balances

As at the 31 March 2022 the council had the following balances on borrowings:

Long Term 31-Mar-21 £M	Short Term 31-Mar-21 £M	Loans Total 31-Mar-21 £M		Long Term 31-Mar-22 £M	Short Term 31-Mar-22 £M	Loans Total 31-Mar-22 £M
2.2	0.1	2.3	Carrying Value			
			Amortised Cost	0.0	0.1	0.1
2.2	0.1	2.3	Total Carrying Value	0.0	0.1	0.1

Borrowing balances reduced in the year through the repayment of a loan debt of £2.2M, which was advanced in 2020/21 from the Enterprise M3 Local Enterprise Partnership. Under the terms of this arrangement, and taking advantage of a disparity between the rate of interest payable on the loan and the rates being achieved on its own cash investments, the council was able to repay the loan early in December 2021.

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 £10.5M of property fund investments held at 31/03/22 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.

NOTES TO THE FINANCIAL STATEMENTS

7. FINANCIAL INSTRUMENTS (INCLUDING INVESTMENTS) (continued)

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 2020/21 £M	Fair Value Through Profit or Loss 2020/21 £M	Total Financial Instruments 2020/21 £M		Amortised Cost 2021/22 £M	Fair Value Through Profit or Loss 2021/22 £M	Total Financial Instruments 2021/22 £M
(0.3)	(1.9)	(2.2)	Within Deficit/(Surplus) on Provision of Services			
			Interest and Investment Income	(0.2)	(1.7)	(1.9)
0.0	(5.6)	(5.6)	Net (Gain)/Loss on Revaluation of Investments	0.0	0.5	0.5
(0.3)	(7.5)	(7.8)	Total Income, Expense, Gains and Losses	(0.2)	(1.2)	(1.4)

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 2021/22 the council received £2.0M (£1.9M in 2020/21).

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

7. FINANCIAL INSTRUMENTS (INCLUDING INVESTMENTS) (continued)

The council does not make any specific allowances for expected credit losses because of its prudent approach to investing. 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 2022 did not identify any potential material defaults on financial instruments.

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-21	% of Portfolio 31 Mar-21	Investment Instrument	Indicative Credit Rating 31 Mar-22	% of Portfolio 31 Mar-22	% Change
AA-	0%	Government Bonds (Gilts)	AA-	3%	3%
AAA	0%	Supranational Bonds	AAA	7%	7%
BBB+	44%	Diversified Credit Funds	BBB+	38%	-6%
BBB	11%	Absolute Return Bond Funds	BBB	10%	-1%
A+	0%	Local Authority Deposits	A	7%	7%
A+	2%	Bank Deposits	A+	2%	0%
AAAm	36%	Money Market Funds	AAAm	26%	-10%
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 2021), 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 2022 the council had £121.0M of cash and investments that could be realised within a 3 month period (£121.2M as at 31 March 2021). The council also has access to borrowing from the Public Works Loan Board (PWLb) if required to support longer term expenditure.

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

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 2022 (£2.6M as at 31 March 2021) to accommodate any adverse changes in the year. The council also has a significant proportion (48% as at 31 March 2022) (55% as at 31 March 2021) 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 more effectively 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 £1.2M of increased or decreased interest income in 2021/22 (£1.1M in 2020/21).

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). On 31 March 2022 the council had an unrealised net loss of £0.1M on its bond investments. Unrealised gains or losses on pooled investments are shown within the Comprehensive Income and Expenditure Statement.

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-21 £M		31 Mar-22 £M
2.4	Central Government	1.9
6.0	Other Local Authorities	4.3
6.8	Other Entities and Individuals	7.1
15.2	Total Short Term Debtors	13.3

Debtors are shown net of allowances for doubtful debts. The council has reviewed its judgements and estimates and decreased these allowances (see Notes 27 and 28). The council has an allowance for doubtful debts of £4.2M as at 31 March 2022 (£6.1M as at 31 March 2021) consisting mainly of an allowance for Housing Benefits overpayments of £2.1M (£2.5M as at 31 March 2021) and other allowances of £2.1M (£3.6M as at 31st March 2021).

Of the overall £1.9M reduction in short term debtors, the majority, £1.6M is due to the council from precepting authorities in accordance with collection fund accounting for business rates.

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-21 £M		31 Mar-22 £M
0.1	Cash In Hand	0.1
1.9	Bank Current Account	1.4
46.5	Money Market Funds (Investments)	38.0
48.5	Total Cash and Cash Equivalents	39.5

The movement in cash and cash equivalents during 2021/22 was a decrease of £9.0M (£29.3M increase in 2020/21). 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-21 £M		31 Mar-22 £M
(10.7)	Central Government (includes net business rates)	(16.1)
(4.4)	Central Government - Covid-19 Grants (receipts in advance)	(6.9)
0.0	Central Government - Energy Rebate Grants (receipts in advance)	(8.4)
(3.2)	Other Local Authorities (includes council tax and business rates payable to precepting authorities)	(4.2)
(15.0)	Other Entities and Individuals	(11.1)
(33.3)	Total Short Term Creditors	(46.7)

Overall there is increase in short term creditors of £13.4M. Central Government creditors have increased by £16.3M mainly due to a £7.2M increase in business rates taxpayer receipts due to be paid over to central government and Covid-19 grants received of £6.9M and Energy Rebate grant income of £8.4M are being held as receipts in advance before being distributed in 2022/23.

Decreases in year end creditors to Other Entities and Individuals is in the main due to reduced capital creditors of £4.1M between years.

11. PROVISIONS

Total provisions of £2.3M (£3.0M in 2020/21) 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 £1.1M (£0.9M in 2020/21) of charges to the provision and a £0.4M increase in the provision (£0.7M increase in 2020/21).

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 £64.0M of business rates receivable income in 2021/22 (£44.8M in 2020/21).

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

2020/21 £M		2021/22 £M
	<u>Business Rates Income and Expenditure</u>	
(16.8)	Business Rate Income	(24.5)
(0.2)	Net Change in Provision Made for Business Rates Appeals	(0.7)
0.1	Change in Allowances for Doubtful Debt	(0.1)
(16.9)	Business Rates Income and Expenditure	(25.3)
	<u>Business Rates Grant Income and Expenditure</u>	
(15.4)	Business Rate Relief Grants from Government	(7.1)
27.4	Tariff Payment to Government	27.4
0.5	Levy to / (Safety net from) Government	0.6
12.5	Business Rates Grant Income and Expenditure	20.9
(4.4)	Total Retained Business Rates	(4.4)

13. GRANTS AND CONTRIBUTIONS INCOME / RECEIPTS IN ADVANCE

Government Grants

The council credited £48.0M in 2021/22 (£65.0M in 2020/21) in government grants to the Comprehensive Income and Expenditure Statement during the year. Details of these credits are shown below.

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

2020/21 £M		2021/22 £M
	Included in Cost of Services Specific Grants	
(33.0)	Housing Benefit and Discretionary Housing Payments	(32.0)
(1.9)	Covid-19 grants	(3.3)
(34.9)	Total Included in Cost of Services	(35.3)
(15.4)	Business Rates Grant Income (included in Note 12)	(7.1)
	Included in Taxation and Non-Specific Grant Income	
(10.4)	Other Non-Ringfenced Covid-19 Grants	(1.7)
(4.3)	Other Non-Ringfenced Grants	(3.9)
(14.7)	Total Included in Taxation and Non-Specific Grant Income	(5.6)
(65.0)	Total Government Grants	(48.0)

NOTES TO THE FINANCIAL STATEMENTS

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

Government Grants (continued)

2020/21 £M		2021/22 £M
	Service Specific Covid-19 Grants (included in cost of services)	
(0.1)	Covid-19 Local Authority Compliance and Enforcement	0.0
0.0	Additional Restrictions Grant	(2.7)
0.0	Return to the High Street Safely Fund	(0.2)
(1.0)	Local Authority Discretionary Grant Fund	0.0
(0.4)	LRSO Open	0.0
(0.1)	Test and Trace	(0.2)
(0.2)	Contain Outbreak Management Fund	(0.2)
(0.1)	Other	0.0
(1.9)	Total Service Specific Covid-19 Grants	(3.3)
	Non Ringfenced Covid-19 Grants (included in Taxation and Non-Specific grant income)	
(1.0)	Council Tax Hardship Funding Grant Income	0.0
(2.3)	Covid-19 LA Support Grant	(0.8)
(4.2)	BEIS Business Support Grant - ARG	0.0
(2.1)	Fees and Charges Support Grant	(0.4)
(0.1)	Emergency Assistance Grant	0.0
(0.3)	Clinically Extremely Vulnerable (CEV)	0.0
(0.1)	Council Tax - Income Tax Guarantee Scheme	0.0
0.0	Covid-19 Local Council Tax Support Grant	(0.1)
0.0	LADGF New Burdens Business Support Grant	(0.2)
(0.3)	Other (including new burdens grants)	(0.2)
(10.4)	Total Covid-19 Grants	(1.7)
	Other Non-Ringfenced Government Grants (included in Taxation and Non-Specific Grant Income)	
(3.1)	New Homes Bonus Grant	(2.6)
(0.4)	Housing Benefit Administration Grant	(0.4)
(0.4)	Garden Towns Capacity Funding	(0.3)
0.0	Cyber Support Section 31 Grant	(0.1)
0.0	Local Council Tax Support Administration Grant	(0.1)
0.0	Lower Tier Services Grant	(0.1)
(0.4)	Other Non-Ringfenced Grants	(0.3)
(4.3)	Total Non-Ringfenced Government Grants	(3.9)

Additional grants of £8.7M 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. This figure includes revenue debtors of £0.7M for income not yet received but relating to this financial year. 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 £5.0M in 2021/22 (£2.6M in 2020/21) in capital grants and contributions to the Comprehensive Income and Expenditure Statement during the year. Details of these credits are shown below:

Restated 2020/21 £M		2021/22 £M
(1.6)	Disabled Facilities Grant	(1.6)
(0.6)	Community Infrastructure Levy	(2.5)
(0.9)	Other Contributions	(0.9)
(3.1)	Total Capital Grants and Contributions	(5.0)

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

Capital Grants and Contributions (continued)

The 2020/21 comparatives have been restated only to align the presentation with 2021/22 ie separately identifying the council's share of community infrastructure levy income. Of the £2.5M total community infrastructure levy income recognised during 2021/22, the amount received was £0.8M and the balance of £1.7M is held as a short term debtor as monies due to the council. (In 2020/21 of the £0.6M community infrastructure levy income recognised, the amount received was £0.3M and £0.3M held in short term debtors as monies due to the council).

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:

2020/21 £M		2021/22 £M
(10.3)	Balance at the Start of the Year	(9.9)
	<u>Movements in Year</u>	
(1.0)	Amounts receivable (with conditions)	(2.0)
1.4	Amounts recognised as income	1.5
(9.9)	Balance at the End of the Year	(10.4)

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:

2020/21 £M		2021/22 £M
	Included in Cost of Services	
6.0	Current Service Costs	8.6
0.0	Past Service Costs	0.0
	Included in Financing and Investment Income and Expenditure	
2.1	Net Interest on Pension Liability	2.2
8.1	Sub Total Included in Provision of Services	10.8
	Included in Re-measurement of the Pension Liability	
	Actuarial losses/(gains)	
49.6	- due to change in financial assumptions	(18.8)
0.0	- due to change in demographic assumptions	(4.9)
(2.9)	- due to liability experience	(1.5)
(35.4)	Return on assets in excess of that recognised in net interest	(12.6)
11.3	Sub Total Included in Re-measurement of Liability	(37.8)
19.4	Total Included in Comprehensive Income and Expenditure Statement	(27.0)

2020/21 £M		2021/22 £M
	Movement in Reserves Statement (General Fund)	
(8.1)	Reversal of charges made for retirement benefits	(10.8)
3.3	Inclusion of employer's contributions payable (see below)	3.4
(4.8)	Total Included in Movement in Reserves Statement	(7.4)

The analysis of actual employers contributions payable is as follows:

2020/21 £M		2021/22 £M
2.9	Normal Funded Contributions	3.0
0.4	Discretionary / Unfunded Added Years Contributions	0.4
3.3	Total Employer Contributions	3.4

Pension Scheme - Assets and Liabilities Recognised in the Balance Sheet

2020/21 £M		2021/22 £M
(301.2)	Present value of the pension obligation*	(283.4)
193.3	Fair value of pension fund assets	206.0
(107.9)	Net Liability arising from Pension Obligation	(77.4)

*Includes a liability of £5.2M as at 31 March 2022 for discretionary and unfunded added years (£5.7M as at 31 March 2021).

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:

2020/21 £M		2021/22 £M
(248.7)	Opening pension obligation	(301.2)
(6.0)	Current service cost	(8.6)
0.0	Past service cost	0.0
(5.6)	Interest on pension obligation	(6.2)
(1.2)	Contributions by scheme participants	(1.2)
	Actuarial gains/(losses):	
(49.6)	- due to changes in financial assumptions	18.8
0.0	- due to changes in demographic assumptions	4.9
2.9	- due to liability experience	1.5
7.0	Benefits paid	8.6
(301.2)	Closing present value of pension obligation	(283.4)

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:

2020/21 £M		2021/22 £M
156.9	Opening fair value of assets	193.3
3.6	Interest Income on assets*	4.0
35.4	Re-measurement gains/(losses) on assets*	12.6
3.2	Contributions by the employer	3.5
1.2	Contributions by scheme participants	1.2
(7.0)	Benefits paid	(8.6)
193.3	Closing fair value of assets	206.0

*Actual Return on Scheme Assets

The actual return on scheme assets in the year was a gain of £16.6M (gain of £39.0M in 2020/21).

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.

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 2022/23 for funded benefits are expected to be £2.7M, and for unfunded benefits £0.4M.

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 2022.

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 2022 Aon has adopted the same approach as last year, using a roll-forward method based on last year's results. In summary, 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. Where members have left the scheme since the latest valuation, it is assumed that the impact of this is unlikely to be significant for most employers. This approach to valuing the McCloud remedy is closely aligned with the method proposed by MHCLG in its consultation issued in July 2020.

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% to 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 2021/22, 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 (SPA) 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 announced on 23 March 2021 that it would adopt a long term policy of uprating GMP's in line with CPI inflation for members whose SPA is on or after 6 April 2016. Further guidance from DLUHC is expected. Aon expect that any remaining sex inequalities to be small and believe that their approach is in line with current government policy and, as such, is a reasonable estimate. With respect to a second ruling in the Lloyds bank case in October 2020, clarifying that compensation would be required to members who transferred benefits out since May 1990, HM Government has not yet acknowledged liability. Consequently, no allowance has been made for any potential liability.

NOTES TO THE FINANCIAL STATEMENTS

14. PENSION SCHEME LIABILITY (continued)

Pension Scheme - Assumptions

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

31 Mar-21 Funded	31 Mar-21 Un funded		31 Mar-22 Funded	31 Mar-22 Un funded
2.1%	2.1%	Rate for discounting scheme liabilities	2.7%	2.7%
3.7%	n/a	Rate of Increase in Salaries	4.0%	n/a
2.7%	2.7%	Rate of Increase to pensions in payment	3.0%	3.0%

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

31 Mar-21 Quoted	31 Mar-21 Unquoted		31 Mar-22 Quoted	31 Mar-22 Unquoted
		Assumed Split of Pension Fund Assets		
49.4%	7.6%	Equities	45.8%	11.1%
17.3%	0.0%	Government Bonds	17.2%	0.0%
0.8%	5.3%	Property	0.9%	6.0%
1.4%	0.0%	Cash	0.9%	0.0%
15.9%	2.3%	Other Assets	14.6%	3.5%

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-21		31 Mar-22
	Mortality Assumptions (measured in years):	
	Future lifetime at 65 for current pensioners	
23.1	Male	23.2
25.5	Female	25.6
	Future lifetime at 65 for future pensioners (currently 45)	
24.8	Male	23.7
27.3	Female	26.6

The assumption for the take up of commutation (converting pension to a lump sum) is based on 70% of the permitted maximum for 2021/22 (70% in 2020/21).

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%	-£5.6M	-£0.3M
	-0.1%	£5.8M	£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 deferred	+0.1%	£5.3M	£0.3M
	-0.1%	-£5.0M	-£0.3M
Mortality Assumptions	-1 year	£9.5M	£0.3M
	+1 year	-£9.5M	-£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 2020/21 are shown below:

	General Fund Reserves £M	Capital Receipts Reserve £M	Capital Grants & Contributions 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)
Property plant and equipment written out (disposals)	0.0	0.0	0.0	0.0
Proceeds from investment property disposals	2.3	(2.3)	0.0	0.0
Proceeds from property plant and equipment asset disposals	0.1	(0.1)	0.0	0.0
Revaluation of financial instruments	5.6	0.0	0.0	5.6
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)

NOTES TO THE FINANCIAL STATEMENTS

15. USABLE RESERVES (continued)

The balances and movements on usable reserves for 2021/22 are shown below:

	General Fund Reserves £M	Capital Receipts Reserve £M	Capital Grants & Contributions Reserve £M	Total Usable Reserves £M
Balance as at 31 March 2021	(53.7)	(45.4)	(1.9)	(101.0)
(Surplus)/Deficit on provision of services	(47.2)	0.0	0.0	(47.2)
Total comprehensive income and expenditure	(47.2)	0.0	0.0	(47.2)
Adjustments between accounting basis and funding basis under regulations:				
Depreciation and amortisation of long term assets	(3.5)	0.0	0.0	(3.5)
Revaluation of property, plant and equipment	(1.5)	0.0	0.0	(1.5)
Revaluation of investment property	51.6	0.0	0.0	51.6
Investment property written out (disposals)	0.0	0.0	0.0	0.0
Property plant and equipment written out (disposals)	(0.1)	0.0	0.0	(0.1)
Proceeds from investment property disposals	0.9	(0.9)	0.0	0.0
Proceeds from property plant and equipment asset disposals	0.0	0.0	0.0	0.0
Revaluation of financial instruments	(0.5)	0.0	0.0	(0.5)
Revenue expenditure funded from capital under statute	(3.9)	0.0	0.0	(3.9)
Pension costs adjustment	(7.4)	0.0	0.0	(7.4)
Capital expenditure charged to the general fund (financing)	7.4	0.0	0.0	7.4
Capital repayments (loans/grants)	0.0	(0.7)	0.0	(0.7)
Capital grants and contributions unapplied	3.8	0.0	(3.8)	0.0
Capital grants and contributions applied (financing)	0.0	0.0	0.8	0.8
Capital receipts applied (financing)	0.0	5.4	0.0	5.4
Other statutory adjustments	7.3	0.0	0.0	7.3
Total adjustments between accounting basis and funding basis under regulations	54.1	3.8	(3.0)	54.9
Net (increase)/decrease	6.9	3.8	(3.0)	7.7
Balance as at 31 March 2022	(46.8)	(41.6)	(4.9)	(93.3)

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 £56.6M as at 31 March 2022 (£62.2M as at 31 March 2021). In addition to these available funds the council also has £10.4M as at 31 March 2022 (£9.9M as at 31 March 2021) of developers' contributions (shown as long term liabilities) that are also available, resulting in £67.0M of resources that are available to fund current and future spending plans as at 31 March 2022 (£72.1M as at 31 March 2021). The MTFS period 2022/23 to 2025/26 already includes a planned capital programme spend of £117.6M which will be largely funded from the council's usable reserves and forecast new capital receipts, grants and contributions.

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) Reserves 2020/21 £M	Balance 31 Mar-21	General Fund Reserves	From/(To) Reserves 2021/22 £M	Balance 31 Mar-22
		Reserves for Future Capital Expenditure		
0.1	(4.9)	Revenue Reserve for Capital Purposes (General)	(0.6)	(5.5)
0.6	(0.7)	Revenue Reserve for Capital Purposes (AMP Works)	0.3	(0.4)
0.2	(0.3)	Revenue Reserve for Capital Purposes (Green Investment)	0.1	(0.2)
(0.6)	(2.1)	Manydown Reserve (former Housing Reserve - Manydown)	0.4	(1.7)
0.5	(2.7)	Local Infrastructure Fund (LIF) Reserve	1.7	(1.0)
0.0	(0.1)	Basing View Reserve	0.0	(0.1)
		Risk Reserves		
0.0	(2.3)	Rent Risk Reserve	0.0	(2.3)
0.0	(2.6)	Interest Rate Risk Reserve	0.0	(2.6)
(11.9)	(13.4)	Business Rate Risk Reserve	6.9	(6.5)
(1.0)	(6.8)	MTFS Risk Reserve	(3.4)	(10.2)
0.0	(0.3)	Other Risk Reserves	(0.2)	(0.5)
		Reserves for Future Revenue Expenditure		
0.0	(0.3)	Invest to Grow Reserve	0.0	(0.3)
(1.3)	(4.3)	Efficiency, Transformation and Digital Reserve	1.7	(2.6)
0.0	0.0	Government Grants Unapplied Reserve	(0.4)	(0.4)
(0.9)	(0.9)	Covid-19 Grants Carry Forward Reserve	0.8	(0.1)
(0.2)	(0.5)	Budget Carry Forward Reserve	(0.7)	(1.2)
(0.2)	(0.6)	Housing and Homelessness Reserve	(0.2)	(0.8)
(1.0)	(1.0)	Economic Recovery Fund Reserve	0.1	(0.9)
(2.0)	(2.0)	Climate Change Reserve	0.0	(2.0)
0.0	(0.2)	Other Earmarked Revenue Reserves	0.1	(0.1)
		Reserves Invested to Earn Interest		
0.2	(6.2)	Commutated Sums Reserve	0.3	(5.9)
0.0	(1.5)	General Fund Balance (Unearmarked)	0.0	(1.5)
(17.5)	(53.7)	Total General Fund Reserves	6.9	(46.8)

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 2022 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. This will form part of the Climate Change Reserve in future years.

Manydown Reserve - To provide funds to support the development of Manydown. The reserve was created 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 economic 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.

Covid-19 Grants Carry Forward 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 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 financial instruments	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
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)

The balances and movements on unusable reserves in 2021/22 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 2021	107.9	(26.4)	(388.7)	10.7	(296.5)
Other comprehensive income and expenditure					
(Surplus)/Deficit on revaluation of non current assets	0.0	(2.9)	0.0	0.0	(2.9)
Actuarial loss/(gain) on pension fund assets and liabilities	(37.9)	0.0	0.0	0.0	(37.9)
Total comprehensive income and expenditure	(37.9)	(2.9)	0.0	0.0	(40.8)
Adjustments between accounting basis and funding basis under regulations:					
Depreciation and amortisation of long term assets	0.0	0.0	3.5	0.0	3.5
Revaluation of property, plant and equipment	0.0	0.0	1.5	0.0	1.5
Revaluation of investment property	0.0	0.0	(51.6)	0.0	(51.6)
Revaluation of financial instruments	0.0	0.0	0.2	0.3	0.5
Property plant and equipment written out (disposals)	0.0	0.0	0.1	0.0	0.1
Revenue expenditure funded from capital under statute	0.0	0.0	3.9	0.0	3.9
Pension costs adjustment	7.4	0.0	0.0	0.0	7.4
Capital expenditure charged to the general fund (financing)	0.0	0.0	(7.4)	0.0	(7.4)
Capital repayments (loans/grants)	0.0	0.0	0.7	0.0	0.7
Capital grants and contributions applied (financing)	0.0	0.0	(0.8)	0.0	(0.8)
Capital receipts applied (financing)	0.0	0.0	(5.4)	0.0	(5.4)
Other statutory adjustments	0.0	1.0	(1.1)	(7.2)	(7.3)
Total adjustments between accounting basis and funding basis under regulations	7.4	1.0	(56.4)	(6.9)	(54.9)
Net decrease/(increase) in 2021/22	(30.5)	(1.9)	(56.4)	(6.9)	(95.7)
Balance as at 31 March 2022	77.4	(28.3)	(445.1)	3.8	(392.2)

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, working 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 £0.4M as at 31 March 2022 (£0.3M at 31 March 2021) and a loan receivable from MDV LLP of £2.3M (including accrued interest) as at 31 March 2022 (£1.3M as at 31 March 2021).

17. RELATED PARTY TRANSACTIONS (continued)

Members of the council have direct control over the council's financial and operating policies. During 2021/22 and 2020/21, 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 2021/22 and 2020/21, 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 of £0.1M (£0.1M in 2020/21) on behalf of parish councils in the form of temporary loans, but does not have a controlling influence over them. See also Note 7.

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 2021/22 was £0.3M (£0.3M in 2020/21).

The council also undertakes work on an agency basis for Hart District Council. The work includes legal services, customer services, grounds maintenance, waste collection, street cleansing, licensing and internal audit. The total reimbursable expenditure for 2021/22 was £3.2M (£1.7M in 2020/21). The council took on the client role with respect to the waste collection contract during the year, which accounts for the increase in reimbursable expenditure.

19. EXTERNAL AUDIT COSTS

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

2020/21 £'000		Estimated 2021/22 £'000
	Ernst & Young LLP (EY)	
42.9	External Audit Services (scale fee)*	42.9
10.0	Additional Audit Fees in respect of 2017/18 and 2018/19	0.0
	KPMG	
7.0	Certification of Grant Claims and Returns	6.5
	Cabinet Office	
2.5	National Fraud Initiative (biennial)	0.0
62.4	Total External Audit Costs (Net)	49.4

*A variation to the scale fee for the 2020/21 audit of £40,661 has been agreed with the Public Sector Audit Appointments body (PSAA). In addition to the fees paid in the year, the council received a rebate of £8,460 from the Public Sector Audit Appointments body (i.e. PSAA). This represents the council's share of the surplus generated by that body in 2020/21, which is distributed to councils who are audited through the PSAA's contract. The total cost of the audit of the 2020/21 was therefore £75,101.

During 2021/22 the government awarded £15M grant funding to support affect bodies to meet the anticipated rise in audit fees driven by new requirements on auditors, including new burdens relating to the implementation of the Redmond recommendations and National Audit Office's Code of Audit Practice 2020. The council's grant allocation was £22,097 and this same amount has been accrued as additional audit fee costs in 2021/22.

20. COUNCIL MEMBERS' ALLOWANCES

The total sum paid directly to Council Members for allowances and travelling in 2021/22 was £611,055 (£634,604 in 2020/21). A detailed breakdown of allowances paid to individual Councillors can be found on the council's website on this link:

[Council budgets and spending \(basingstoke.gov.uk\)](http://basingstoke.gov.uk)

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. For this purpose, remuneration includes gross pay, all taxable benefits and termination benefits, but excludes employer pension contributions.

Total Employees 2020/21	Remuneration Band	Total Employees 2021/22
17	£50,000 - £54,999	23
17	£55,000 - £59,999	10
4	£60,000 - £64,999	14
9	£65,000 - £69,999	7
5	£70,000 - £74,999	6
1	£75,000 - £79,999	3
1	£80,000 - £84,999	1
0	£85,000 - £89,999	0
1	£90,000 - £94,999	1
0	£95,000 - £99,999	1
3	£100,000 - £104,999	3
2	£105,000 - £109,999	0
0	£110,000 - £114,999	1
0	£115,000 - £119,999	0
0	£120,000 - £124,999	0
1	£125,000 - £129,999	1
0	£130,000 - £134,999	0
0	£135,000 - £139,999	0
0	£140,000 - £144,999	1
61		72

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 2 employees in 2021/22 incurring liabilities of £24,421 (2 being in the £0 to £40,000 cost band). Of the 2 terminations, 1 was compulsory. In 2020/21, the comparable figures were 6 employees incurring liabilities of £79,371 (6 being in the £0 to £40,000 cost band). Of the 6 terminations in 2020/21, 4 were compulsory.

There were no additional pension costs in 2021/22 payable to the pension fund for early retirements as a result of redundancy (£34,612 in 2020/21).

NOTES TO THE FINANCIAL STATEMENTS

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 2021/22 (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).

Salary, Allowances & Benefits in Kind 2020/21 £	Pension Payments 2020/21 £	Total 2020/21 £	Senior Employee Position	Salary, Allowances & Benefits in Kind 2021/22 £	Pension Payments 2021/22 £	Total 2021/22 £
33,589	5,750	39,339	Chief Executive (note 1)	140,846	24,124	164,970
82,340	14,058	96,398	Executive Director of Borough Development and Deputy Chief Executive (note 2)	127,567	21,774	149,341
104,120	16,611	120,731	Executive Director of Residents' Services	82,046	12,752	94,798
0	0	0	Interim Executive Director of Residents' Services (note 3)	60,710	10,158	70,868
108,894	18,468	127,362	Executive Director of Corporate Services (Section 151 Officer)	112,258	19,064	131,322
100,302	17,106	117,408	Project Director (Manydown)	101,733	17,360	119,093
69,124	11,845	80,969	Project Director (Basing View and Commercial) (note 4)	101,622	17,360	118,982
90,065	15,354	105,419	Head of Law and Governance and Monitoring Officer (note 5)	100,556	17,152	117,708
74,999	12,650	87,649	Head of Human Resources, Communications and Policy	72,194	12,199	84,393
71,839	12,104	83,943	Head of Planning, Sustainability and Infrastructure (note 6)	78,730	13,289	92,019
81,284	13,726	95,010	Head of Environment and Community Services (note 7)	36,846	6,375	43,221
0	0	0	Interim Head of Environment and Community Services (note 8)	39,420	6,589	46,009
0	0	0	Head of Financial Services and Commercialisation (note 9)	8,266	1,394	9,660
20,623	3,486	24,109	Head of Financial Services and Commercialisation (note 10)	77,301	12,972	90,273

Notes:

1. Started 04/01/2021
2. The postholder was also acting Chief Executive between 01/09/2020 and 03/01/2021
3. From 13/09/2021
4. The postholder was also acting Executive Director of Borough Development between 01/09/2020 and 03/01/2021.
5. Started 04/05/2020
6. Started 21/04/2020
7. The postholder was seconded to the role of Interim Executive Director of Residents' Services on 13/09/2021.
8. From 13/09/2021
9. Started 21/02/2022
10. Started 01/01/2021. In the period from 01/04/20 to 31/12/2020, the postholder was Interim Head of Financial Services and Commercialisation, provided by an agency, at a cost of £89,986. Left 28/02/2022.

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. 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 2022.

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 2021/22, these proper accounting practices principally comprise:

- (i) The Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (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 2022 and before the date the Statement was authorised for issue only where the events provide evidence of conditions that existed at 31 March 2022.

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

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) 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.

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.

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.

25.7 Leases (continued)

Lease premiums received are recognised as a liability on the balance sheet and released to the Comprehensive Income and Expenditure basis on a straight line basis over the life of the lease.

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 (Fit for the Future Council Plan Priority)
 - **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

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.

25.10 Property, Plant and Equipment (PPE) (Continued)

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, starting the year after they are brought into use. 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
- (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.

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 2022/23 that are anticipated to have a material impact on the council's financial position or financial performance. In response to the Covid-19 pandemic, the implementation of IFRS 16 *Leases* has been deferred to 2024/25. An assessment of the impact of this will be carried out in future accounting periods and will be disclosed, if deemed material.

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 about complex transactions or those involving uncertainty about future events.

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

Asset classifications – the council has made judgements on whether assets are classified as Investment Property or 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

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 2022 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 Assumptions/Estimates
<p>Property Valuations Estimation of property valuations depends on a number of complex judgements and assumptions.</p> <p>The Council's external valuers provided valuations as at 31 March 2022 for all of the Council's investment properties, and a proportion of operational assets.</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.</p> <p>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 £3.7M.</p>
<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 £5.9M. 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 31/03/22, the Council had an outstanding balance of short-term debtors totalling £14.4M net of £3.1M of prepayments (£17.6M net of £3.7M as at 31/3/21). Against this debtors' balance, there is an impairment allowance of £4.2M (£6.1M as at 31/03/21). 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. For example 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>

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

Item and Uncertainties	Effect if Actual Results Differ from Assumptions/Estimates
<p>Business Rates Appeals Provision</p> <p>The council has made provision for its share of appeals on business rates of £2.3M (£3.0M in 2020/21) based on what it believes to be a prudent but realistic level. 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%. For the 2017 Rates List a review of the appeals data available has been undertaken to consider the appeals provision required. This is based on the percentage allowance used by the Government (to estimate the eventual impact of the appeals on the 2017 List) and estimated success rates and reduction rates for appeals.</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 £0.6M of which the council's share is £0.2M</p> <p>For the appeals allowance relating to the 2017 Rates List, a change in the allowance of 2.5% would require an estimated adjustment to the financial statements of £0.8M of which the council's share is £0.3M</p>

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.

There continues to be a significant inflationary cost pressures which are expected to decrease later in 2023. Higher inflationary costs for significant contracts and pay settlements have been taken into account in the 2023/24 budget. The Bank of England has increased interest rates to 5.25% (August 2023) and it is likely that interest rates will increase further during 2023. The impact of interest rate increases on mortgages may increase pressures on household income which could increase the risk of lower tax collection rates and higher demand for local services and financial assistance such as local tax support.

The council's latest budget plans for 2023/24 and the medium-term financial strategy to 2027/28 were agreed by Council in February 2023. A balanced budget and forecast was set for 2023/24 and 2024/25. Financial risks have been carefully considered within planning assumptions and forecasts and the S151 Officer has reviewed the adequacy of risk reserves held. Despite the uncertainties, the council's current financial position provides a high degree of financial resilience, underpinned by still-healthy financial reserves, large property and investment portfolios and no external borrowing.

The Council has liquidity in the form of cash and cash equivalents and long term strategic investments that could be liquidated at short notice (within 7 days) if required. The estimated liquidity balance is not expected to fall below £32m by 31 March 2025.

The going concern period of assessment is twelve months from the authorisation date of the financial statements. Risk reserves (excluding the Business Rates Risk Reserve) are forecast to increase from £15.6M as at 31 March 2022 to £16.5M at the end of 2024/25 as a result of making approved contributions to and draws from the risk reserves with no change to the £1.5M General Fund balance.

29. GOING CONCERN (continued)

It is therefore noted that there is significant headroom within the General Fund and Risk Reserves to absorb the estimated financial impact of higher than expected inflationary increases in the short to medium-term. As well as access to the external sources 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 continuing and future “spikes” inflation, energy and fuel prices, 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 2022

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.

2020/21 Council Tax £M	2020/21 Business Rates £M	2020/21 Total £M		2021/22 Council Tax £M	2021/22 Business Rates £M	2021/22 Total £M
			INCOME			
(115.3)	(44.8)	(160.1)	Amounts Receivable	(123.0)	(64.0)	(187.0)
			Contributions towards Previous Years' Estimated Deficits			
0.0	(0.5)	(0.5)	Central Government	0.0	(13.2)	(13.2)
0.0	(0.1)	(0.1)	Hampshire County Council	(0.3)	(2.4)	(2.7)
0.0	(0.4)	(0.4)	General Fund (BDBC)	0.0	(10.6)	(10.6)
0.0	0.0	0.0	Fire and Rescue Authority	0.0	(0.3)	(0.3)
0.0	0.0	0.0	Police Authority	0.0	0.0	0.0
(115.3)	(45.8)	(161.1)	TOTAL INCOME	(123.3)	(90.5)	(213.8)
			EXPENDITURE			
			Precepts, Demands and Shares			
0.0	36.7	36.7	Central Government	0.0	36.3	36.3
85.7	6.6	92.3	Hampshire County Council	90.0	6.5	96.5
9.9	29.3	39.2	General Fund (BDBC)	10.3	29.0	39.3
4.6	0.7	5.3	Fire and Rescue Authority	4.7	0.7	5.4
14.1	0.0	14.1	Police Authority	15.1	0.0	15.1
			Distribution of Previous Years' Estimated Surpluses			
0.4	0.0	0.4	Hampshire County Council	0.0	0.0	0.0
0.1	0.0	0.1	General Fund (BDBC)	0.0	0.0	0.0
0.0	0.0	0.0	Fire and Rescue Authority	0.0	0.0	0.0
0.1	0.0	0.1	Police Authority	0.0	0.0	0.0
			Charges to Collection Fund			
0.0	2.1	2.1	Transitional Protection Payments	0.0	2.2	2.2
1.6	0.5	2.1	Other	0.4	(1.3)	(0.9)
116.5	75.9	192.4	TOTAL EXPENDITURE	120.5	73.4	193.9
1.2	30.1	31.3	MOVEMENT IN FUND BALANCE	(2.8)	(17.1)	(19.9)
(0.7)	(4.6)	(5.3)	OPENING FUND BALANCE	0.5	25.5	26.0
0.5	25.5	26.0	CLOSING FUND BALANCE	(2.3)	8.4	6.1

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 2020/21	Band D Equivalent Properties 2020/21	Discounted Equivalent Properties 2021/22	Band D Equivalent Properties 2021/22
*A	5/9	6.50	3.6	7.25	4.0
A	6/9	1,994.75	1,324.0	2,017.15	1,344.8
B	7/9	10,365.50	8,060.9	10,551.75	8,206.9
C	8/9	24,081.00	21,404.9	24,393.75	21,683.3
D	1	13,389.75	13,389.8	13,645.25	13,645.3
E	11/9	10,210.75	12,479.8	10,303.00	12,592.6
F	13/9	5,985.00	8,645.0	6,097.00	8,806.8
G	15/9	3,187.00	5,311.7	3,215.00	5,358.3
H	18/9	403.25	806.5	413.75	827.5
		69,623.50	71,426.2	70,643.90	72,469.5
Growth in tax base			1,147.0		1,088.6
Allowance for council tax support			(4,565.8)		(5,222.5)
Allowance for doubtful debts (2% / 2.5%)			(1,360.1)		(1,708.4)
Council Tax Base (Band D equivalent properties)			66,647.3		66,627.2

*A - Entitled to disabled relief reduction

2. Non-Domestic Rateable Value

For 2021/22 the Uniform Business Rate was 51.2p (51.2p in 2020/21) and the total non-domestic rateable value at 31 March 2022 was £178.4M (£181.4M as at 31 March 2021). The total potential gross business rates collectable in 2021/22 were £88.6M (£91.1M in 2020/21) but this was reduced to £64.0M in 2021/22 (£44.8M in 2020/21) 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:

2020/21 Council Tax £M	2020/21 Business Rates £M	2020/21 Total £M		2021/22 Council Tax £M	2021/22 Business Rates £M	2021/22 Total £M
0.0	10.2	10.2	Borough Share (included within the Collection Fund Adjustment Account)	(0.2)	3.4	3.2
0.5	15.3	15.8	Gov't & Preceptors' Share (incl in Debtors and Creditors)	(2.1)	5.0	2.9
0.5	25.5	26.0		(2.3)	8.4	6.1

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 and Assets (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 and Assets (Section 151 Officer)

The Executive Director of Corporate Services and Assets (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 2021/22.

In preparing this Statement of Accounts, the Executive Director of Corporate Services and Assets (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 2022 and its income and expenditure for the year then ended.

Signed: _____ **Date:** 13 September 2023

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

Signed: _____ **Date:** 13 September 2023

Councillor Paul Basham - Chair of Audit and Accounts Committee

1. SCOPE OF RESPONSIBILITY

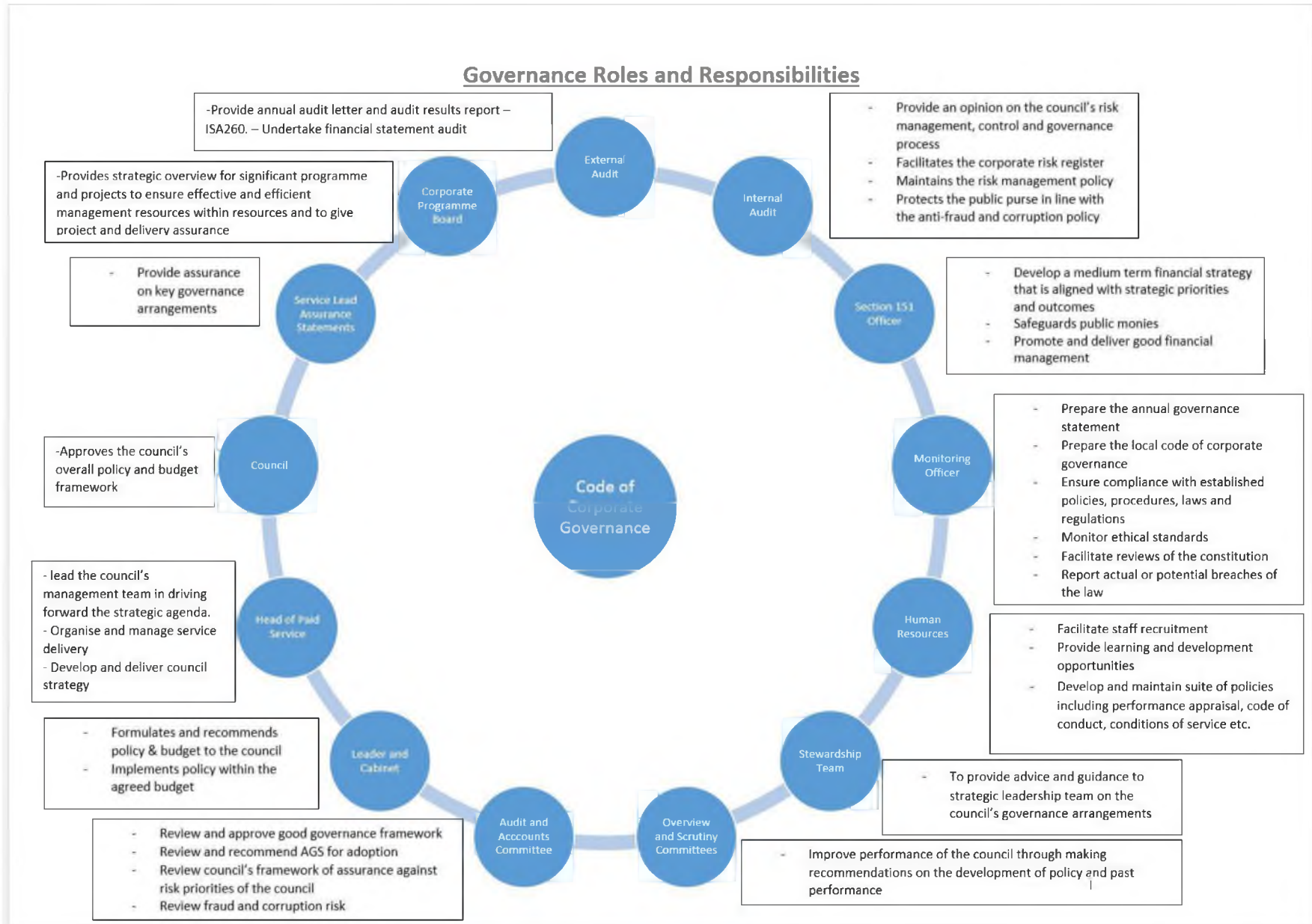
- (1) Basingstoke and Deane Borough Council (the council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The council also has 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, Civic Offices, London Road, Basingstoke RG21 4AH.
- (4) This statement explains how the council has complied with the code adopted for the period 2021/22 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 2022 and up to the date of approval of the statement of accounts.

ANNUAL GOVERNANCE STATEMENT 2021/22



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 others 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:

[Borough Council's Constitution \(basingstoke.gov.uk\)](http://basingstoke.gov.uk)

The constitution includes a Code of Conduct for Councillors 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 reporting actual or potential breaches of the law or maladministration, to Council and/or Cabinet.

In March 2022 the Council adopted the Local Government Association Model Code of Conduct for Councillors which came into effect on 9 May 2022, when newly elected councillors commenced their term. At the same time the Council approved Social Media Guidance for councillors. Training for councillors on the new code will take place in June 2022.

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 Councillors' Code of Conduct are dealt with under the Arrangements for Determining Complaints against Councillors within the constitution. The latter policy was reviewed by Standards Committee in March 2022 and changes will be considered by the Constitution Working Group prior to approval by Council.

(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 last undertaken in November/December 2019 to inform the emerging council plan and obtain opinions on the quality of council services. A new residents' survey is planned to be undertaken in the summer of 2022.

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. There are a total of 17 designated neighbourhood plan areas across the borough, and 11 adopted neighbourhood plans in the borough: Oakley and Deane, Overton, Bramley, Sherborne St John, Whitchurch, St Mary Bourne, Sherfield on Loddon, Old Basing and Lychpit, Kingsclere, Wootton St Lawrence, and Burghclere. Community Plans for East Woodhay, North Waltham, Oakley and Deane, and St Mary Bourne have also been developed and been adopted by local parish councils. Within Basingstoke town local communities have published the following plans: Buckskin Community Plan, Kempshott Community Plan, Marnel and Merton Community Plan, Popley East Community Plan, South Ham Community Plan, and Winklebury Community Plan. Other communities are also considering doing so.

The council introduced a new Councillor 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 was due to be introduced in 2020/21 but was postponed to 2021/22 to align it with the delayed implementation of the boundary review and all out elections which could not take place in 2020 due to the Covid-19 pandemic. The Councillor Grant Scheme is designed to meet ward requirements after the ward changes and was implemented in 2021/22. The scheme was reviewed in April 2022, with councillors' views sought via a survey to all councillors to understand initial thoughts and feedback on the period of operation in 2021/22. The outcome of this review will feed into an overall review of grants to voluntary sector and community organisation which is due for consideration by CEP in September 2022 and is linked to the new Community Strategy that will go to council in July 2022 for approval.

The council consulted on its approach to savings, income generation and spending for its four year budget known as the Medium Term Financial Strategy (2022/23 to 2025/26) and this consultation helped to shape the final budget report agreed at council on 28 February 2022. The information was made available in any easy to understand format and responses were reported to Cabinet on 8 February 2022 before they made their final recommendation to council on 28 February.

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

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

The council's website has a "Your 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 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. It should be noted that a new Customer Experience Strategy and operational framework is currently being developed for consultation and approval during 2022/23.

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

The council has adopted a 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 behaviour, 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 2022-23 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 2020-24, Anti-fraud and corruption policy, Complaints policy, Corporate Equality Plan, and the Policy and Procedure for the safeguarding of children and vulnerable adults.

The most recent was the Wellbeing Strategy, endorsed by Cabinet in July 2022. The council has a role to play in enabling, or in some cases leading provision of facilities and/ or services. However, there are many things that other partners are better placed to deliver. The council strives to be clear on what the council needs to achieve, where the council's resources can best be placed and identify where there is mutual benefit and overlap in priorities with the council's partners.

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. review of strategic partnerships is being carried out to ensure partnership working remains effective and achieves the best outcomes for residents. The review sets out the proposal to establish a Place Shaping Board and initial engagement with BASP members on the purpose and future of the partnership took place in October 2021. BASP will continue to be engaged as the review progresses.

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. Government carried out a review of Local Enterprise Partnerships as part of the wider levelling up agenda. The review recognised that LEPs play a valuable contribution to economic development by providing a business voice and perspective and enabling strong partnership working across all sectors but that there is a need for better integration of LEPs into local democratic institutions. As there is currently no devolution deal in place for local authorities within the EM3's area, the LEP will continue operating in its current structure for the foreseeable future.

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 Economic Recovery Board met regularly over 2021/22 to consider specific aspects of economic recovery including skills and employment, clean growth and arts and culture. The Board remains active and will meet as

and when required to continue supporting the delivery of the Economic Recovery Framework.

The council operates a policy briefing process, assessing for relevance Government, regional and county publications and consultations, and select committee findings and other research. These are recorded centrally and circulated to the relevant council teams and reported to Senior Leadership Team at their fortnightly SLT meeting for SLT review and discussion. This central record is used to inform horizon scanning exercises and the council's evidence base, the development of policies and impacts over time, and to identify which consultations to respond to.

The council engages frequently and proactively with the Government in representing local residents, businesses and stakeholders' needs through its 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 2021-22 the council responded to consultations from Hampshire County Council: Serving Hampshire balancing the budget consultation, and consultations on public health services, the Hampshire Spatial Framework for the Natural Environment and Infrastructure, and changes to certain county council grant schemes. The council also responded to a number of consultations relating to Government proposals on waste and recycling, the council's experience of making funding bids, and the future of the New Homes Bonus.

(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. Further to a council motion declaring an ecological emergency in October 2021, the ecological implications of decisions are to be included in the report template.

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 overview and scrutiny committees that support the work of the cabinet and the council as a whole. The scrutiny committee has 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.

The Overview and Scrutiny process was considered by the cross-party Constitution Working Group in 2021/22. Further to this, at the annual meeting in May 2022, the Council adopted an

Overview and Scrutiny/Cabinet protocol to improve the effectiveness of the Overview and Scrutiny function.

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 Members and Scrutiny Committee.

Additionally, an update on all major projects is reported to the Corporate Programme Board on a 6 weekly 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 Scrutiny Committee.

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 current 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 organisational values are being reviewed during 2022 following an extensive staff engagement programme as part of the council’s Organisational Development programme. 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 People Strategy will be reviewed during 2022/23 to ensure that it continues to facilitate the achievement of the overall Council Plan.

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 part way through a portfolio of fit for the future transformation programmes to ensure that it can continue to deliver well those services highly valued by residents. With the Smarter Ways of Working programme completed, the council offices now provide an environment that supports agile working, cultural change, the climate change agenda and improved utilisation of the Deanes building. In turn this means space in the Parklands building can be used to create additional income and has been let to another public sector partner from June 2022. The Digital Transformation programme is delivering a new ERP (Enterprise Resource Planning) system - the finance part of the system is live and the human resources (HR) part of the system went live on 13 May 2022. A new website with improved customer journeys and a new Customer Relationship Management Platform are currently being developed.

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, 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 September 2021. The council recognises that risk management is an intrinsic part of corporate governance and seeks to ensure that every councillor 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 2021/22 which resulted in a substantial assurance opinion which will be reported to the Audit and Accounts committee on 27 June 2022.

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 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, these are monitored by the Corporate Programme Board. The board comprises the Chief Executive and Executive Directors who review Highlight Reports which update on the status of major projects. The process is managed by the Programme Management Office who also provide project management and support depending on the scale of projects. The Programme Management Office is a centre of excellence; in the support and expertise it delivers to projects and initiatives and as the home for governance, control and standards assurance which in turn support the realisation of benefits and minimise project/programme risk to the organisation

Manydown, have additional governance arrangements. The Manydown North project is to deliver up to 3,520 new homes, businesses, shops and community facilities, two new primary schools, land for a secondary school and a countryside park, upon land owned by the Borough Council and the County Council.

The council's joint venture with Hampshire County Council in the Manydown Garden Community LLP operates joint governance of the Manydown North Project. The councils

appointed partner, Urban and Civic, now part of the Welcome Trust Group, as its private sector development partner who join the borough and the County Council forming a limited liability partnership to deliver the scheme. Outline Planning Permission was granted on 20 December 2020 and progress towards securing the freehold transfer is now being progressed. The Manydown Overview Committee provides oversight of the Manydown Programme.

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, which commenced in 2020 was largely finalised by end of March 2022 to ensure that the procurement and contract procedures remains effective and compliant and which made recommendations for improvements which will be implemented during 2022/23.

The council's Contract Standing Orders currently require the procurement service to sign-off contracts at £75k or above. The thresholds have been reviewed as part of the Procurement and Contract Review and new thresholds will be incorporated into the review of Contract Standing Orders for approval by council in 2022. 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. Two structures are in place to provide a strategic and operational lead in these arrangements: a Hart and Basingstoke and Deane Partnership Board which provides a strategic lead between both councils to shape the relationship and ensure strategic alignment of functions common to both authorities to maximise opportunities to work efficiently and effectively together; and a Shared Services Group (SSG) which provides operational oversight across all shared services to manage these 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 designed to guide, establish and review partnership governance and achievement against objectives has been in existence for some years. There has been 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 generally taking place in January each year. In last year's Annual Governance Statement it was identified that due to changes in personnel and responsibilities a formal review had not been completed in January 2021 and a review was scheduled for January 2022. In 2021, the Chief Executive and the Senior Leadership Team undertook a review of the key council partnership relationships focussing on the effective management of key relationships to deliver council plan priorities. It is clear that the Governance Framework requires some significant updating due to the change in the role and purpose of the existing partnerships, which are, in the main, partnerships arising out of contractual relationships or shared service arrangements or which are led by other bodies, none of which are covered by the framework.

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 usually 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. GDPR and Data Protection Training also formed part of the Councillor Development Programme for 2021/22.

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 councillors 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 councillors 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. To promote awareness and to improve the technical and procedural defences against cyberthreats, the council has applied for funding from the Local Government Association. As a result, a grant of £0.10M was awarded for the review, rationalisation and enhancement of security systems. The grant also covers additional education activities for end users. The IT and Digital Service has engaged with the Local Government Association technical team, who will support and help to deliver these improvements.

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 S151 Officer, as CFO, is professionally qualified and is a member of the council's Strategic Leadership Team reporting to the Chief Executive. The S151 Officer is actively involved in ensuring that strategic objectives are aligned to the longer-term finance strategy. The S151 Officer 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 S151 Officer 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.

The S151 Officer has reviewed the index finding which has not flagged any potential areas of significant financial risk. The S151 Officer has also reviewed the council's Financial Procedural rules and the Financial Regulations in setting the budget approved by Council in February 2022.

The S151 Officer is also responsible for ensuring that the CIPFA Financial Management Code (FM Code) is appropriately implemented. The FM code provides guidance for good and sustainable financial management in local authorities to provide assurance that the council is managing resources effectively.

The council has completed a self-assessment of compliance with the FM code. This assessment identified many areas of good practice in financial management across the council. There are also areas where improvement can be made, the council has developed an action plan to address these areas and improve compliance with the code, this includes:

- improving the financial information available to the council, which includes the implementation of a new finance and HR ERP system

- strengthening the support provided across the council by implementing a business partnering model for finance
- enhancing the financial awareness of officers and councillors through the development of financial training

The actions identified in the plan are not necessarily new, with many currently being progressed, but the plan brings these together in one place to show what is being done to sustain and improve good financial management across the organisation. This reflects the drive for financial management and good practice to be embedded across the council and at all levels of the organisation.

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. Further to a recommendation from the Procurement and Contracts review, a new procurement card policy has been prepared, the number of cardholders and card limits and reviewed. The new ERP system also provides greater transparency to these transactions.

The council's constitution sets out how decisions are made and specific reference to decision making by 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. Internal Audit progress reports were presented to the Audit and Accounts Committee on 28 June 2021, 27 September 2021, 6 December 2021 and 23 March 2022. 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 – 2021/22

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.

- (b) 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 September. The government has announced its intention to extend the publication date for final audited accounts to 30th November 2022 and plans are in place to achieve this deadline reporting to the Audit and Accounts Committee in November 2022. 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.

ANNUAL GOVERNANCE STATEMENT 2021/22

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**

Review of the significant governance issues identified in the Annual Governance Statement 2021/2022 identified by the work of the Stewardship Team:

	Governance Issue	Planned Action	Responsible Officer	Progress
1	Review of constitution	<p>Full review of constitution, to give due regard to best practice and to remove inconsistencies and give clearer delegations;</p> <p>Key decision provisions</p> <p>Scheme of delegation</p>	Head of Law and Governance	<p>In 2021/22 council has approved a new Code of Conduct for Councillors, Social Media Guidance for Councillors, a revised Member Allowances Scheme. The Constitution Working Group considered the Overview and Scrutiny Function and an Overview and Scrutiny/ Cabinet Protocol which was reported and approved by council on 19 May 2022.</p> <p>The review will continue into 2022/2023.</p>

ANNUAL GOVERNANCE STATEMENT 2021/22

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	Economic Recovery Board met regularly to support the implementation of the Economic Recovery Framework. Partnership working focused on vulnerable residents and continued to ensure availability and access to support.
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	In 2021/22 the council completed a self-assessment of compliance with the FM code. This assessment identified many areas of good practice in financial management across the council. There are also areas where improvement can be made, the council has developed an action plan to address these areas and improve compliance with the code.
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	The review has been completed and recommendations are to be implemented in 2022/23. This will include council for revised Contract Standing Orders

ANNUAL GOVERNANCE STATEMENT 2021/22

5	Partnership Governance Framework Review	Undertake review of the partnership framework document and of the consolidated list of partnerships	Executive Director of Borough Development	SLT undertook a review of key council partnership relationships. The existing Governance Framework is being reviewed to reflect the current partnership arrangements.
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SIGNIFICANT GOVERNANCE ISSUES TO BE ADDRESSED IN 2022/2023

	Governance Issue	Planned Action	Responsible Officer	Target date for completion
1	Review of constitution	Continue the review of constitution, giving due regard to best practice.	Head of Law and Governance	March 2023
2	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 Services (S151 Officer) & Head of Financial Services & Commercialisation	March 2023
3	Partnership Governance Framework Review	Undertake review of the partnership framework document and of the consolidated list of partnerships	Chief Executive or nominee	March 2023

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:**

Russell O’Keefe

Chief Executive

Signed: _____ **Date:**

Cllr Simon Bound

Leader of the Council

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BASINGSTOKE AND DEANE BOROUGH COUNCIL**Opinion**

We have audited the financial statements of Basingstoke and Deane Borough Council ('the Authority' OR 'the Council') for the year ended 31 March 2022 under the Local Audit and Accountability Act 2014 (as amended). 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 2021/22.

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 2022 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 2021/22.

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. We are independent of the Council 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 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 and Assets (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 Council'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.

INDEPENT AUDITORS' REPORT

Our responsibilities and the responsibilities of the Executive Director of Corporate Services and Assets (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 can be predicted, this statement is not a guarantee as to the Council's ability to continue as a going concern.

Other information

The other information comprises the information included in the Statement of Accounts 2021/22, other than the financial statements and our auditor's report thereon. The Executive Director of Corporate Services and Assets (Section 151 Officer) is responsible for the other information contained within 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 Council
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
- 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 (as amended)
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)
- we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have nothing to report in these respects.

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

As explained more fully in the Statement of the Executive Director of Corporate Services and Assets (Section 151 Officer)'s Responsibilities set out on page 75, the Executive Director of Corporate Services and Assets (Section 151 Officer) is responsible for the preparation 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 2021/22, and for being satisfied that they give a true and fair view and for such internal control as the Executive Director of Corporate Services and Assets (Section 151 Officer) determines 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 and Assets (Section 151 Officer) is responsible for assessing the Council'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 Council either intends to cease operations, or has 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.

INDEPENT AUDITORS' REPORT

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

In addition, the Council 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 and Assets (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 Council's committee minutes, through enquiry of employees to confirm Council 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 Council'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 Council'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 2020, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in December 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 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 2022.

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 (as amended) 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 the NAO as group auditor has confirmed that no further assurances will be required from us as component auditors of Basingstoke and Deane Borough Council. We are satisfied that this work does not have a material effect on the financial statements or our work on value for money arrangements.

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 (as amended) 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 Council and the Council'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
13 September 2023

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.

CONTINGENT RENT

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

GLOSSARY OF TERMS

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.

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.

GLOSSARY OF TERMS

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.

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.

GLOSSARY OF TERMS

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.

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.

GLOSSARY OF TERMS

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.

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.

GLOSSARY OF TERMS

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.

MATERIALITY

A measure of the significance of information potentially to be included in the financial statements, whereby its omission, misstatement or obscurity 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).

GLOSSARY OF TERMS

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.

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.

GLOSSARY OF TERMS

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.

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.

GLOSSARY OF TERMS

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).

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.

GLOSSARY OF TERMS

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.

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).

GLOSSARY OF TERMS

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.