

# Statement of Accounts

## for year ended 31 March 2023



Basingstoke  
and Deane

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## Message from Sue Cuerden, Executive Director of Corporate Services and Assets (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.

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 2022/23. The council's Statement of Accounts and its value for money and financial arrangements are subject to independent review by the council's External Auditors, Ernst & Young LLP (EY). Also, 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 £3.7M being reported for the year.

Not only did the council have to respond to the ongoing financial impact of the cost of living crisis and the rapid escalation in inflation, but it also continued to deal with the funding pressures of reduced government grants. Core grant income from the government was £0.8M lower in 2022/23 compared to 2017/18 with further reductions of £3.6M anticipated over the future years to 2026/27.

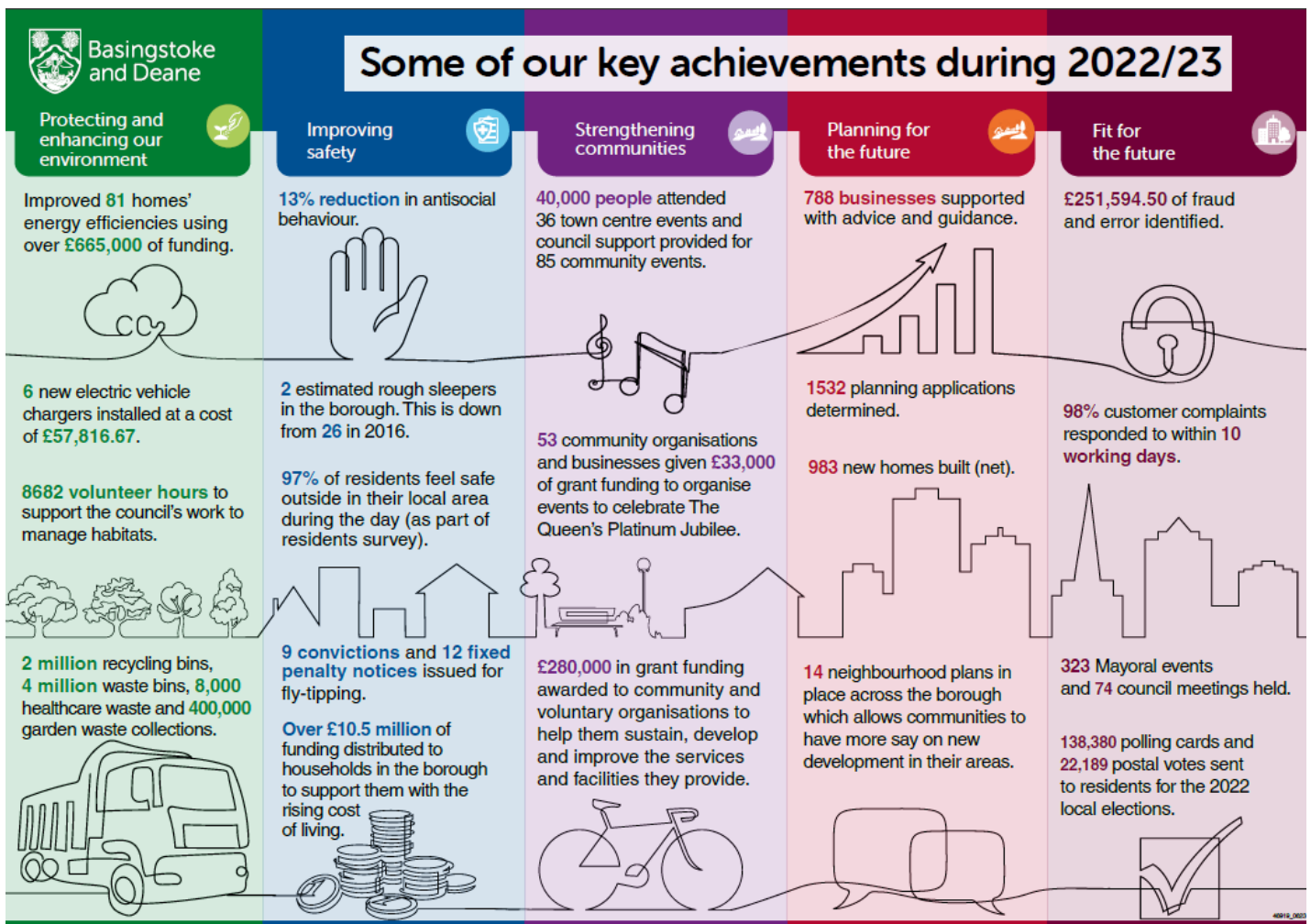
There are continued increases in pressures on the council's expenditure from external influences. Thus, in addition to the impact of inflationary cost increases, the council faces increased demand for services. This demand is further amplified by the impact of partner organisations' responses to austerity measures across the public sector. Such pressures have been partially offset by increased interest income on the council's treasury management investments as a result of the significant increase in the Bank of England base rate over the year.

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 amounting to £17.5M (28%) of the gross underlying expenditure budget, within an extended period of national public expenditure reduction and historically low interest rates. These have been delivered with minimal impact on delivery of services during a prolonged period of austerity and the council has maintained its overall reserves.

During 2022/23, the borough element of council tax increased by £5 to £136.42 for an average Band D property. Despite the challenges the council continues to face, including rising costs and demand for services and lowering government, 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 seeking 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.

Key achievements



Cost of Living Crisis

In February 2022 Russia invaded Ukraine, following this event there was a significant worldwide increase in the price of energy and consequently other goods. General inflation increased to over 10%, with energy costs increasing at a significantly higher rate.

This has particularly impacted on the council's energy costs and on the capital programme with increased costs of materials.

The council has managed to absorb the impact of higher inflation within budgets in 2022/23 and the increased costs have been built into base budgets going forward as part of the 2023/24 budget.

## Response to the climate emergency

The Borough Council formally agreed to declare a Climate Emergency in September 2019, with ambitious targets for the council to become carbon neutral in its operations by 2025 and to work towards a net zero carbon borough by 2030. This recognises the significant impact that climate change will have, particularly on future generations.

In response to the declaration, the Borough Council prepared a new Climate Change and Air Quality Strategy, to outline the measures and actions required to meet the targets. This established an approach such that the council, leads, enables and inspires action, with the strategy having been adopted in March 2021. Additional staff resource has been recruited to support its implementation, alongside the establishment of a £2.0M fund to deliver associated actions, with an additional £1.0M being added in the 2023/24 budget for future years. This has helped to deliver projects such as:

- Decarbonisation of the council's fleet of vehicles, including six electric cars to date, in addition to moves towards the use of alternative fuels where electric options are not yet available and trials of operational vehicles such as sweepers and vans, with proposals for future shifts to electric as the fleet requires replacement;
- The on-going roll-out of Electric Vehicle (EV) charging hubs in the council owned car parks, including Hampshire's first EV Charging Hub;
- Awareness raising campaigns to support residents in effecting change, including the provision of toolkits for residents and local groups and the roll out of a dedicated 'Sustainable Basingstoke' brand to highlight ways of changing behaviour, including a new website;
- Detailed studies to consider how the council's operational buildings can be improved and our natural environment managed more effectively to support carbon reductions as well as wider objectives around supporting the natural environment; and
- Supporting residents and businesses in accessing grant funding from external sources.
- Work is currently underway to:
  - Establish a new six strong green team to help residents, community groups and businesses to reduce carbon emissions, support activities around recycling and transport, as well as helping them to save money;
  - Support the delivery of a Local Cycling and Walking Infrastructure Plan with Hampshire County Council (HCC), including developing links and promotion of these modes of travel;
  - Delivery of an Electric Car Club in Basingstoke to support residents without access to a car and provide cleaner alternatives to those wishing to transition; and
  - The delivery of on-street EV chargers with HCC as the highway authority to support residents without access to a private driveway.

To ensure that climate change is embedded into all council decisions on a day-to-day basis, issues associated with carbon reduction must now be referred to in all reports. This ensures that decision-makers are aware of the carbon implications alongside other matters. Climate change has also been incorporated into all council strategies, such that it forms a golden thread and recognises the importance associated with the issue in the Council Plan.

## 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 a 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. The latest index was published in December 2022, using the revenue outturn data for 2021/22.

In October 2019 CIPFA published the Financial Management Code, which provides guidance for good and sustainable financial management in local authorities. Local authorities must be able to demonstrate compliance with the code and action is being taken to ensure that this is delivered. The actions taken by this council are noted in its Annual Governance Statement, set out later in this Statement of Accounts.

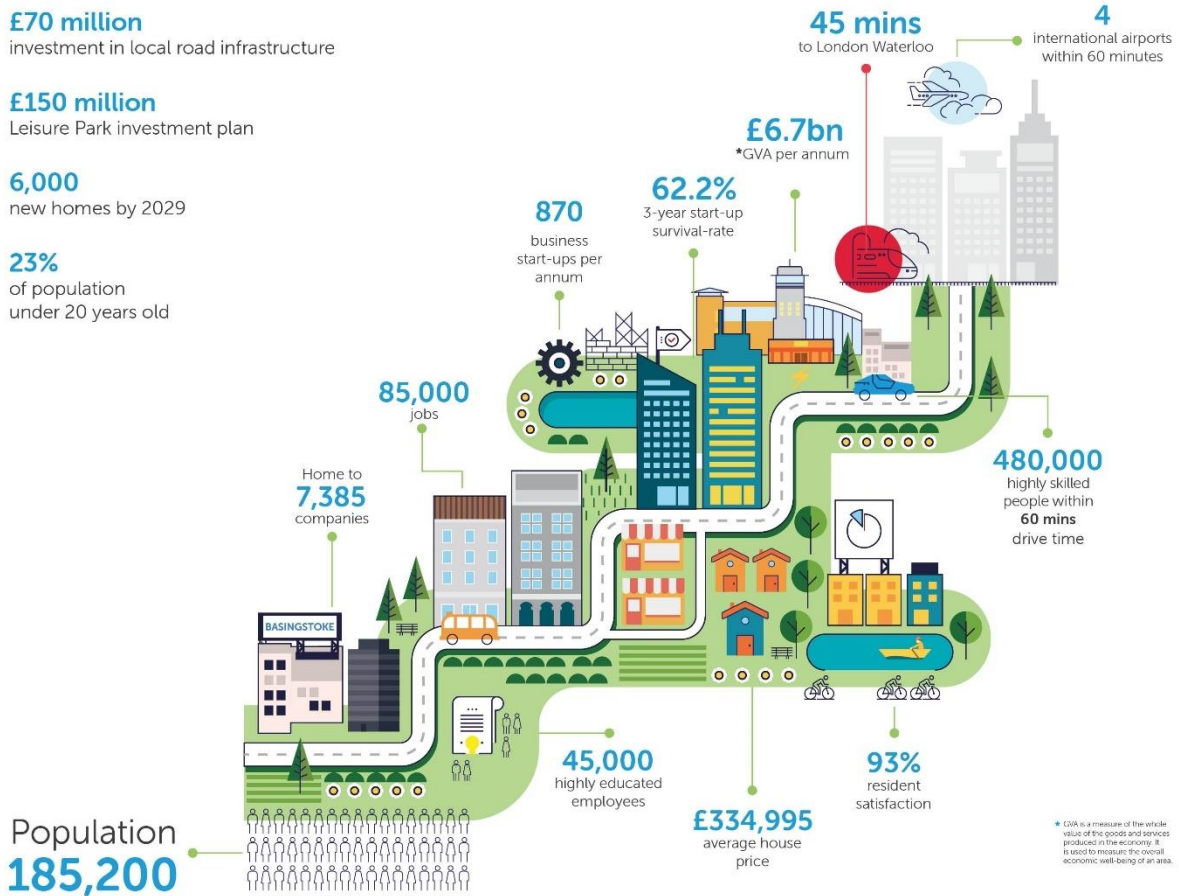
In April 2022 CIPFA announced the deferral of the adoption of IFRS 16 for Lease Accounting for a further two years to 1 April 2024 (the 2024/25 financial year). This standard would have replaced IAS 17 and removes the operating classification for leases, eliminating the ability for organisations to keep 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.

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 the highlighting of any significant changes in governance arrangements. This is included on page 91.

## 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>.

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 2022/23, there were 42 town and parish councils, and there were 54 elected members of the Council representing 18 wards.

Following the elections on 4 May 2023 the political structure is as follows:  
 Conservative Group 23; Labour Group 10; Liberal Democrats 9; Independent Forum 12 (this is made up of Basingstoke & Deane Independents 8; Independent 3; Green Party 1).

The elected Leader of the Council for the 2022/23 financial year was Cllr Simon Minas-Bound. On 18 May 2023 Council approved a motion, to appoint Cllr Paul Harvey as Leader of the Council effective from that date.

The roles of key committees and officers are set out below.

<b>Council and Cabinet</b>	<p>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.</p>
<b>Scrutiny, Overview and Policy Committees</b>	<p>The Scrutiny committee is responsible for reviewing and scrutinising decisions made, or actions taken, in connection with any of the council's functions.</p> <p>The Manydown Overview Committee is responsible for examining all strategic landowner matters related to the Manydown development and holding relevant decision makers to account.</p> <p>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.</p> <p>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.</p>
<b>Audit and Accounts Committee</b>	<p>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 91 of the document.</p> <p>The council also has a Human Resources Committee and there are three regulatory committees – Development Control, Licensing, and Standards.</p>
<b>Management Team and Officer Support</b>	<p>The Chief Executive, Russell O'Keefe, leads the Senior Leadership Team which includes the Deputy Chief Executive, Executive Director of Corporate Services and Assets, Director of Regeneration, Director of Residents Services, the Head of Law and Governance and the Head of Human Resources and Organisational Development and the Head of Customer Services, Improvement and Performance. 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.</p> <p>As at 31 March 2023 the council employed 565 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 the majority of staff work on hybrid basis spending an average of 3 days per week in the office, working at home the remainder of the time.</p>

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

## 2. 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 and to identify where further improvements may still be required. Senior Officers and Cabinet members regularly monitor key performance indicators and progress on major projects. During 2022/23 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 performance management this year.

A new Council Plan for 2023 to 2027 was approved by Council in February 2023. This new plan replaced the previous plan with effect from 1 April 2023 and sets out three new priorities which will be focus of reporting in the 2023/24 financial year. The latest Council Plan is available at [www.basingstoke.gov.uk](http://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.

## NARRATIVE STATEMENT

The tables that follow identify the more-notable key priorities of the 2020-24 Council Plan, summarising performance in these areas and providing commentary on the results for 2022/23. Comparisons are made with the previous year's results, 2021/22, where similar measures were in place.

Protecting and Enhancing our Environment				
Becoming a zero carbon council by 2025	2021/22	2022/23 Target	2022/23	Comments
Reduction (%) in council energy consumption - council offices	N/A	>40%	49.6%	Significant but atypical reduction in office energy usage as a result of staff consolidating into Deanes (and Goldings) and vacating Parklands.
Reduction (%) in energy consumption – other council-owned property	N/A	>5%	6.4% increase	There was an increase in energy consumption in the council's other sites included in the council's carbon footprint. Gas consumption reduced but electricity consumption increased. This is likely to be as a result of the increase in council-owned electric vehicle charging points.
Improving air quality	2021/22	2022/23 Target	2022/23	Comments
Increase in the number of council operated electric vehicle chargers in the borough	13.00	16	21	There are 21 of which 19 are currently working. Churchill Way car park has been vandalised and the rapid charger in Feathers Yard is being replaced due to damage.
The percentage of taxi and private hire vehicles which meet the latest emission standards (Euro 6)	93.00%	95.00%	95.00%	Target to increase the % of vehicles which meet the latest emission standard group has increased by 2% this year, and therefore the target has been achieved.
Ensure that the local air pollution levels meet national standards and that there are no Air Quality Management Areas (AQMAs) in the borough	Achieved	Achieved	Achieved	The 2022 Annual Status Report (ASR) confirms that there were no exceedances of the national air quality objectives and that there is no need to declare any AQMAs. The ASR shows the strategies employed by Basingstoke and Deane Borough Council to improve air quality, which align to the actions under the Climate Change and Air Quality Strategy.

## NARRATIVE STATEMENT

Improving air quality	2021/22	2022/23 Target	2022/23	Comments
The percentage increase in the proportion of low carbon vehicles leased or purchased by the council	2.00%	10.00%	16.0%	A further 4 electric vehicles were acquired in 22/23 to support the work of the team of CSPOs and the dog warden. This excludes operational vehicles where electric alternatives are not yet available (e.g., tractors) or where these do not fully meet expectations operationally
The percentage reduction in 'grey fleet' mileage	8.60%	5.00%	2.12%	Modest reduction achieved. Staff travel plan not yet implemented and future electric car club also expected to drive this down further.
Increase in the number of zero emission capable taxis/private hire vehicles licensed in the borough	5.00	>=6	9	The target has been achieved with a gain of 3 more licenced zero emission taxi/private hire vehicles.
Responding to the climate emergency	2021/22	2022/23 Target	2022/23	Comments
Percentage reduction in average annual emissions in the borough	N/A	>5%	13.50%	There is a time-lag in this information being available from the Government with the latest data being from 2020 as reported to CEP Committee in October 22. Data is generally made available in the summer and will be reported as a general update on the Climate Change Strategy in the Autumn.

## NARRATIVE STATEMENT

<b>Improving Safety</b>				
<b>Prioritising funding for community safety patrol officers</b>	<b>2021/22</b>	<b>Target</b>	<b>2022/23</b>	<b>Comments</b>
Percentage of respondents stating quality of life improved / feel safer as results of community safety activity in their areas	89.50%	85.00%	93.00%	During 22/23, following ASB issues being dealt with by the CSPO team, 93.3% of respondents were satisfied with the response provided to address antisocial behaviour they had reported. Included in this: <ul style="list-style-type: none"> <li>• 91.3% confirmed that ASB had decreased following reporting antisocial behaviour to the council.</li> <li>• 96.1% felt safer as a result of community safety activity.</li> <li>• 92.6% of respondents said that the area felt cleaner and tidier (if this related to environmental ASB such as littering or fly tipping).</li> </ul>
<b>Reducing anti-social behaviour</b>	<b>2021/22</b>	<b>Target</b>	<b>2022/23</b>	<b>Comments</b>
Year-on-year reduction (%) in anti-social behaviour (ASB)	-18.00%	-18.00%	-13.00%	Antisocial behaviour requires a partnership response to resolve and is one of the top priorities for the community safety partnership. In Basingstoke and Deane, we provide a number of initiatives to support the reduction in antisocial behaviour, which are led by our Safer Communities Team. Further information in relation to how the team have addressed antisocial behaviour are demonstrated in the most recent Community, Environment and Partnerships Committee report: <a href="https://democracy.basingstoke.gov.uk/documents/s30945/Report.pdf">https://democracy.basingstoke.gov.uk/documents/s30945/Report.pdf</a>
<b>Supporting our most vulnerable residents</b>	<b>2021/22</b>	<b>Target</b>	<b>2022/23</b>	<b>Comments</b>
Number of homeless households with dependent children placed into B&B during the quarter (year to date)	14	14	30	Wider social and economic pressure continue to see an increase in B&B placements. The average period spent in B&B has fallen by over one third to 11 days on average
Households with children in B&B (including pregnant family member) for longer than 6 weeks (statutory)	1	0	0	This remains in accordance with statutory requirements

## NARRATIVE STATEMENT

Supporting our most vulnerable residents	2021/22	Target	2022/23	Comments
Use of B&B for all vulnerable homeless 16/17-year-olds (statutory)	0	0	0	This remains in accordance with statutory requirements
New placements into private rented sector (using rent bonds and/or other assistance) per annum	79	>= 64	89	
Ensure minimum levels of rough sleeping are maintained	N/A	<2	2	An annual count was undertaken in November 2022.

## NARRATIVE STATEMENT

<b>Planning for the future</b>				
<b>Promoting more sustainable and better transport options and connections</b>	<b>2021/22</b>	<b>Target</b>	<b>2022/23</b>	<b>Comments</b>
Supporting the publication of a draft LCWIP, provision of detailed comments and subsequent adoption	N/A	Achieved	Document Adopted	The Local Cycling and Walking Infrastructure Plan (LCWIP) was adopted by HCC in March 2023 and covers the majority of the borough with the exception of the town centre, which is subject to more detailed work.
Assist in the undertaking of technical studies to support the implementation of the BSIP including the routes associated with the delivery of a high quality public transport network including references in key documents such as the Local Plan update	N/A	Achieved	Technical studies underway	Support is provided to HCC in undertaking technical work to implement key actions set out in the Bus Service Implementation Plan (BSIP), such as designs to support improvements to Eastrop roundabout. Dialogue continues in respect of longer-term improvements to the public transport corridors in the town, in tandem with preparation of the Local Plan and delivery of major projects in the town.
<b>Securing the future of the hospital</b>	<b>2021/22</b>	<b>Target</b>	<b>2022/23</b>	<b>Comments</b>
Undertake planning enabling, working with HHFT (Hampshire Hospitals Foundation Trust), providing planning policy and advice to support the project to secure the hospital	N/A	Achieved	Achieved	Ongoing liaison meetings with HHFT attended by the Planning Policy Manager and continued advice and support provided. Progress on the proposed consultation on hospital proposals has been limited in light of central Government delays, and relevant decisions are awaited.

## NARRATIVE STATEMENT

Shaping high quality sustainable communities	2021/22	Target	2022/23	Comments
Major planning applications determined (%) within the statutory timelines, (excluding any planning performance agreements) - target 10% above national target	70.80%	70.00%	76.30%	Improvements made throughout the year in relation to speed of decision on major applications have been maintained and both relevant KPIs met.
Number of planning appeals allowed/lost (as a % of overall planning appeals)	31.90%	<33%	29.10%	In relation to appeal performance the performance marginally improved from Q3 to Q4 and the KPI of no more than 33% was met. However, as reported to DC Committee in October 2022, the council did not meet the Quality of Decisions on major applications as measured by Government.
Minors and other planning applications determined (%) within the statutory timelines (excluding any planning performance agreements) - target 10% above national target	N/A	80.00%	86.60%	Improvements made throughout the year in relation to speed of decision on minor and other applications have been maintained and both relevant KPIs met.
Supporting jobs and business growth	2021/22	Target	2022/23	Comments
Number of businesses engaged and/or supported	1,110	750	788	This was achieved through interactions with businesses through events, 1-2-1, partnerships and other communication methods. Interaction support included: construction Employment and Skills Plans, consultations, digital sector development, business engagement, events, grants, general information, planning support, property/inward investment enquiries, recruitment and redundancy support, signposting, skills/apprenticeships, social media campaigns, direct business support and workshops.

## NARRATIVE STATEMENT

Supporting jobs and business growth	2021/22	Target	2022/23	Comments
Number of residents supported through the North Hants Employment Skills Zone Youth Hub	N/A	30	950	The North Hants Employment Skills Zone was originally created to provide support to young people at risk of being unemployed or being unemployed in response to the COVID-19 pandemic. As the economy started to recover, youth unemployment decreased significantly and the remit of the Skills Zone was expanded to provide support to all residents looking for employment support. The Zone is a partnership between BDBC, Rushmoor Borough Council and Hart District Council. It is an online platform that acts as a one-stop-shop for people looking for advice and support on accessing the labour market. It also provides updates on all courses, workshops and training available as well as a chat function for residents to ask direct questions or request specific support. The Zone was set up as a pilot and improvements and changes have been made based on lessons learnt. In 22/23, over 2,500 visits to the on-line platform have been recorded with visits focussing mostly on support and events available and practical resources and guides. Whilst the data is not broken down per council area it is estimated that over 950 visits were made by residents of Basingstoke and Deane.
Supporting jobs and business growth	2021/22	Target	2022/23	Comments
Place marketing digital and social media engagement	202,458	222,704	306,438	The Jubilee events and Big Picnic attracted a lot of local engagement on the Love Basingstoke channels, and National Apprenticeship week performed well again this year along with the Small business Saturday campaign on the Basingstoke Biz Twitter and LinkedIn channels. The launch of The Basingstoke Story and Great Wolf's inward investment news were amongst the top-performing LinkedIn posts of the year.

## NARRATIVE STATEMENT

Supporting jobs and business growth	2021/22	Target	2022/23	Comments
Health of the Borough's economy	N/A	Green	Green	The health of the borough's economy is measured through a range of indicators and benchmarking against regional and national data. Comparison is done on a year-on-year basis. Indicators include unemployment and employment data, out of work benefits claimant count, number of businesses, NVQ4 qualification levels, productivity per hours worked and median weekly wages. Overall indicators show a positive progression than a downward trend with unemployment, claimant count, weekly wages, productivity and qualification levels having increased and performing on a similar or better level than the Southeast and national averages. There has been a reduction in economy activity and employment, but this reflects a national trend following the COVID-19 pandemic when a significant number of people left the labour market. The number of businesses has also decreased marginally which again reflects a national trend following the pandemic.
Traffic to the Love Basingstoke Website	17,000	10% increase on previous year	42,235 (148.4% year-on-year increase)	The new Leisure Park microsite (page) within the site has attracted strong interest on the back of Pay-Per-Click, Spotify, boosted social media and family magazine advertising campaigns that directed traffic to this section of the website. Campaigns for English Tourism week and English Heritage week in collaboration with local social media influencers and visitor economy partners further generated traffic to the specific local guides created for this national campaign. The Queen's Jubilee blog was the most-visited blog, and we've seen a steady increase in views of the What's On guide on the re-designed website. The Business Districts listing page was the most visited area of the Inward Investment section, and Networking remains the most popular area of the Business section.

## NARRATIVE STATEMENT

Supporting jobs and business growth	2021/22	Target	2022/23	Comments
Business satisfaction with support provided	N/A	75%	96%	Following interaction with or support from the council or participation in a council-run business event, businesses are asked to provide some feedback. Out of those businesses that provided feedback, 96% felt that their enquiry was resolved satisfactorily or that they were satisfied with the support provided.
Number of creatives and artists supported	N/A	30	31	The support provided to local artists and creatives ranges from business development, funding advice, supporting the development of applications for funding, commissioning work, professional development and information sharing. In addition, through the Basingstoke Festival and the town centre events programme, the council gave the opportunity to over 250 artists/creatives to showcase work in the town.
Well designed, well built, good quality homes	2021/22	Target	2022/23	Comments
Total number of new affordable homes (build completed - net)	283	300	243	The number may reflect a downturn in overall completions but this is not yet known as comprehensive monitoring has not been completed. The breakdown of completions will become available over coming months.

## NARRATIVE STATEMENT

<b>Fit for the Future</b>				
<b>Being a modern and financially sustainable council</b>	<b>2021/22</b>	<b>Target</b>	<b>2022/23</b>	<b>Comments</b>
Treasury Management portfolio return (Average % and Actual £M)	1.15% £1.68M	1.61% £1.88M	2.41% £3.62M	Higher interest rates during the year had a particularly beneficial impact on returns from short-term investments and liquidity cash and accounted for £1.10M of the additional income received.
Debt collection rates (%) by end of next quarter - Sundry	98.77%	90.00%	95.74%	Housing payments, which have seen a significant rise in number this year, have played a significant part in reducing the collection performance due to the difficulties in negotiating payment plans. Regular reminders and dialogue is now engaged with this type of debt and significant improvement is expected in 23/24. The other areas sundry debt collection areas have performed well.
Debt collection rates (%) by end of next quarter - Property	98.57%	95.00%	99.77%	Property debt collection has performed exceptionally well this year despite known collection difficulties nationally. Early dialogue with businesses, has certainly helped this area produce excellent results.
Collection rates (% of annual amount due) - Council Tax	98.16%	98.60%	98.04%	Council tax slightly down from target, however, considering this is the first full recovery year since Covid and the Cost of Living crisis, the right approach has been taken in collecting monies owed and understanding and catering for our resident's needs.
Collection rates (% of annual amount due) - Business Tax (NDR)	99.61%	99.20%	99.66%	The performance is slightly improved on the prior year and is once again a very high collection rate.
Percentage of savings forecast to be achieved	N/A	80.00%	84.05%	No comment
To implement the Strategic Asset Management Plan and Annual Property Plan	N/A	Achieved	Achieved	The strategic asset management plan has been implemented with some key acquisitions and disposals which have improved the resilience council's property portfolio. A number of notable lease regears have also taken place which has enabled significant investment into the council's assets. Surplus council accommodation has also been let to improve revenue streams.

## NARRATIVE STATEMENT

<b>Customer centric provision of services</b>	<b>2021/22</b>	<b>Target</b>	<b>2022/23</b>	<b>Comments</b>
Percentage of customer complaints responded to within 10 working days	97.10%	>=95%	99.16%	No. of closed complaints – 120 No. closed late – 1 The late complaint occurred within the Waste Management Team and attributed to a delay due to a mixture of workload pressures, genuine oversight and staff absence. As a result, the complaint was closed one day late.
<b>Delivering excellence in governance, democratic and electoral services</b>	<b>2021/22</b>	<b>Target</b>	<b>2022/23</b>	<b>Comments</b>
Achievement of an unqualified annual audit opinion	Unqualified	Unqualified	Expected – Unqualified	The audit of the 2021/22 accounts is substantially complete and EY proposed issuing an unqualified opinion. However due to additional pension information becoming available additional audit procedures are now required which has delayed the opinion being issued.
Chief Internal Auditor's Annual Opinion on the effectiveness of the council's risk management, control and governance processes	N/A	Substantial Assurance	Substantial Assurance	This will be in a report to the Audit and Accounts Committee as part of the Chief Internal Auditors Annual Report on 31 July 2023 and will also appear in the Annual Governance Statement.
<b>Informing and supporting policy change and implementation</b>	<b>2021/22</b>	<b>Target</b>	<b>2022/23</b>	<b>Comments</b>
Achievement of an Equality, Diversity and Inclusion (EDI) yearly targeted plan	N/A	95.00%	95.00%	The council's continued work across the EDI arena has resulted in numerous positive achievements both in terms of support for residents and communities as well as for staff internally. There remain a small number of items on the action plan which the council is continuing to work towards such as the production of the council's ethnicity pay gap information.

## NARRATIVE STATEMENT

Supporting a high performing, motivated and resilient and well-informed workforce	2021/22	Target	2022/23	Comments
Staff turnover - voluntary resignation (%)	8.97%	9.20%	9.49%	The number of voluntary resignations between April 2022 - March 2023 has increased slightly to 9.49% from last years' figure of 8.69% this is an increase of 0.8%. There are no specific patterns to note within those who left on a voluntary resignation basis with these being broadly across all departments rather than within a particular business unit or department.
Total work time lost (%) due to sickness absence (current qtr. = YTD)	3.36%	2.50%	4.61%	At the end of the year, this indicator (April 2022 to end of March 2023) shows a working time lost of 4.61% which is 2.11% above target. The top reason for absence remains with Mental Ill Health which makes up 24% of all absences, this is a continued key focus of the council's health and wellbeing programme and initiatives. Although this was the top reason for sickness absence from Q1 to Q4 it is positive to note that when compared to 21/22 absences, although this was the top reasons for sickness absence, this absence reason has reduced by 9% from 32%. Across the year COVID was the third highest reason for sickness absence with 464 working days lost.
% of council workforce currently undertaking an apprenticeship	2.10%	2.50%	3.04%	At the end of the year there were 17 (3.04%) of employees undertaking an apprenticeship either working under an apprenticeship contract (12) or existing members of staff undertaking an apprenticeship training course as an upskilling opportunity (5). Whilst there is no longer a national requirement for organisations to report against a target this continues to be an important internal focus for the organisation.

## NARRATIVE STATEMENT

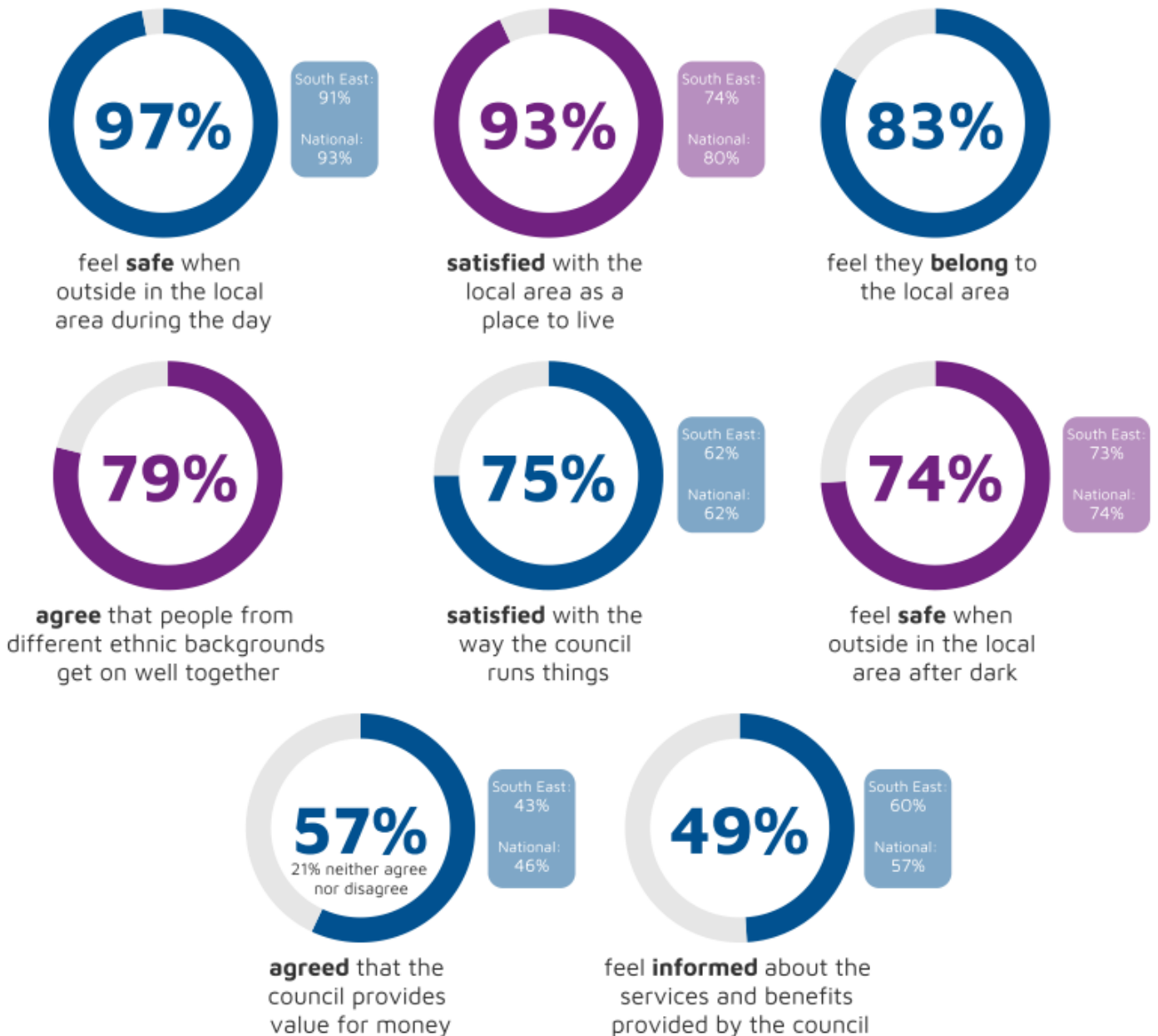
Strengthening Communities				
Outstanding leisure, sport and culture	2021/22	Target	2022/23	Comments
Customer satisfaction with the major council owned sports facilities (Aquadrome, Tadley Pool, Golf Centre, Tennis Centre) (% very & fairly satisfied)	0.00%	90.00%	84.00%	Aquadrome – 83%. Tadley Health and Fitness Centre – 69% reflects exceptional events in the last quarter such as changes to the swim teacher conditions and the pool programme which saw a social media campaign along with a petition of over 1,600 signatures supporting the Pool returning into some form of community ownership and reversing some of the changes introduced. The Golf Centre – not completed during winter months. From April 2023, Net Promoter Score (NPS) approach will be rolled out across all three centres and will provide for more detailed analysis and benchmarking with other facilities. Totally Tennis – 100%. Scores were 65% very satisfied (99 people) and 35% satisfied (54 people). Some comments relating to the need to resurface the indoor courts.
Customer satisfaction with Basingstoke Festival	99.00%	93.00%	97.00%	The Basingstoke Festival ran over three weekends in June/July 2022 and comprised over 50 events showcasing local, regional and national outdoor arts and performances in and around Basingstoke town centre. From the satisfaction surveys carried out in person and digitally, 97% of Basingstoke Festival attendees surveyed rated the overall experience of the Festival, very good or good showing high levels of satisfaction with the event.
Number of community events supported	N/A	30	85	Includes community fetes, street parties, charity, arts and sports events. Support includes training, advice and guidance on health and safety and risk management, meetings with officer and site visits, funding, equipment lending, liaising with internal and external contacts, reviewing and advising on documentation, Safety Advisory Group support for larger events, BDBC staffing at event and event promotion. More events than anticipated were supported due to the council grant scheme and availability of funding to community and voluntary sector organisations to run events to celebrate the Queen's Platinum Jubilee. 50 community events were supported through this scheme.

## Residents Survey 2022

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

Between June and August 2022, we carried out 15-minute, face-to-face doorstep surveys of a sample of 1,103 residents. The sample of residents were representative to the borough by age group, gender, disability, ethnicity and Rural Urban Classification and ward.

The results show that residents are positive about living in Basingstoke and Deane:



The South East and average national scores for the financial year 2021/22 LGA 'Are you being served' data have been used.

Satisfaction with service provision:



The five factors that make somewhere a good place to live, according to residents, are health services, the level of crime and antisocial behaviour, clean and litter free streets, access to the countryside and affordable housing. The factors that most need improving are, road and pavement repairs, parking in my street, health services, affordable housing health services and facilities and activities for young children and teenagers.

Residents were then asked how satisfied or dissatisfied they were with a number of services provided by the council. Over 80% of residents were satisfied with our waste collection, parks and green spaces and our electoral services. Around 60-79% of residents were satisfied with our recycling collection, council tax services, street cleaning and grass cutting services. Around 50-60% resident was satisfied with our car parks and sports and leisure services.

This information was considered as part of updating the Council Plan for 2023 – 2027 and in budget setting for 2023/24 and future years.

## 3. 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 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 for any new risks that may emerge, whilst other risks may become less significant as mitigating actions are implemented or as external factors change the nature of the risk.

There are several key strategic risks that the council faces. The impact of 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 those partner 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
<b>RR1</b>	<p><b>Staffing, Skills and Capacity</b></p> <p>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.</p>	<p><b>MEDIUM RISK</b></p> <p>Likelihood – Possible (3)</p> <p>Impact – Marginal (2)</p>	<p>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:</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• 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</li> <li>• Increased focus on apprenticeships as a route into employment within the organisation and as part of an overall focus on “growing our own” to address key skills gaps in shortage areas.</li> </ul>

## NARRATIVE STATEMENT

Risk Ref	Risk Description	Current Risk Score	Mitigations
<b>RR2</b>	<p><b>Major Strategic Partnerships / Projects</b></p> <p>There is a risk that strong and effective strategic partnerships won't be effectively established and managed to deliver our major strategic projects.</p>	<p><b>MEDIUM RISK</b></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"> <li>• Key projects having the appropriate buy-in across the organisation to maximise collective corporate input, including having identified Portfolio Holder and senior officer leads</li> <li>• Programme and project management governance is appropriate and resourced correctly, including programme boards and reviews</li> <li>• Regular engagement with partners</li> <li>• Regular review and lessons learnt exercises</li> </ul>
<b>RR3</b>	<p><b>Information Management</b></p> <p>There is a risk that personal and commercially sensitive information is inappropriately held and processed by the Council.</p>	<p><b>HIGH RISK</b></p> <p>Likelihood – Significant (4)</p> <p>Impact – Critical (3)</p>	<p>Some of the mitigating actions that have been taken include:</p> <ul style="list-style-type: none"> <li>• Appropriate policies in place, which have been reviewed and updated to ensure compliance with the UK GDPR</li> <li>• Having a named Data Protection Officer and Senior Information Risk Owner (SIRO)</li> <li>• Mandatory, annual e-learning training for all staff, including temporary staff and contractors and members</li> <li>• Guidance for residents on the council's website</li> <li>• Information Audits carried out with all service areas (as part of GDPR preparation).</li> </ul>
<b>RR4</b>	<p><b>Communities, Relationships and Partnerships</b></p> <p>There 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><b>MEDIUM RISK</b></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"> <li>• Grant agreements with funded organisations, and contracts in place where relevant</li> <li>• Corporate Programme Board</li> <li>• Performance Panel reviews</li> <li>• Contract Management boards and reviews</li> <li>• Regular communication and engagement with partners and communities</li> <li>• Open and transparent performance – monitoring partnerships and community engagement / cohesion work.</li> </ul>

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Risk Ref	Risk Description	Current Risk Score	Mitigations
<b>RR5</b>	<p><b>Finance and Budgets</b></p> <p>There is a risk over the duration of the MTFs (Medium Term Financial Strategy) that budgets are not balanced and savings are not delivered.</p>	<p><b>MEDIUM RISK</b></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"> <li>• Robust budget setting process linked to Priority Based Planning &amp; Budgeting</li> <li>• Annually updated Medium Term Financial Strategy budget forecast which is linked to council service planning and priorities, including clear budget/savings strategy and targets</li> <li>• Effective and timely in year budget monitoring and forecasting with regular reporting</li> <li>• Maintaining an appropriate general fund balance and adequate specific risk reserves (rents, interest and business rates)</li> <li>• Specific savings and income targets achievement monitoring by SLT.</li> </ul>
<b>RR6</b>	<p><b>Treasury Management</b></p> <p>There is a risk that significant funds invested by the council could fail to provide the anticipated returns.</p>	<p><b>MEDIUM RISK</b></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"> <li>• Regularly updated Treasury Management Strategy which, for 2022/23, included a wider diverse portfolio of managed funds</li> <li>• Use of money market and external funds to further diversify investment</li> <li>• Treasury Management processes including monthly officer meetings with Section 151 Officer</li> <li>• Specialist external advice and information services utilised</li> <li>• Regular monitoring reports produced, with scrutiny of activity by the Audit and Accounts Committee.</li> </ul>
<b>RR7</b>	<p><b>Cyber Risk</b></p> <p>The computer systems are subject to daily cyber-attacks.</p>	<p><b>HIGH RISK</b></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"> <li>• continual monitoring of threats to its systems externally by way of an Intrusion Protection system (IPS)</li> <li>• Email is scanned by two solutions. Firewalls are used to prevent unauthorised access to services and protect data</li> <li>• Extensive internal and external penetration tests are performed by a third party security consultancy provider as part of councils PSN and PCI DSS compliance.</li> <li>• Mobile Device Management software is deployed to protect council information on mobile devices</li> <li>• Malware protection is in place which provides endpoint protection to Malware infection via email and website</li> <li>• Council data is replicated and backed up to a secondary site daily</li> <li>• Phishing exercises are performed to increase learning and risk knowledge.</li> </ul>

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Risk Ref	Risk Description	Current Risk Score	Mitigations
RR8	<p><b>Business Continuity</b></p> <p>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><b>MEDIUM RISK</b></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"> <li>• Annually reviewed Business Continuity Policy, Crisis Management Plan and Critical Service Delivery Plans (CSDPs)</li> <li>• Business continuity considered as part of council procurement procedure</li> <li>• Business Units required to review services annually to identify any change and update CSDPs using Business Impact Assessment</li> <li>• Business continuity coordinators meet twice per year and BC programme board annually to review arrangements.</li> </ul>
RR9	<p><b>Fraud</b></p> <p>The council is vulnerable to fraudulent activities, particularly due to the finances it manages and its role in awarding contracts and partnerships.</p>	<p><b>MEDIUM RISK</b></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"> <li>• Fraud investigators dedicated email address and hotline</li> <li>• Dedicated highly skilled fraud staff</li> <li>• Highly skilled internal audit team in place who test the council's control environment and recommend improvements to deter fraud</li> <li>• Adoption of 'CIPFA Code of Good Practice on Managing the Risk of Fraud and Corruption' and the Fighting Fraud and Corruption Locally initiative</li> <li>• Continuous programme for raising awareness of fraud (incl. Fraud Awareness Week, Mandatory E-learning module, Focus on Fraud newsletters and Catch-up email articles).</li> </ul>

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Risk Ref	Risk Description	Current Risk Score	Mitigations
<b>RR10</b>	<p><b>Climate Emergency</b></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><b>MEDIUM RISK</b></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"> <li>• 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</li> <li>• New Climate Change and Sustainability team established to co-ordinate and progress action</li> <li>• 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</li> <li>• 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</li> <li>• Climate change section added to the council's decision-making report template and being embedded in other internal board reports</li> <li>• 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.</li> </ul>
<b>RR11</b>	<p><b>Emergency Planning</b></p> <p>The council has specific duties under the Civil Contingencies Act 2004 which includes the need to assess the risk of, plan for, respond to and recover from emergencies as well as undertaking business continuity management</p>	<p><b>MEDIUM RISK</b></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"> <li>• An ongoing collaborative agreement with Hampshire County Council for the provision of Civil Protection Arrangements Across Hampshire, to ensure appropriate arrangements are in place to meet the requirements under the Civil Contingencies Act 2004 (as amended)</li> <li>• Membership of the Hampshire and Isle of Wight Local Resilience Forum, which ensures appropriate risk assessment and plans and frameworks are in place to respond to emergencies and provide coordination in multi-agency response and recovery</li> <li>• Appropriate training provided to staff in emergency planning and management</li> <li>• Mutual aid arrangements Memorandum of Understanding signed by all Hampshire and Isle of Wight Local Authorities</li> <li>• Annual exercise carried out and post -incident/exercise debrief conducted to identify lessons learnt and make improvements to our response</li> <li>• Training for elected members.</li> </ul>

## 4. 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 2023/24 and for the next four years. The latest strategy was approved in February 2023 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.

A significant amount of work has already been undertaken to assess the financial impact in 2023/24 and for the four-year MTFS which includes a review of the adequacy of reserves. The council has usable reserves of £87.8M as at 31 March 2023. The financial position for the council for 2023/24 and future years will be informed by any further funding announcements by government, both in response to the financial impact of 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 original approaches and innovative ways to deliver services.

The budget for 2023/24 was set by Council on 23 February 2023. 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.

## NARRATIVE STATEMENT

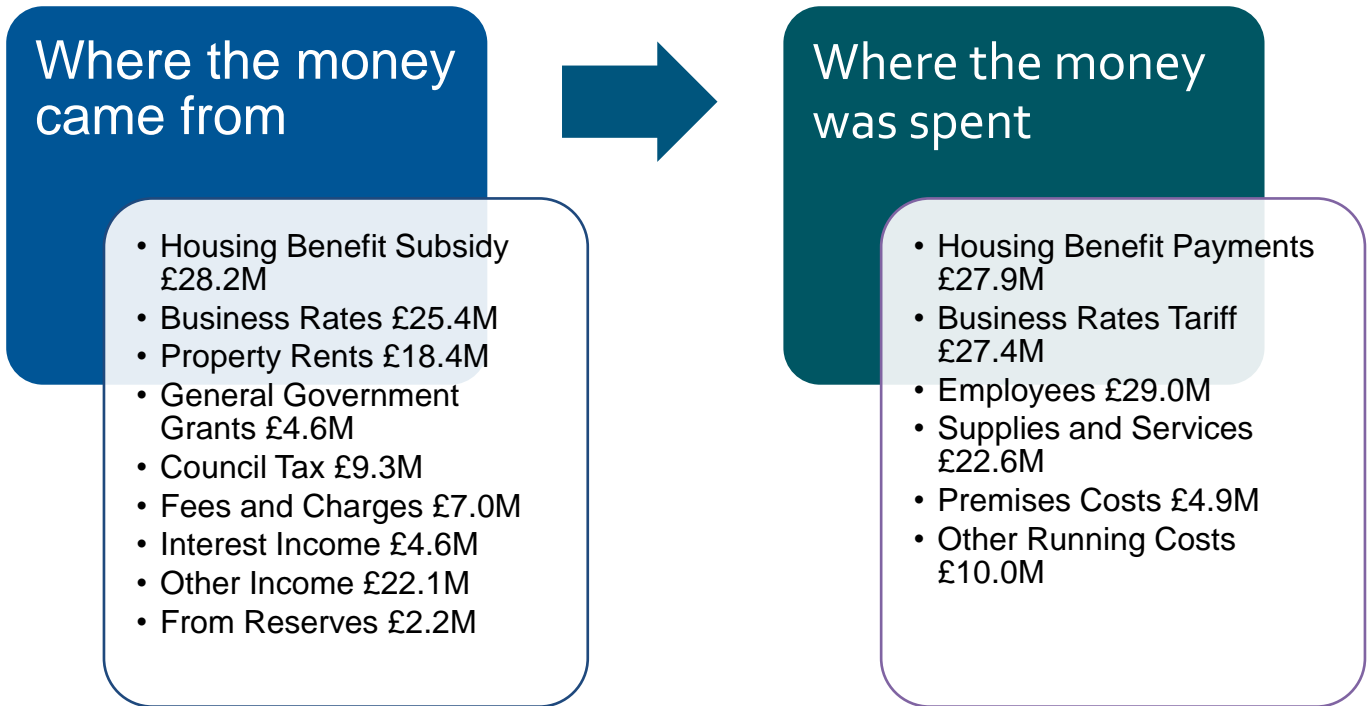
### Revenue Budget Outturn 2022/23

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

	Original Budget 2022/23 £M	Budget Movements 2022/23 £M	Latest Approved Budget 2022/23 £M	Total Actual Outturn 2022/23 £M	Outturn Variation 2022/23 £M
<b>Council Plan Priorities:</b>					
Fit for the Future	1.3	0.0	1.3	1.6	0.3
Improving Safety	(0.1)	1.1	1.0	0.0	(1.0)
Planning for the Future	(1.4)	0.4	(1.0)	(1.0)	0
Protecting & Enhancing our Environment	1.0	0.2	1.2	1.2	0
Strengthening Communities	4.6	0.1	4.7	4.3	(0.4)
Holding and Agency Accounts	(0.9)	0.1	(0.8)	(0.8)	0
Business Units	29.0	(0.0)	29.0	28.7	(0.3)
<b>Net Cost of Council Plan Services</b>	<b>33.5</b>	<b>1.9</b>	<b>35.4</b>	<b>34.0</b>	<b>(1.4)</b>
<b>Corporate Income:</b>					
Investment Property Accounts	(17.4)	0.0	(17.4)	(16.9)	0.5
Interest and Investment Income	(2.5)	0.0	(2.5)	(4.6)	(2.1)
Council Tax Income	(9.3)	0.0	(9.3)	(9.3)	0.0
Retained Business Rates	(4.3)	0.0	(4.3)	(4.3)	0.0
Government Grants	(3.4)	(0.5)	(3.9)	(4.6)	(0.7)
<b>Corporate Income</b>	<b>(36.9)</b>	<b>(0.5)</b>	<b>(37.4)</b>	<b>(39.7)</b>	<b>(2.3)</b>
Approved Movement in Reserves	3.4	(1.4)	2.0	2.0	0.0
<b>Net Expenditure (Surplus)/Deficit</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(3.7)</b>	<b>(3.7)</b>
<b>Year End Outturn Surplus Reserve Movements:</b>					
To Economic Recovery Reserve				0.1	0.1
To Efficiency, Transformation and Digital Reserve				0.4	0.4
To Budget Carry Forward Reserve				0.3	0.3
To MTFS Risk Reserve				2.9	2.9
<b>Overall (Surplus)/Deficit</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

The net revenue expenditure outturn variance, after carry forwards of grants to reserves, was a surplus of £3.7M. This surplus has been transferred to reserves to for future use, with £0.1M to the Economic Recovery Reserve, £0.4M to the Efficiency, Transformation and Digital Reserve, £0.3M has been allocated to the Budget Carry Forward Reserve and £2.9M to the MTFS Risk Reserve.

The charts below show an analysis of the several 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 £4.3M net income for retained business rates after the statutory accounting adjustments required to account for surplus/deficits in the collection fund between years.



**Capital Programme Outturn 2022/23**

The capital outturn position, as at 31st March 2023, was £20.1M which was £3.2M lower than the latest budget of £23.3M. Capital expenditure during the year was financed from capital receipts (£14.7M), capital grants and contributions (£0.3M), section 106 developers' contributions (£0.5M) and direct revenue financing from the general fund (£4.6M).

<b>Council Plan Priority</b>	<b>Latest Budget 2022/23 £M</b>	<b>Outturn 2022/23 £M</b>	<b>Outturn Variance 2022/23 £M</b>
Fit for the future	3.3	2.3	(1.0)
Improving Safety	1.6	1.6	0.0
Planning for the Future	13.4	11.7	(1.7)
Protecting and Enhancing our Environment	1.2	1.0	(0.2)
Strengthening Communities	3.8	3.5	(0.3)
<b>Total Capital Programme</b>	<b>23.3</b>	<b>20.1</b>	<b>(3.2)</b>

The council has a substantial capital programme of £117.4M for the next four years from 2023/24 to 2026/27 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 with the impact of the war in Ukraine on fuel and other costs, this has affected the council's ability to deliver against its revised capital programme. The capital outturn for 2022/23 reported a £3.2M underspend which has been rephased into 2023/24.

The new fiscal year, 2023/24, has already shown that costs continue to rise at a high rate, with annual inflation remaining well above the Bank of England's 2% target. 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.

## 5. 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 2022/23 (The Code) which the council is legally required to follow.

The council's financial statements consist of the following:

<b>Comprehensive Income and Expenditure Statement (CIES)</b>	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.
<b>Balance Sheet</b>	This incorporates all the council's assets, liabilities and reserves at the end of the financial year.
<b>Movement in Reserves Statement (MiRS)</b>	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).
<b>Cash Flow Statement</b>	This incorporates all the council's activities during the year and shows all cash movements between the council and other parties.
<b>Expenditure and Funding Analysis (EFA)</b>	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.
<b>Notes to the Financial Statements</b>	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.

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

<b>Collection Fund</b>	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.
<b>Statement of Responsibilities</b>	This sets out the council's and the Chief Finance Officer's (Executive Director of Corporate Services and Assets (Section 151 Officer)) responsibilities for the Statement of Accounts.
<b>Independent Auditors' Report</b>	The external auditors' report on the financial statements.
<b>Annual Governance Statement</b>	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 2022/23 that are relevant or have a significant impact on the council's accounts.

6. 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 £517.3M consisting of: an investment property asset portfolio of £340.3M; cash and investment assets of £128.8M; other assets (mainly operational land and buildings) of £106.8M; a potential future liability of £19.8M in its employees' pension fund; developers' contributions and other capital grants and contributions of £10.3M that could potentially require repayment (if the terms of the contributions are not met) and other net liabilities of £28.5M.

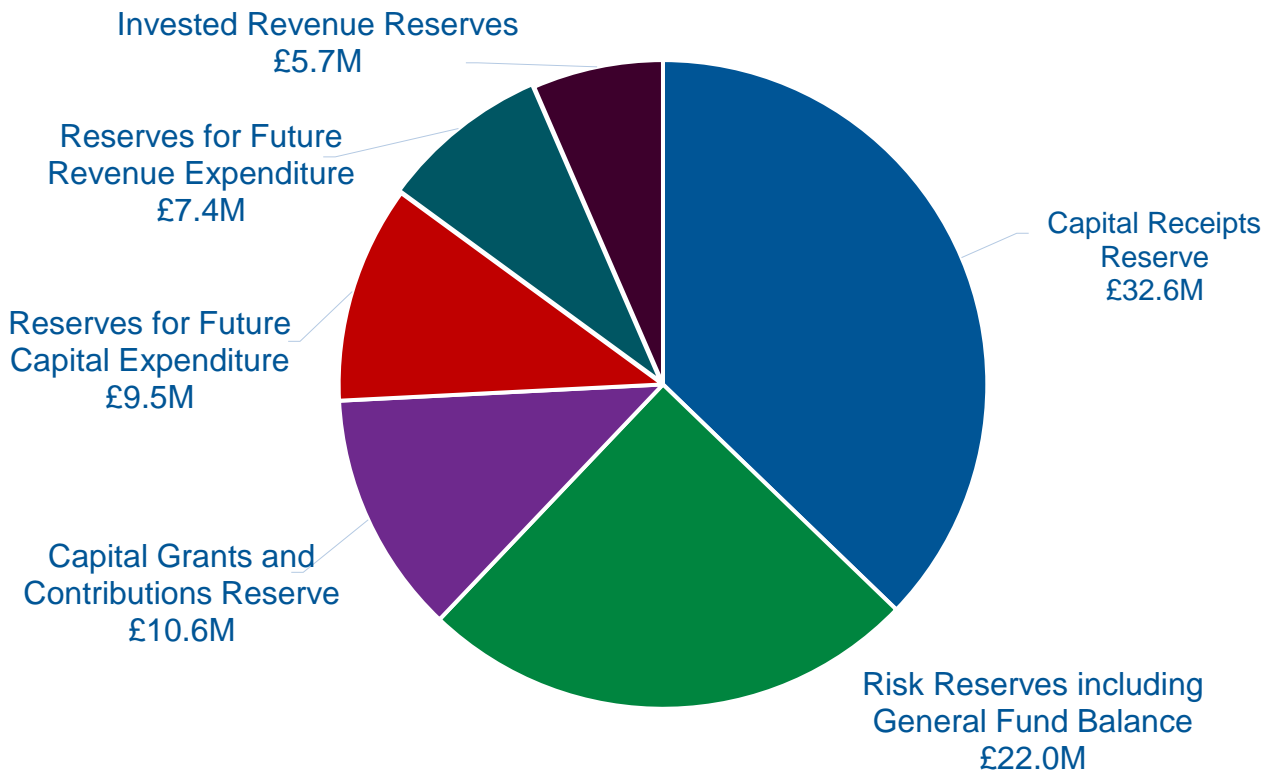
**Reserves and Available Resources**

The council's Balance Sheet also shows usable reserves of £87.8M and usable developers' contributions of £10.3M (shown as a long term liability). However, of this £98.1M of usable resource, £65.9M is available (based on current policies) to fund current and future spending plans and programmes.

The remaining £32.2M 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 £87.8M 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 2023 - £87.8M**



## NARRATIVE STATEMENT

### Borrowing

The council had no external debt as at 31 March 2023 and the council has no future budgeted borrowing requirements, but it participates 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 deficit of £42.0M on the provision of services for 2022/23 (£47.2M surplus in 2021/22).

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 2022/23 the £42.0M deficit on the provision of services shown in the Comprehensive Income and Expenditure Statement was adjusted by £39.8M of statutory adjustments to arrive at a movement to General Fund Reserves of £2.2M (in 2021/22 the £47.2M surplus was adjusted by £54.1M to arrive at a movement from General Fund reserves of £6.9M).

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	Net Charge to General Fund	Year on Year Variance
	2021/22 £M	2022/23 £M	£M
Net Cost of Service	32.2	34.1	1.9
Investment Property Net Income	(16.7)	(16.9)	(0.2)
Interest and Investment Income	(1.9)	(4.6)	(2.7)
Council Tax Income	(8.7)	(9.3)	(0.6)
Net Business Rate Income	2.5	2.0	(0.5)
General Government Grant Income	(5.6)	(4.6)	1.0
Other Corporate Items	5.1	1.5	(3.6)
<b>General Fund Deficit/(Surplus) Transferred From/(To) Reserves</b>	<b>6.9</b>	<b>2.2</b>	<b>(4.7)</b>
<b>Reserve Movements:</b>			
Business Rates Statutory Accounting Adjustment	6.9	6.2	(0.7)
Revenue Outturn Deficit/(Surplus) Transferred From/(To) Reserves	0.0	(4.0)	(4.0)
<b>General Fund Deficit/(Surplus) Transferred From/(To) Reserves</b>	<b>6.9</b>	<b>2.2</b>	<b>(4.7)</b>

## NARRATIVE STATEMENT

The table shows a £4.7M variance between years. This is due to an increase in the net cost of services of £1.9M reflecting increased inflation in 2022/23 and government grant income has reduced by £1.0M as funding to support during the pandemic ended. This has been offset by a £0.5M net business rates movement relates to the statutory timing adjustments required to account for business rates income in specific accounting periods. There is increase investment income of £2.7M, reflecting the significant increase in interest rates over 2022/23 and a £0.2M net increase in income from investment property. Other corporate items includes the impact of increased financing of capital expenditure from revenue reserves which was £3.6M lower in 2022/23.

### 8. SIGNIFICANT MOVEMENTS AND EVENTS

There were a number of significant differences between the financial statements for 2021/22 and 2022/23 which are set out below.

#### Comprehensive Income and Expenditure Statement Movements

The reported deficit on the provision of services has increased by £89.2M from a £47.2M surplus in 2021/22 to a £42.0M deficit in 2022/23. The main reason for this is as follows:

<b>Cost of Services</b>	The cost of services has reduced overall by £1.7M from £41.1M to £39.4M. Within the cost of services net expenditure there was a decrease of £0.6M in pension current service costs and net interest on pension liability (see note 14 to the financial statements) and a decrease in capital charges of £1.6M. In addition, there was reduced housing benefit expenditure of £1.1M which was offset by reduced housing benefit subsidy income of £1.2M.
<b>Net loss on Investment Property</b>	The net movement on investment property valuations decreased by £91.4M from a £65.2M gain to a £26.2M loss, this mainly due to property revaluation changes due to market conditions, with a gain of £51.6M in 2021/22 compared to loss of £42.0M in the current year.
<b>Unrealised Loss on Pooled Investment Funds</b>	The unrealised loss on the council's externally managed investments was £4.2M in 2022/23, compared to an unrealised loss of £0.5M in 2021/22. The unrealised loss has been affected this year largely by the increase in interest rates and bond yields. Bond prices and yields have an inverse relationship so that when yields rise, prices fall and vice versa. Although these losses are recognised in the income and expenditure account there is a statutory requirement to reverse the impact until such time as the investments are realised by disinvesting. This statutory override is in place until at least 31 March 2025.
<b>Interest and Investment Income</b>	Due to significant increases in interest rates in 2022/23, income from interest has increased by £2.7M, from £1.9M in 2021/22 to £4.6M in 2022/23.
<b>Other Non-Ringfenced Government Grants</b>	Reduced grant income of £1.0M mainly due to the ending of government funding support received in respect of the pandemic 2021/22 (details of the grants recognised can be seen in note 13 to the financial statements).

## Balance Sheet Movements

Overall, the total net assets reported in the Balance Sheet have increased by £31.8M, taking the total net assets to £517.3M. 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 2022/23. 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 decrease of £32.5M in the net book value of investment property this year, which reflects overall movements in the market for industrial and logistics property due to increasing development costs over the past year. Although it should be noted that net income from investment properties has increased by £0.4M in the past year. There has been an increase of £9.5M in the net book value of Property, Plant and Equipment, which reflects the significant increase in build costs over the past year which influences the valuation basis for a number of operation assets. (Revaluation details can be seen in notes 2 and 3 to the financial statements).

### Changes to Investments

Total cash and investment assets have decreased by £16.6M, mostly due to the performance of long term investment balances which have seen a reduction in value due to market conditions and the impact of interest rates on yields, which have impacted the value at 31 March 2023. Although the valuation has decreased, the revenue generated from investments has increased by £2.7M as a result of increasing interest rates.

### Increase in Creditors

There is a decrease in year-end creditors of £11.5M. Central Government creditors have decreased by £16.5M mainly due to a £2.0M decrease in business rates taxpayer receipts to be paid over to central government and £7.4M reduction due to council tax energy rebate in the prior year which were not received again in 2022/23. There was also a balance of £6.9M relating to Covid-19 grants at the end of 2021/22 which were no longer a creditor in 2022/23. Increases in year end creditors to Other Entities and Individuals of £2.3M.

### Reduction in Pension Scheme Liability

The estimated future potential liability for the council has reduced by £57.6M. This is mainly due a reduction of £71.9M 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. This has been offset by a decrease of £14.3M in the value of the council's share of the pension scheme assets, as a result of lower than expected returns over the previous accounting period.

## 9. 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, which will potentially lead to significant increases in revenue and capital expenditure and income 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 2023/24. 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 2023/24. 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 that spans 2022/23 to 2025/26 was approved by Council in February 2022 which introduces a new Property Investment Strategy and includes significant emphasis on improving management of the Council's significant property portfolio and sustainability.

FOR THE YEAR ENDED 31 MARCH 2023

2021/22 Expenditure £M	2021/22 Income £M	2021/22 NET £M		2022/23 Expenditure £M	2022/23 Income £M	2022/23 NET £M
			<b>Council Plan Priority</b>			
6.4	(0.5)	5.9	Fit for the Future	7.2	(0.7)	6.5
40.8	(34.7)	6.1	Improving Safety	35.4	(31.3)	4.1
9.3	(3.4)	5.9	Planning for the Future	8.8	(4.0)	4.8
4.5	(0.2)	4.3	Protecting and Enhancing our Environment	4.4	(0.6)	3.8
23.7	(4.8)	18.9	Strengthening Communities	26.5	(6.3)	20.2
<b>84.7</b>	<b>(43.6)</b>	<b>41.1</b>	<b>COST OF SERVICES</b>	<b>82.3</b>	<b>(42.9)</b>	<b>39.4</b>
			<b>Other Operating Income and Expenditure</b>			
			1.5 Payment of Precepts (collected on behalf of Parish Councils)			1.6
			0.1 Other Operating Income and Expenditure			0.0
			<b>Financing and Investment Income and Expenditure</b>			
			(65.2) Net (Gain)/Loss on Investment Property (Note 3)			26.2
			(1.9) Interest and Investment Income (Note 7)			(4.6)
			0.5 Unrealised (Gain)/Loss on Pooled Investment Funds (Note 7)			4.2
			2.2 Net Interest on the Pension Liability (Note 14)			2.0
			<b>Taxation and Non-Specific Grant Income and Expenditure</b>			
			(10.5) Council Tax Income (including parish precepts)			(10.9)
			(4.4) Net Business Rates Income and Expenditure (Note 12)			(4.2)
			(5.6) Other Non-Ring-fenced Government Grants Income (Note 13)			(4.6)
			(5.0) Capital Grants and Contributions Income (Note 13)			(7.1)
			<b>(47.2) DEFICIT/(SURPLUS) ON PROVISION OF SERVICES</b>			<b>42.0</b>
			<b>Other Comprehensive Income and Expenditure</b>			
			(2.9) (Gain)/Loss on Revaluation of Non Current Assets (Note 2)			(9.7)
			(37.8) Re-measurement of Pension Liability (Note 14)			(64.2)
			<b>(87.9) TOTAL COMPREHENSIVE (INCOME) / EXPENDITURE</b>			<b>(31.9)</b>

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 2022/23. The prior year comparators for Note 1 - Expenditure and Funding Analysis have also been restated to reflect this change.

## AS AT 31 MARCH 2023

31 March 2022 £M		31 March 2023 £M	Notes
84.0	Property, Plant and Equipment	93.5	2
372.8	Investment Property	340.3	3
85.4	Long-Term Investments	66.3	7
11.4	Other Long-Term Assets	13.3	4
<b>553.6</b>	<b>LONG-TERM ASSETS</b>	<b>513.4</b>	
20.5	Short-Term Investments	25.6	7
13.3	Short-Term Debtors	13.4	8
39.5	Cash and Cash Equivalents	36.9	9
<b>73.3</b>	<b>CURRENT ASSETS</b>	<b>75.9</b>	
(46.7)	Short-Term Creditors	(35.2)	10
(2.3)	Provisions	(2.1)	11
<b>(49.0)</b>	<b>CURRENT LIABILITIES</b>	<b>(37.3)</b>	
(10.4)	Grants & Contributions Receipts In Advance	(10.3)	13
(77.4)	Pension Scheme Liability	(19.8)	14
(4.6)	Deferred Lease Income	(4.6)	3
<b>(92.4)</b>	<b>LONG-TERM LIABILITIES</b>	<b>(34.7)</b>	
<b>485.5</b>	<b>NET ASSETS</b>	<b>517.3</b>	
(93.3)	Usable Reserves	(87.8)	15
(392.2)	Unusable Reserves	(429.5)	16
<b>(485.5)</b>	<b>TOTAL RESERVES</b>	<b>(517.3)</b>	

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 2023**

2021/22	Balance as at 31/03/21 £M	Movements		Total Movement in 2021/22 £M	Balance as at 31/03/22 £M
		Total Comprehensive Income and Expenditure Statement £M	Adjustment between accounting basis and funding basis under regulations £M		
<b>Usable Reserves</b>					
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)
<b>Total Usable Reserves</b>	<b>(101.0)</b>	<b>(47.2)</b>	<b>54.9</b>	<b>7.7</b>	<b>(93.3)</b>
<b>Unusable Reserves</b>					
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
<b>Total Unusable Reserves</b>	<b>(296.5)</b>	<b>(40.8)</b>	<b>(54.9)</b>	<b>(95.7)</b>	<b>(392.2)</b>
<b>Total Reserves</b>	<b>(397.5)</b>	<b>(88.0)</b>	<b>0.0</b>	<b>(88.0)</b>	<b>(485.5)</b>

2022/23	Balance as at 31/03/22 £M	Movements		Total Movement in 2022/23 £M	Balance as at 31/03/23 £M
		Total Comprehensive Income and Expenditure Statement £M	Adjustment between accounting basis and funding basis under regulations £M		
<b>Usable Reserves</b>					
General Fund Balance (incl. earmarked reserves)	(46.8)	42.0	(39.8)	2.2	(44.6)
Capital Receipts Reserve	(41.6)	0.0	9.0	9.0	(32.6)
Capital Grants and Contributions	(4.9)	0.0	(5.7)	(5.7)	(10.6)
<b>Total Usable Reserves</b>	<b>(93.3)</b>	<b>42.0</b>	<b>(36.5)</b>	<b>5.5</b>	<b>(87.8)</b>
<b>Unusable Reserves</b>					
Pension Scheme Reserve	77.4	(64.1)	6.5	(57.6)	19.8
Asset Revaluation Reserve	(28.3)	(9.7)	0.9	(8.8)	(37.1)
Capital Adjustment Account	(445.1)	0.0	31.4	31.4	(413.7)
Other Statutory Adjustment Accounts	3.8	0.0	(2.3)	(2.3)	1.5
<b>Total Unusable Reserves</b>	<b>(392.2)</b>	<b>(73.8)</b>	<b>36.5</b>	<b>(37.3)</b>	<b>(429.5)</b>
<b>Total Reserves</b>	<b>(485.5)</b>	<b>(31.8)</b>	<b>0.0</b>	<b>(31.8)</b>	<b>(517.3)</b>

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 2023

2021/22 £M	OPERATING ACTIVITIES	2022/23 £M
<b>(47.2)</b>	<b>(Surplus)/Deficit on the Provision of Services</b>	<b>42.0</b>
<b>Adjustments for Non-Cash Movements:</b>		
(7.4)	Pension Fund adjustments	(6.5)
(3.5)	Depreciation and amortisation of long-term assets	(3.9)
(1.5)	Revaluation of property, plant and equipment	0.4
51.6	Revaluation of investment property	(42.0)
0.0	Write out of long-term assets on disposal	(2.4)
(0.5)	Revaluation of Pooled Investment Funds	(4.2)
1.4	Other Non-Cash Movements	(0.2)
<b>Adjustments for Items included in Investing Activities:</b>		
0.9	Proceeds from disposal of long-term assets	5.0
<b>Adjustments for Items on an Accruals Basis:</b>		
(3.2)	Increase/(decrease) in operating activity debtors	0.7
(7.9)	(Increase)/decrease in operating activity creditors	11.6
0.7	(Increase)/decrease in provisions	0.2
<b>(16.6)</b>	<b>Net Cash Out Flow/(In Flow) from Operating Activities</b>	<b>0.7</b>
<b>INVESTING ACTIVITIES</b>		
15.2	Payments for additions and subsequent expenditure on long-term assets	15.7
320.9	Payments for purchase of investments	223.8
(5.5)	Proceeds from disposal of long-term assets	(5.0)
(295.8)	Proceeds from disposal of investments	(234.1)
<b>34.8</b>	<b>Net Cash Out Flow/(In Flow) from Investing Activities</b>	<b>0.4</b>
<b>FINANCING ACTIVITIES</b>		
(8.8)	Net (inflow)/outflow for business rates payable to government and preceptors	2.5
(2.6)	Net (inflow)/outflow for council tax payable to preceptors	(1.0)
2.2	Loans Repaid (External Borrowing)	0.0
<b>(9.2)</b>	<b>Net Cash (In Flow)/Out Flow from Financing Activities</b>	<b>1.5</b>
<b>9.0</b>	<b>NET DECREASE/(INCREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>2.6</b>

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).

## 1. EXPENDITURE AND FUNDING ANALYSIS

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 2022/23 is as follows:

	Adjustments between funding and accounting basis					
	Net charge to General Fund 2022/23 £M	Pension Adjustments 2022/23 £M	Capital Accounting 2022/23 £M	Support Service Recharges 2022/23 £M	Other Statutory Adjustments 2022/23 £M	Net charge to CIES 2022/23 £M
<b>Service Costs by Council Plan Priority</b>						
Fit for the Future	1.6	(0.4)	0.0	5.3	0.0	6.5
Improving Safety	0.0	0.0	0.0	4.1	0.0	4.1
Planning for the Future	(1.0)	0.0	(1.0)	6.8	0.0	4.8
Protecting and Enhancing our Environment	1.2	0.0	(0.4)	3.0	0.0	3.8
Strengthening Communities	4.3	0.0	4.6	11.3	0.0	20.2
<b>Priority Total</b>	<b>6.1</b>	<b>(0.4)</b>	<b>3.2</b>	<b>30.5</b>	<b>0.0</b>	<b>39.4</b>
Business Units	28.7	4.9	0.4	(34.0)	0.0	0.0
Agency and Holding Accounts	(0.7)	0.0	1.0	(0.3)	0.0	0.0
<b>Cost of Services</b>	<b>34.1</b>	<b>4.5</b>	<b>4.6</b>	<b>(3.8)</b>	<b>0.0</b>	<b>39.4</b>
<b>Corporate Items</b>						
Payments to Parishes	0.0	0.0	0.0	0.0	1.6	1.6
Investment Property	(16.9)	0.0	39.3	3.8	0.0	26.2
Interest and Investment Income	(4.6)	0.0	0.0	0.0	0.0	(4.6)
Pooled Investment Funds	0.0	0.0	0.0	0.0	4.2	4.2
Pension Interest Costs	0.0	2.0	0.0	0.0	0.0	2.0
Council Tax Income	(9.3)	0.0	0.0	0.0	(1.6)	(10.9)
Net Business Rates Income	2.0	0.0	0.0	0.0	(6.2)	(4.2)
Non-Specific Grants	(4.6)	0.0	0.0	0.0	0.0	(4.6)
Other Corporate Items	1.5	0.0	(8.6)	0.0	0.0	(7.1)
<b>(Surplus)/Deficit on Provision of Services</b>	<b>2.2</b>	<b>6.5</b>	<b>35.3</b>	<b>0.0</b>	<b>(2.0)</b>	<b>42.0</b>

<b>Opening General Fund Balance</b>	<b>(46.8)</b>
(Surplus)/Deficit on Provision of Services - Statutory Adjustment Business Rates	6.2
(Surplus)/Deficit on Provision of Services - Approved Reserve Transfers	(4.0)
<b>Closing General Fund Balance</b>	<b>(44.6)</b>

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.

1. EXPENDITURE AND FUNDING ANALYSIS (continued)

The comparable figures for 2021/22 were:

	Adjustments between funding and accounting basis					
	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	Net charge to CIES 2021/22 £M
<b>Service Costs by Priority</b>						
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
<b>Priority Total</b>	<b>6.5</b>	<b>(0.3)</b>	<b>6.0</b>	<b>28.9</b>	<b>0.0</b>	<b>41.1</b>
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
<b>Cost of Services</b>	<b>32.2</b>	<b>5.2</b>	<b>7.7</b>	<b>(4.0)</b>	<b>0.0</b>	<b>41.1</b>
<b>Corporate Items</b>						
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)
<b>(Surplus)/Deficit on Provision of Services</b>	<b>6.9</b>	<b>7.4</b>	<b>(54.8)</b>	<b>0.0</b>	<b>(6.7)</b>	<b>(47.2)</b>

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

**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.

**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 Adjustment** 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.

1. EXPENDITURE AND FUNDING ANALYSIS (continued)

Explanation of adjustments between funding and accounting basis (continued)

<b>Other Statutory Adjustments</b>	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.
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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 2021/22 £M	Statutory Adjustment 2021/22 £M	CIES 2021/22 £M		General Fund 2022/23 £M	Statutory Adjustment 2022/23 £M	CIES 2022/23 £M
<b>Expenditure</b>						
29.0	0.0	29.0	Housing Benefit Payments	27.9	0.0	27.9
28.0	0.0	28.0	Business Rates Expenditure	27.4	0.0	27.4
26.9	5.1	32.0	Employees	29.0	6.5	35.5
4.7	0.0	4.7	Premises	4.9	0.0	4.9
0.0	0.0	0.0	Property Revaluation Losses	0.0	39.4	39.4
14.8	0.0	14.8	Supplies and Services	22.6	0.0	22.6
0.0	8.8	8.8	Capital Charges	0.0	7.2	7.2
0.0	0.0	0.0	Property Revaluation Losses	0.0	0.0	0.0
0.0	0.5	0.5	Investment Revaluation Losses	0.0	4.2	4.2
12.8	(1.3)	11.5	Other Running Costs	10.0	0.0	10.0
<b>116.2</b>	<b>13.1</b>	<b>129.3</b>		<b>121.8</b>	<b>57.3</b>	<b>179.1</b>
<b>Income</b>						
(29.4)	0.0	(29.4)	Housing Benefit Subsidy	(28.2)	0.0	(28.2)
(25.5)	(6.9)	(32.4)	Income from Business Rates	(25.4)	(6.5)	(31.9)
(18.0)	0.0	(18.0)	Property Rents	(18.4)	0.0	(18.4)
0.0	(52.5)	(52.5)	Property Revaluation Gains	0.0	0.0	0.0
(5.6)	0.0	(5.6)	General Government Grants	(4.6)	0.0	(4.6)
(8.7)	(1.8)	(10.5)	Income from Council Tax	(9.3)	(1.6)	(10.9)
0.0	0.0	0.0	Investment Revaluation Gains	0.0	0.0	0.0
(1.9)	0.0	(1.9)	Interest Income	(4.6)	0.0	(4.6)
(6.8)	0.0	(6.8)	Fees and Charges	(7.0)	0.0	(7.0)
(13.4)	(6.0)	(19.4)	Other Income	(22.1)	(9.4)	(31.5)
<b>(109.3)</b>	<b>(67.2)</b>	<b>(176.5)</b>		<b>(119.6)</b>	<b>(17.5)</b>	<b>(137.1)</b>
<b>6.9</b>	<b>(54.1)</b>	<b>(47.2)</b>	<b>(Surplus)/Deficit on Services</b>	<b>2.2</b>	<b>39.8</b>	<b>42.0</b>

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
<b>Net Book Value at 31 March 2021</b>	<b>67.9</b>	<b>4.1</b>	<b>8.9</b>	<b>80.9</b>
<b>Cost or Valuation</b>				
As at 31 March 2021	68.1	8.0	8.9	85.0
<b>Movements in 2021/22</b>				
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
<b>As at 31 March 2022</b>	<b>69.9</b>	<b>9.5</b>	<b>9.1</b>	<b>88.5</b>
<b>Accumulated Depreciation</b>				
As at 31 March 2021	(0.2)	(3.9)	0.0	(4.1)
<b>Movements in 2021/22</b>				
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
<b>As at 31 March 2022</b>	<b>0.0</b>	<b>(4.5)</b>	<b>0.0</b>	<b>(4.5)</b>
<b>Net Book Value at 31 March 2022</b>	<b>69.9</b>	<b>5.0</b>	<b>9.1</b>	<b>84.0</b>
<b>Cost or Valuation</b>				
As at 31 March 2022	69.9	9.5	9.1	88.5
<b>Movements in 2022/23</b>				
Additions	3.6	1.0	0.4	5.0
Disposals/Derecognitions	(1.0)	(0.6)	0.0	(1.6)
Reclassifications	(1.8)	0.0	0.0	(1.8)
Revaluations (charged to services)	0.4	0.0	0.0	0.4
Revaluations (to Revaluation Reserve)	7.4	0.0	0.0	7.4
<b>As at 31 March 2023</b>	<b>78.5</b>	<b>9.9</b>	<b>9.5</b>	<b>97.9</b>
<b>Accumulated Depreciation</b>				
As at 31 March 2022	0.0	(4.5)	0.0	(4.5)
<b>Movements in 2022/23</b>				
Depreciation	(2.5)	(1.1)	0.0	(3.6)
Disposals/Derecognitions	0.9	0.6	0.0	1.5
Depreciation written out (to Revaluation Reserve)	2.2	0.0	0.0	2.2
<b>As at 31 March 2023</b>	<b>0.6</b>	<b>(5.0)</b>	<b>0.0</b>	<b>(4.4)</b>
<b>Net Book Value at 31 March 2023</b>	<b>79.1</b>	<b>4.9</b>	<b>9.5</b>	<b>93.5</b>

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.

<b>Buildings</b>	from 10 to 100 years
<b>Vehicles, Plant and Equipment</b>	from 3 to 10 years

**Revaluations and Impairments**

Most of the council's PPE land and building assets have been revalued by Colliers International Property Consultants Limited during 2022/23.

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 cost of living crisis and ongoing 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 Depre- ciated Cost £M	Revalued During 2018/19 £M	Revalued During 2020/21 £M	Revalued During 2021/22 £M	Revalued During 2022/23 £M	Total PPE Assets £M
Land and Buildings	0.0	0.0	0.1	2.4	6.4	70.2	79.1
Vehicles, Plant and Equipment	0.0	4.9	0.0	0.0	0.0	0.0	4.9
Community Assets	9.5	0.0	0.0	0.0	0.0	0.0	9.5
<b>Total Property, Plant and Equipment Assets</b>	<b>9.5</b>	<b>4.9</b>	<b>0.1</b>	<b>2.4</b>	<b>6.4</b>	<b>70.2</b>	<b>93.5</b>

**Revaluations of Significant Land and Buildings Assets**

During 2022/23 there were revaluations on significant operational land and buildings as follows:

31-Mar-22 Carrying Value £M	Asset	2022/23 Additions/Di sposals/Recl assif- ications £M	2022/23 Depre- ciation Adjust-ment £M	2022/23 Revaluation Change - Revaluation Reserve £M	2022/23 Revaluation Change - To Services £M	31-Mar-23 Carrying Value £M
17.1	The Anvil	0.0	0.0	3.3	0.0	20.4
17.7	The Aquadrome	2.2	0.0	2.3	0.0	22.2
3.7	Tadley Swimming Pool	0.0	0.0	1.5	0.0	5.2
2.1	Haymarket Theatre	0.0	0.0	(0.2)	0.4	2.3
4.6	Civic Offices	(2.1)	0.3	(0.1)	0.0	2.7
5.7	Public Car Parks	0.1	0.0	0.2	(0.2)	5.8
8.9	Sports Pavilions and Pitches	(0.1)	0.6	0.3	0.0	9.7
10.1	Other PPE Land and Buildings	0.7	(0.3)	0.1	0.2	10.8
<b>69.9</b>	<b>Total Land and Buildings</b>	<b>0.8</b>	<b>0.6</b>	<b>7.4</b>	<b>0.4</b>	<b>79.1</b>

### 3. INVESTMENT PROPERTY

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

2021/22 £M		2022/23 £M
316.6	<b>Balance at the Start of the Year</b>	372.8
	<b>Movements in Year</b>	
4.6	Additions	9.2
0.2	Subsequent Expenditure	0.8
0.0	Disposals - Carrying Value Written Out	(2.3)
(0.2)	Reclassifications - (to)/from Property, Plant & Equipment	1.8
51.6	Net Gain/(Loss) on Revaluations	(42.0)
372.8	<b>Balance at the End of the Year</b>	340.3

#### Investment Property Revaluations - Fair Value

All Investment Property valuations have been updated in 2022/23 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 asset 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 2022/23 there were some significant revaluations on investment property as follows:

31-Mar-22 Carrying Value £M	Asset	2022/23 Additions / Disposals / Reclass- ification £M	2022/23 Revaluation Change £M	31-Mar-23 Carrying Value £M
82.7	Daneshill Industrial Estate	0.0	(9.3)	73.4
58.3	Houndmills Industrial Estate	0.0	(8.6)	49.7
54.7	Viabes	0.0	(8.7)	46.0
53.0	Basing View	(2.3)	(6.0)	44.7
4.0	Winchester Road	0.0	0.0	4.0
7.9	Lister Road	0.0	(1.5)	6.4
0.0	Property Investment Strategy Acquisitions	9.3	(1.5)	7.8
36.8	Land at Manydown*	0.0	0.9	37.7
11.5	The Malls	0.3	0.2	12.0
11.7	Festival Place	0.0	(3.2)	8.5
4.9	West Ham Leisure Park	0.0	(0.6)	4.3
4.6	St Andrews Medical Centre	0.0	(0.4)	4.2
42.7	Other Investment Property	2.2	(3.3)	41.6
372.8	<b>Total Investment Property</b>	9.5	(42.0)	340.3

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

Property values may change significantly over a relatively short period. The main causes of the significant revaluation decrease (£42M) are mainly due to the decline in demand for industrial property and land due to high development costs which, in turn, has led to a rapid decrease in land values in the last year.

The town centre Premier Inn Hotel was also acquired under the Property Investment Strategy approved in February 2022. The carrying values as at 31 March 2022 have been updated to include acquisitions made under the council's previous property investment strategy within their legacy sites.

The council's 50% share of the Land at Manydown has increased by £0.9M, which reflects that the northern part of Manydown is now allocated as a significant housing site having received outline planning permission in July 2021.

### 3. INVESTMENT PROPERTY (continued)

#### Investment Property held under leases

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

#### 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 loss of £26.2M in 2022/23 (net gain of £65.2M in 2021/22) is shown in the Comprehensive Income and Expenditure Statement.

A breakdown of the expenditure and income is shown below:

2021/22 £M		2022/23 £M
(51.6)	Net (Gain)/Loss on Revaluation of Investment Property	42.0
(0.9)	Net (Gain)/Loss on Disposals of Investment Property	(2.7)
(19.1)	Income from Investment Property (rents and service charges)	(20.1)
4.3	Maintenance and Running Costs of Investment Property	5.1
2.6	Costs Relating to Strategic Site Development	2.2
(0.5)	Income from Strategic Site Development	(0.3)
<b>(65.2)</b>	<b>Net (Gain)/Loss on Investment Property</b>	<b>26.2</b>

The three strategic development sites—Manydown, Basing View, and the Leisure Park have been separated from investment property income and maintenance costs.

### 4. OTHER LONG-TERM ASSETS

Other long-term assets consist of:

2021/22 £M		2022/23 £M
2.3	Loans to Housing Associations (part of Existing Satisfactory Purchases Scheme)	2.3
2.8	Loan to SERCO Ltd. (waste collection contract)	2.2
0.4	Loan to Manydown Garden Communities LLP	0.5
2.3	Loan to Manydown Development LLP	3.4
1.5	Intangible Assets	1.8
1.2	Heritage Assets	1.2
0.9	Other Long-Term Assets	1.9
<b>11.4</b>	<b>Other Long-Term Assets</b>	<b>13.3</b>

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.

## 5. STATUTORY CAPITAL EXPENDITURE AND FINANCING

Total capital expenditure for 2022/23 amounted to £20.1M (£11.4M in 2021/22). Movements in the Capital Financing Requirement (the council's need to borrow to finance capital expenditure) are shown below:

2021/22 £M		2022/23 £M
2.2	<b>Opening Capital Financing Requirement</b>	<b>0.0</b>
	<b>Statutory Capital Expenditure</b>	
5.1	Property Plant and Equipment Assets	5.0
0.2	Investment Property Assets	10.0
2.2	Other Long-Term Assets	1.4
3.9	Revenue Expenditure Funded from Capital Under Statute	3.7
<b>11.4</b>	<b>Total Capital Expenditure</b>	<b>20.1</b>
	<b>Source of Finance</b>	
(5.4)	Capital Receipts Reserve	(14.7)
(0.8)	Capital Grants and Contributions	(0.8)
(7.4)	Direct Revenue Financing from the General Fund	(4.6)
<b>0.0</b>	<b>Closing Capital Financing Requirement</b>	<b>0.0</b>

## 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:

2021/22 £M		2022/23 £M
15.0	Due within one year	15.6
55.2	Due later than one year and not later than five years	55.9
807.8	Due after five years	825.5
<b>878.0</b>	<b>Total Future Minimum Lease Rentals Receivable</b>	<b>897.0</b>

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 2022/23 the contingent rents receivable by the council for the year were £4.5M (£4.7M in 2021/22).

## 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.

**7. FINANCIAL INSTRUMENTS (INCLUDING INVESTMENTS) (continued)**

**Financial Instruments Classifications**

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

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

- Supranational Bonds (£9.8M as at 31 March 2023)
- Cash Deposits (£5.0M as at 31 March 2023)
- 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:

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

The council's financial liabilities consist 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 2023 the council had the following balances on investments:

Long-Term 31-Mar-22 £M	Short-Term 31-Mar-22 £M	Investment Total 31-Mar-22 £M		Long-Term 31-Mar-23 £M	Short-Term 31-Mar-23 £M	Investment Total 31-Mar-23 £M
5.0	20.1	25.1	<b>Carrying Value</b>			
			Amortised Cost	4.8	10.0	14.8
80.4	0.0	80.4	Fair Value Through Profit and Loss	61.5	14.7	76.2
0.0	0.4	0.4	Accrued Interest	0.0	0.9	0.9
<b>85.4</b>	<b>20.5</b>	<b>105.9</b>	<b>Total Carrying Value</b>	<b>66.3</b>	<b>25.6</b>	<b>91.9</b>

**Financial Instruments - Borrowing Balances**

As at the 31 March 2023 the council had the following balances on borrowings:

Long-Term 31-Mar-22 £M	Short-Term 31-Mar-22 £M	Investment Total 31-Mar-22 £M		Long-Term 31-Mar-23 £M	Short-Term 31-Mar-23 £M	Investment Total 31-Mar-23 £M
0.0	0.1	0.1	<b>Carrying Value</b>			
			Amortised Cost	0.0	0.1	0.1
<b>0.0</b>	<b>0.1</b>	<b>0.1</b>	<b>Total Carrying Value</b>	<b>0.0</b>	<b>0.1</b>	<b>0.1</b>

**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 £8.8M of property fund investments held at 31/03/23 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.

## 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 2021/22 £M	Fair Value Through Profit or Loss 2021/22 £M	Total Financial Instruments 2021/22 £M		Amortised Cost 2022/23 £M	Fair Value Through Profit or Loss 2022/23 £M	Total Financial Instruments 2022/23 £M
			<b>Within Deficit/(Surplus) on Provision of Services</b>			
(0.2)	(1.7)	(1.9)	Interest and Investment Income	(0.5)	(4.1)	(4.6)
0.0	0.5	0.5	Net (Gain)/Loss on Revaluation of Investments	0.0	4.2	4.2
<b>(0.2)</b>	<b>(1.2)</b>	<b>(1.4)</b>	<b>Total Income, Expense, Gains and Losses</b>	<b>(0.5)</b>	<b>0.1</b>	<b>(0.4)</b>

**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 2022/23 the council received £3.8M (£2.0M in 2021/22).

**Financial Instruments - Nature and Extent of Risk**

The council's treasury management activities expose it to a variety of financial risks. Whilst the council does not carry external borrowing (thus removing some risk elements), its investments remain exposed to a range of financial risks. These include:

<b>credit risk</b>	the possibility that other parties might fail to pay amounts due to the council
<b>liquidity risk</b>	the possibility that the council might not have funds available to meet its commitments
<b>market risk</b>	the possibility that losses may arise due to changes in interest rates and market prices

The council's risk management on financial instruments (substantially comprising 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 reviewed and approved annually by the council and set out in the Treasury Management Strategy. The council has a policy for risk management, has adopted the Chartered Institute of Public Finance and Accountancy (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.

**7. FINANCIAL INSTRUMENTS (INCLUDING INVESTMENTS) (continued)****Credit Risk - Investments**

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

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

The 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, or for Money Market Funds where any losses would be included in the published list price. An assessment as at 31 March 2023 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 invested in each type of monetary instrument at both the beginning and end of the financial year.

Indicative Credit Rating 31-Mar-22	% of Portfolio 31-Mar-22	Investment Instrument	Indicative Credit Rating 31-Mar-23	% of Portfolio 31-Mar-23	% point Change
AA-	3%	Government Bonds (Gilts)	AA-	0%	-3%
AAA	7%	Supranational Bonds	AAA	8%	1%
BBB	48%	Bond Funds	BBB	54%	6%
A	7%	Local Authority Deposits	A	0%	-7%
A+	2%	Bank Deposits	AA-	4%	2%
AAAm	26%	Money Market Funds	AAAm	26%	0%
N/A	7%	Property Funds	N/A	8%	1%

The average credit rating for the investment portfolio as a whole as at 31 March 2023 is A+ (A+ as at 31 March 2022), 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 neither has 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 2023 the council had £106.0M of cash and investments that could be realised within a 3-month period (£121.0M as at 31 March 2022).

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

## 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 2023 (£2.6M as at 31 March 2022) to accommodate any adverse changes in the year.

The council also has a significant proportion (54% as at 31 March 2023, 48% as at 31 March 2022) of its investments in long-term externally managed bond funds. Three of the five funds used by the council were chosen particularly for their low sensitivity to interest rate changes.

As with Credit Risk, identified above, the external fund managers protect the council from 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 £1.1M of increased or decreased interest income in 2022/23 (£1.2M in 2021/22).

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). As at 31 March 2023 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:

2021/22 £M		2022/23 £M
1.9	Central Government	1.4
4.3	Other Local Authorities	2.4
7.1	Other Entities and Individuals (includes Property Rents and Housing Benefits Overpayments)	9.6
<b>13.3</b>	<b>Total Short-Term Debtors</b>	<b>13.4</b>

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 £4.0M as at 31 March 2023 (£4.2M as at 31 March 2022) consisting mainly of an allowance for Housing Benefits overpayments of £1.9M (£2.1M as at 31 March 2022) and other allowances of £2.1M (£2.1M as at 31st March 2022).

## 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-22 £M		31-Mar-23 £M
0.1	Cash In Hand	0.0
1.4	Bank Current Account	3.3
38.0	Money Market Funds (Investments)	33.6
<b>39.5</b>	<b>Total Cash and Cash Equivalents</b>	<b>36.9</b>

The movement in cash and cash equivalents during 2022/23 was a decrease of £2.6M (£9.0M decrease in 2021/22). 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-22 £M		31-Mar-23 £M
(16.1)	Central Government (includes net business rates)	(14.1)
(6.9)	Central Government - Covid-19 Grants (receipts in advance)	0.0
(8.4)	Central Government - Energy Rebate Grants (receipts in advance)	(0.8)
(4.2)	Other Local Authorities (includes council tax and business rates payable to precepting authorities)	(6.9)
(11.1)	Other Entities and Individuals (includes contractors deposits, capital works and receipts in advance)	(13.4)
<b>(46.7)</b>	<b>Total Short-Term Creditors</b>	<b>(35.2)</b>

Overall there is a net decrease in short-term creditors of £11.5M between the Balance Sheet dates of 31 March 2022 and 31 March 2023. Central Government creditors have decreased in aggregate by £16.5M, mainly being due to the following reasons:

- Business rates taxpayer receipts due to central government at the Balance Sheet dates reduced by £2.0M;
- There were no Covid-19 additional relief fund (CARF) grants due to be repaid in 2022/23 reducing the balance by £6.9M; and
- Energy Rebate grant income of £8.4M was held as a receipt in advance in 2021/22 before being distributed in 2022/23, resulting in a £7.6M reduction in the remaining balance held.

The net increase in year-end creditors in respect of Local Authorities is in the main due to £2.4M increase in the Council Tax and Business Rates balance due to precepting local authorities.

Creditors relating to other entities and individuals has decreased due to receipts in advance increasing by £1.0M compared to the prior year.

**11. PROVISIONS**

Total provisions of £2.1M (£2.3M in 2021/22) 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 £1.9M (£1.1M in 2021/22) of charges to the provision and a £1.7M increase in the provision (£0.4M increase in 2021/22).

**12. NET BUSINESS RATES INCOME AND EXPENDITURE**

The government funding arrangements allow the council to retain a proportion of the total £70.1M of business rates receivable income in 2022/23 (£64.0M in 2021/22).

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

2021/22 £M		2022/23 £M
	<b>Business Rates Income and Expenditure</b>	
(24.5)	Business Rate Income	(27.7)
(0.7)	Net Change in Provision Made for Business Rates Appeals	(0.2)
(0.1)	Change in Allowances for Doubtful Debt	0.1
<b>(25.3)</b>	<b>Business Rates Income and Expenditure</b>	<b>(27.8)</b>
	<b>Business Rates Grant Income and Expenditure</b>	
(7.1)	Business Rate Relief Grants from Government	(3.8)
27.4	Tariff Payment to Government	27.4
0.6	Levy to / (Safety net from) Government	0.0
<b>20.9</b>	<b>Business Rates Grant Income and Expenditure</b>	<b>23.6</b>
<b>(4.4)</b>	<b>Total Retained Business Rates</b>	<b>(4.2)</b>

## 13. GRANTS AND CONTRIBUTIONS INCOME / RECEIPTS IN ADVANCE

**Government Grants**

The council credited £38.0M in 2022/23 (£48.0M in 2021/22) in government grants to the Comprehensive Income and Expenditure Statement during the year.

A summary of the total government grants income is shown below followed by an analysis of the Other Non-Ringfenced Grants income for the year.

2021/22 £M	Included in Cost of Services Specific Grants	2022/23 £M
(32.0)	Housing Benefit and Discretionary Housing Payments	(29.3)
0.0	Other grants	(0.3)
(3.3)	Covid-19 grants	0.0
<b>(35.3)</b>	<b>Total Included in Cost of Services</b>	<b>(29.6)</b>
<b>(7.1)</b>	<b>Business Rates Grant Income (included in Note 12)</b>	<b>(3.8)</b>
<b>Included in Taxation and Non-Specific Grant Income</b>		
(5.6)	Other Non-Ringfenced Grants	(4.6)
<b>(5.6)</b>	<b>Total Included in Taxation and Non-Specific Grant Income</b>	<b>(4.6)</b>
<b>(48.0)</b>	<b>Total Government Grants</b>	<b>(38.0)</b>

2021/22 £M	Other Non-Ringfenced Government Grants (included in Taxation and Non-Specific Grant Income)	2022/23 £M
(2.6)	New Homes Bonus Grant	(2.7)
(0.4)	Housing Benefit Administration Grant	(0.4)
(0.3)	Garden Towns / Community Capacity Funding	(0.4)
(0.1)	Cyber Support Grant	0.0
(0.1)	Local Council Tax Support Administration Grant	(0.1)
0.0	Council Tax Rebates new burdens	(0.2)
(0.1)	Lower Tier Services Grant	(0.1)
0.0	Additional Services Grant	(0.2)
(1.7)	Covid-19 Grants	0.0
(0.3)	Other Non-Ringfenced Grants (including new burdens)	(0.5)
<b>(5.6)</b>	<b>Total Non-Ringfenced Government Grants</b>	<b>(4.6)</b>

**Capital Grants and Contributions**

The council credited £7.1M in 2022/23 (£5.0M in 2021/22) in capital grants and contributions to the Comprehensive Income and Expenditure Statement during the year. Details of these credits are shown below:

2021/22 £M		2022/23 £M
(1.6)	Disabled Facilities Grant	(1.6)
(2.5)	Community Infrastructure Levy	(4.8)
(0.9)	Other Contributions	(0.7)
<b>(5.0)</b>	<b>Total Capital Grants and Contributions</b>	<b>(7.1)</b>

Of the £4.8M total community infrastructure levy income recognised during 2022/23 the amount received was £1.2M and the balance of £3.6M is held as a short-term debtor representing monies due to the council.

**13. GRANTS AND CONTRIBUTIONS INCOME / RECEIPTS IN ADVANCE (Continued)****Grants and Contributions Receipts in Advance**

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

2021/22 £M		2022/23 £M
(9.9)	<b>Balance at the Start of the Year</b>	(10.4)
	<b>Movements in Year</b>	
(2.0)	Amounts receivable (with conditions)	(2.6)
1.5	Amounts recognised as income	2.7
(10.4)	<b>Balance at the End of the Year</b>	(10.3)

**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. This is a defined benefit scheme 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 both the council and its employees pay contributions into a fund. Contributions are calculated at a level intended to balance the future Scheme's pension obligations with its pension assets, those assets mainly comprising of 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 Fund Panel and Board 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 and Board.

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.

## 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:

2021/22 £M	Included in Cost of Services	2022/23 £M
8.6	Current Service Costs	8.2
0.0	Past Service Costs	0.0
<b>Included in Financing and Investment Income and Expenditure</b>		
2.2	Net Interest on Pension Liability	2.0
<b>10.8</b>	<b>Sub Total Included in Provision of Services</b>	<b>10.2</b>
<b>Included in Re-measurement of the Pension Liability</b>		
(18.8)	Actuarial losses/(gains) - due to change in financial assumptions	(102.3)
(4.9)	- due to change in demographic assumptions	0.0
(1.5)	- due to liability experience	20.5
(12.6)	Return on assets in excess of that recognised in net interest	17.6
<b>(37.8)</b>	<b>Sub Total Included in Re-measurement of Liability</b>	<b>(64.2)</b>
<b>(27.0)</b>	<b>Total Included in Comprehensive Income and Expenditure</b>	<b>(54.0)</b>

The significant impact of the financial assumptions over the period resulted from the following components: The discount rate increased by 2.00%, the CPI inflation assumption reduced by 0.30% and the salary increase assumption reduced by 0.30%. This has resulted in a more positive balance sheet position than assumptions at March 2022.

2021/22 £M	Movement in Reserves Statement (General Fund)	2022/23 £M
(10.8)	Reversal of charges made for retirement benefits	(10.2)
3.4	Inclusion of employer's contributions payable (see below)	3.7
<b>(7.4)</b>	<b>Total Included in Movement in Reserves Statement</b>	<b>(6.5)</b>

The analysis of actual employers contributions payable is as follows:

2021/22 £M		2022/23 £M
3.0	Normal Funded Contributions	3.3
0.4	Discretionary / Unfunded Added Years Contributions	0.4
<b>3.4</b>	<b>Total Employer Contributions</b>	<b>3.7</b>

## Pension Scheme - Assets and Liabilities Recognised in the Balance Sheet

2021/22 £M		2022/23 £M
(283.4)	Present value of the pension obligation*	(211.5)
206.0	Fair value of pension fund assets	191.7
<b>(77.4)</b>	<b>Net Liability arising from Pension Obligation</b>	<b>(19.8)</b>

\*Includes a liability of £4.3M as at 31 March 2023 for discretionary and unfunded added years (£5.7M as at 31 March 2023).

As at the last valuation date, the split of the pension obligation by category of members was 29% active members, 52% pensioners and 19% deferred pensioners.

## 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:

2021/22 £M		2022/23 £M
<b>(301.2)</b>	<b>Opening pension obligation</b>	<b>(283.4)</b>
(8.6)	Current service cost	(8.2)
0.0	Past service cost	0.0
(6.2)	Interest on pension obligation	(7.6)
(1.2)	Contributions by scheme participants	(1.3)
	Actuarial gains/(losses):	
18.8	- due to changes in financial assumptions	102.3
4.9	- due to changes in demographic assumptions	0.0
1.5	- due to liability experience	(20.5)
8.6	Benefits paid	7.2
<b>(283.4)</b>	<b>Closing present value of pension obligation</b>	<b>(211.5)</b>

## 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:

2021/22 £M		2022/23 £M
<b>193.3</b>	<b>Opening fair value of assets</b>	<b>206.0</b>
4.0	Interest Income on assets*	5.5
12.6	Re-measurement gains/(losses) on assets*	(17.6)
3.5	Contributions by the employer	3.7
1.2	Contributions by scheme participants	1.3
(8.6)	Benefits paid	(7.2)
<b>206.0</b>	<b>Closing fair value of assets</b>	<b>191.7</b>

\*Actual Return on Scheme Assets

The actual return on scheme assets in the year was a loss of £12.1M (gain of £16.6M in 2021/22).

## Pension Scheme - Impact on the Council's Cash Flow

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

The Pension Fund's strategy is to achieve a fully funded scheme over the longer term. The latest annual review for 2022 identified that as at 31 March 2022 the scheme was 107.1% funded, compared to 98.9% at 31 March 2019. The main factor which has improved the funding position is the investment returns achieved by the Fund above the discount rate adopted at the 2019 valuation. Average investment returns were 9.1% p.a. which compared to an average discount rate of 4.3% p.a. The scheme will be reviewed again in 2025 when the funding level will be assessed again.

## 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 2022. Valuations for unfunded elements were assessed by the actuary at 31 March 2023.

**14. PENSION SCHEME LIABILITY (continued)**

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**

An allowance was made for McCloud in last year's results. No further adjustment has been made within year's results. No specific additional adjustment for McCloud has been added to the current service cost for 2022/23.

**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 2022/23, 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.

**Cost Management in the Local Government Pension Scheme (LGPS)**

Legislation requires HM Treasury and the Scheme Advisory Board (SAB) to undertake periodic valuations to monitor the cost of the LGPS to ensure it remains sustainable and affordable. Whilst both reviews in 2016 concluded that no changes to the provisions to the scheme were required, the legality of the Government's decision to include McCloud costs as a member cost within the 2016 HMT process is being challenged. If the Judicial Review is successful, this may cause the 2016 HMT process to be re-run and could result in changes in benefits or member contributions to be backdated to April 2019. No allowance has been made in the reporting period for the potential cost of improving members' benefits under these reviews.

14. PENSION SCHEME LIABILITY (continued)

**Pension Scheme - Assumptions**

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

31-Mar-22 Funded	31-Mar-22 Unfunded	General assumptions (per annum)	31-Mar-23 Funded	31-Mar-23 Unfunded
2.7%	2.7%	Rate for discounting scheme liabilities	4.7%	4.7%
4.0%	n/a	Rate of Increase in Salaries	3.7%	n/a
3.0%	3.0%	Rate of Increase to pensions in payment	2.7%	2.7%

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

31-Mar-22 Quoted	31-Mar-22 Unquoted	Assumed Split of Pension Fund Assets	31-Mar-23 Quoted	31-Mar-23 Unquoted
45.8%	11.1%	Equities	42.0%	15.6%
17.2%	0.0%	Government Bonds	16.5%	0.0%
0.9%	6.0%	Property	1.4%	5.4%
0.0%	0.0%	Corporate Bonds	0.0%	0.0%
0.9%	0.0%	Cash	1.1%	0.0%
14.6%	3.5%	Other Assets	0.0%	18.0%

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 changes in expected future mortality:

		Mortality Assumptions (measured in years)	
31-Mar-22		Future lifetime at 65 for current pensioners	31-Mar-23
23.2	Male		23.3
25.6	Female		25.7
		Future lifetime at 65 for future pensioners (currently 45)	
23.7	Male		23.8
26.6	Female		26.7

The assumption for the take up of commutation (converting pension to a lump sum) is based on 70% of the permitted maximum for 2022/23 (70% in 2021/22).

**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%	-£3.5M	-£0.2M
	-0.1%	£3.7M	£0.2M
Rate of Increase in Salaries	+0.1%	£0.2M	£0.0M
	-0.1%	-£0.2M	-£0.0M
Rate of Increase to pensions in payment and deferred pensions	+0.1%	£3.3M	£0.2M
	-0.1%	-£3.3M	-£0.2M
Mortality Assumptions	-1 year	£5.4M	£0.1M
	+1 year	-£5.4M	-£0.1M

## 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 2021/22 are shown below:

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

## 15. USABLE RESERVES (continued)

The balances and movements on usable reserves for 2022/23 are shown below:

Usable Reserves	General Fund Reserves £M	Capital Receipts Reserve £M	Capital Grants & Contributions Reserve £M	Total Usable Reserves £M
<b>Balance as at 31 March 2022</b>	<b>(46.8)</b>	<b>(41.6)</b>	<b>(4.9)</b>	<b>(93.3)</b>
(Surplus)/Deficit on provision of services	42.0	0.0	0.0	42.0
<b>Total comprehensive income and expenditure</b>	<b>42.0</b>	<b>0.0</b>	<b>0.0</b>	<b>42.0</b>
<b>Adjustments between accounting basis and funding basis under regulations:</b>				<b>0.0</b>
Depreciation and amortisation of long-term assets	(3.9)	0.0	0.0	(3.9)
Revaluation of property, plant and equipment	0.4	0.0	0.0	0.4
Revaluation of investment property	(42.0)	0.0	0.0	(42.0)
Investment property written out (disposals)	(2.3)	0.0	0.0	(2.3)
Property plant and equipment written out (disposals)	(0.1)	0.0	0.0	(0.1)
Proceeds from investment property disposals	5.0	(5.0)	0.0	0.0
Proceeds from property plant and equipment asset disposals	0.0	0.0	0.0	0.0
Revaluation of financial instruments	(4.2)	0.0	0.0	(4.2)
Revaluation of pooled fund investments	0.0	0.0	0.0	0.0
Revenue expenditure funded from capital under statute	(3.7)	0.0	0.0	(3.7)
Pension costs adjustment	(6.5)	0.0	0.0	(6.5)
Capital expenditure charged to the general fund (financing)	4.6	0.0	0.0	4.6
Capital repayments (loans/grants)	0.0	(0.7)	0.0	(0.7)
Capital grants and contributions unapplied	6.6	0.0	(6.6)	0.0
Capital grants and contributions applied (financing)	0.0	0.0	0.9	0.9
Capital receipts applied (financing)	0.0	14.7	0.0	14.7
Other statutory adjustments	6.3	0.0	0.0	6.3
<b>Total adjustments between accounting basis and funding basis under regulations</b>	<b>(39.8)</b>	<b>9.0</b>	<b>(5.7)</b>	<b>(36.5)</b>
<b>Net (increase)/decrease</b>	<b>2.2</b>	<b>9.0</b>	<b>(5.7)</b>	<b>5.5</b>
<b>Balance as at 31 March 2023</b>	<b>(44.6)</b>	<b>(32.6)</b>	<b>(10.6)</b>	<b>(87.8)</b>

**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 in treasury-related investments in order to earn interest income to support the annual revenue budget rather than to make them available to spend.

The estimated amount of usable reserves that are available to spend is £55.5M as at 31 March 2023 (£56.6M as at 31 March 2022).

In addition to these available funds the council also has £10.3M as at 31 March 2023 (£10.4M as at 31 March 2022) of developers' contributions (shown as long-term liabilities) that are also available, resulting in £65.9M of resources that are available to fund current and future spending plans as at 31 March 2023 (£67.0M as at 31 March 2022).

The MTFS period 2023/24 to 2026/27 already includes a planned capital programme spend of £117.4M which will be largely funded from the council's usable reserves and forecast new capital receipts, grants and contributions.

15. USABLE RESERVES (continued)

Usable Reserves	Descriptions and Purpose
<b>Capital Receipts Reserve</b>	This represents the accumulated capital receipts (proceeds from the disposal of long-term assets) that are available to finance any future capital expenditure.
<b>Capital Grants and Contributions Reserve</b>	This represents the accumulated capital grants and contributions that are available to finance any future capital expenditure.
<b>General Fund Reserves</b>	General Fund reserves consist of Earmarked Revenue Reserves and a General Fund Balance Reserve.
<b>Earmarked Revenue Reserves</b>	These are reserves that are earmarked to fund specific items in the future. There are four types of earmarked revenue reserves: <ul style="list-style-type: none"> <li>- those set aside to fund future capital expenditure</li> <li>- risk reserves</li> <li>- those set aside to fund specific future revenue expenditure; and</li> <li>- "perpetuity" reserves, which are required to support specific future revenue expenditure obligations and which are invested to earn interest to preserve their balances.</li> </ul>
<b>General Fund Balance Reserve</b>	This represents the council's working balance and is effectively a contingency balance that is available for unforeseen events.

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

From/(To) Reserves 2021/22 £M	Balance 31-Mar-22 £M		From/(To) Reserves 2022/23 £M	Balance 31-Mar-23 £M
<b>General Fund Reserves</b>				
<b>Reserves for Future Capital Expenditure</b>				
(0.6)	(5.5)	Revenue Reserve for Capital Purposes (General)	(1.6)	(7.1)
0.3	(0.4)	Revenue Reserve for Capital Purposes (AMP Works)	0.3	(0.1)
0.1	(0.2)	Revenue Reserve for Capital Purposes (Green Investment)	0.2	0.0
0.4	(1.7)	Manydown Reserve (former Housing Reserve - Manydown)	0.0	(1.7)
1.7	(1.0)	Local Infrastructure Fund (LIF) Reserve	0.4	(0.6)
0.0	(0.1)	Basing View Reserve	0.1	0.0
<b>Risk Reserves</b>				
0.0	(2.3)	Rent Risk Reserve	(0.2)	(2.5)
0.0	(2.6)	Interest Rate Risk Reserve	0.0	(2.6)
6.9	(6.5)	Business Rate Risk Reserve	6.3	(0.2)
(3.4)	(10.2)	MTFS Risk Reserve	(4.5)	(14.7)
(0.2)	(0.5)	Other Risk Reserves	0.0	(0.5)
<b>Reserves for Future Revenue Expenditure</b>				
0.0	(0.3)	Invest to Grow Reserve	0.0	(0.3)
1.7	(2.6)	Efficiency, Transformation and Digital Reserve	(0.4)	(3.0)
(0.4)	(0.4)	Government Grants Unapplied Reserve	0.0	(0.4)
0.8	(0.1)	Covid-19 Grants Carry Forward Reserve	0.0	(0.1)
(0.7)	(1.2)	Budget Carry Forward Reserve	0.8	(0.4)
(0.2)	(0.8)	Housing and Homelessness Reserve	0.1	(0.7)
0.1	(0.9)	Economic Recovery Fund Reserve	0.2	(0.7)
0.0	(2.0)	Climate Change Reserve	0.3	(1.7)
0.1	(0.1)	Other Earmarked Revenue Reserves	0.0	(0.1)
<b>Reserves Invested to Earn Interest</b>				
0.3	(5.9)	Commuted Sums Reserve	0.2	(5.7)
<b>0.0</b>	<b>(1.5)</b>	<b>General Fund Balance (Unearmarked)</b>	<b>0.0</b>	<b>(1.5)</b>
<b>6.9</b>	<b>(46.8)</b>	<b>Total General Fund Reserves</b>	<b>2.2</b>	<b>(44.6)</b>

## 15. USABLE RESERVES (continued)

The purpose of each of the earmarked reserves held at 31 March 2023 is shown below:

<b>Revenue Reserve for Capital Purposes (General)</b>	To provide resources for current and future capital expenditure.
<b>Revenue Reserve for Capital Purposes (Asset Management Plan works - AMP)</b>	To provide resources for the Asset Management Plan and property portfolio future capital expenditure.
<b>Revenue Reserve for Capital Purposes (Green Investment)</b>	To provide resources for future green investment. This will form part of the Climate Change Reserve in future years.
<b>Manydown Reserve</b>	To provide funds to support the development of Manydown. The reserve was created utilising New Homes Bonus grant.
<b>Local Infrastructure Fund (LIF) Reserve</b>	To provide enhanced funding for local community infrastructure utilising New Homes Bonus grant.
<b>Basing View Reserve</b>	To provide resources for Basing View Regeneration.
<b>Rent Risk Reserve</b>	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.
<b>Interest Risk Reserve</b>	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.
<b>Business Rate Risk Reserve</b>	To cover the increased risk and volatility from the impact of the localisation of business rates.
<b>MTFS Risk Reserve</b>	To cover the increased risk and volatility from legislative and economic changes and delays or failure to achieve future years savings or income targets.
<b>Other Risk Reserves</b>	Includes the insurance risk reserve to provide funds to cover the risk of future payments to Municipal Mutual Insurance Company resulting from future claims.
<b>Invest to Grow Reserve</b>	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.
<b>Efficiency, Transformation and Digital Reserve</b>	To meet one-off costs of implementing the efficiency and savings strategy and the digital transformation programme.
<b>Government Grants Unapplied Reserve</b>	To deal with the accounting and timing issues of when government grants are received.
<b>Covid-19 Grants Carry Forward Reserve</b>	To deal with the accounting and timing issues of when government grants are received.
<b>Budget Carry Forward Reserve</b>	To provide funds for items that were budgeted for in the year that will not be spent until the following year.
<b>Housing and Homelessness Reserve</b>	To provide additional revenue funding to help the council deal with its statutory housing duties towards homelessness and vulnerable people.
<b>Economic Recovery Fund Reserve</b>	To provide funding to support and progress the Economic Recovery Framework Action Plan for the borough.
<b>Climate Change Reserve</b>	To provide additional resources to support the council's response to the Climate Change Emergency.

## 15. USABLE RESERVES (continued)

**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.

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 2021/22 are shown below:

	Pension Scheme Reserve £M	Asset Revalu-ation Reserve £M	Capital Adjustment Account £M	Statutory Adjustment Accounts £M	Total Unusable Reserves £M
<b>Balance as at 31 March 2021</b>	<b>107.9</b>	<b>(26.4)</b>	<b>(388.7)</b>	<b>10.7</b>	<b>(296.5)</b>
<b>Other comprehensive income and expenditure</b>					
(Surplus)/Deficit on revaluation of non-current assets	0.0	(2.9)	0.0	0.0	<b>(2.9)</b>
Actuarial loss/(gain) on pension fund assets and liabilities	(37.9)	0.0	0.0	0.0	<b>(37.9)</b>
<b>Total comprehensive income and expenditure</b>	<b>(37.9)</b>	<b>(2.9)</b>	<b>0.0</b>	<b>0.0</b>	<b>(40.8)</b>
<b>Adjustments between accounting basis and funding basis under regulations:</b>					
Depreciation and amortisation of long-term assets	0.0	0.0	3.5	0.0	<b>3.5</b>
Revaluation of property, plant and equipment	0.0	0.0	1.5	0.0	<b>1.5</b>
Revaluation of investment property	0.0	0.0	(51.6)	0.0	<b>(51.6)</b>
Revaluation of pooled fund investments	0.0	0.0	0.2	0.3	<b>0.5</b>
Property plant and equipment written out (disposals)	0.0	0.0	0.1	0.0	<b>0.1</b>
Investment property written out (disposals)	0.0	0.0	0.0	0.0	<b>0.0</b>
Intangible assets written out	0.0	0.0	0.0	0.0	<b>0.0</b>
Revenue expenditure funded from capital under statute	0.0	0.0	3.9	0.0	<b>3.9</b>
Pension costs adjustment	7.4	0.0	0.0	0.0	<b>7.4</b>
Capital expenditure charged to the General Fund (financing)	0.0	0.0	(7.4)	0.0	<b>(7.4)</b>
Capital repayments (loans/grants)	0.0	0.0	0.7	0.0	<b>0.7</b>
Capital grants and contributions applied (financing)	0.0	0.0	(0.8)	0.0	<b>(0.8)</b>
Capital receipts applied (financing)	0.0	0.0	(5.4)	0.0	<b>(5.4)</b>
Other statutory adjustments	0.0	1.0	(1.1)	(7.2)	<b>(7.3)</b>
<b>Total adjustments between accounting basis and funding basis under regulations</b>	<b>7.4</b>	<b>1.0</b>	<b>(56.4)</b>	<b>(6.9)</b>	<b>(54.9)</b>
<b>Net decrease/(increase) in 2021/22</b>	<b>(30.5)</b>	<b>(1.9)</b>	<b>(56.4)</b>	<b>(6.9)</b>	<b>(95.7)</b>
<b>Balance as at 31 March 2022</b>	<b>77.4</b>	<b>(28.3)</b>	<b>(445.1)</b>	<b>3.8</b>	<b>(392.2)</b>

## 16. UNUSABLE RESERVES (continued)

The balances and movements on unusable reserves in 2022/23 are shown below:

	Pension Scheme Reserve £M	Asset Revaluation Reserve £M	Capital Adjustment Account £M	Statutory Adjustment Accounts £M	Total Unusable Reserves £M
<b>Balance as at 31 March 2022</b>	<b>77.4</b>	<b>(28.3)</b>	<b>(445.1)</b>	<b>3.8</b>	<b>(392.2)</b>
<b>Other comprehensive income and expenditure</b>					
(Surplus)/Deficit on revaluation of non-current assets	0.0	(9.7)	0.0	0.0	<b>(9.7)</b>
Actuarial loss/(gain) on pension fund assets and liabilities	(64.1)	0.0	0.0	0.0	<b>(64.1)</b>
<b>Total comprehensive income and expenditure</b>	<b>(64.1)</b>	<b>(9.7)</b>	<b>0.0</b>	<b>0.0</b>	<b>(73.8)</b>
<b>Adjustments between accounting basis and funding basis under regulations:</b>					
Depreciation and amortisation of long-term assets	0.0	0.0	3.9	0.0	<b>3.9</b>
Revaluation of property, plant and equipment	0.0	0.0	(0.4)	0.0	<b>(0.4)</b>
Revaluation of investment property	0.0	0.0	42.0	0.0	<b>42.0</b>
Revaluation of pooled fund investments	0.0	0.0	0.2	4.0	<b>4.2</b>
Property plant and equipment written out (disposals)	0.0	0.0	0.1	0.0	<b>0.1</b>
Investment property written out (disposals)	0.0	0.0	2.3	0.0	<b>2.3</b>
Intangible assets written out	0.0	0.0	0.0	0.0	<b>0.0</b>
Revenue expenditure funded from capital under statute	0.0	0.0	3.7	0.0	<b>3.7</b>
Pension costs adjustment	6.5	0.0	0.0	0.0	<b>6.5</b>
Capital expenditure charged to the general fund (financing)	0.0	0.0	(4.6)	0.0	<b>(4.6)</b>
Capital repayments (loans/grants)	0.0	0.0	0.7	0.0	<b>0.7</b>
Capital grants and contributions applied (financing)	0.0	0.0	(0.9)	0.0	<b>(0.9)</b>
Capital receipts applied (financing)	0.0	0.0	(14.7)	0.0	<b>(14.7)</b>
Other statutory adjustments	0.0	0.9	(0.9)	(6.3)	<b>(6.3)</b>
<b>Total adjustments between accounting basis and funding basis under regulations</b>	<b>6.5</b>	<b>0.9</b>	<b>31.4</b>	<b>(2.3)</b>	<b>36.5</b>
<b>Net decrease/(increase) in 2022/23</b>	<b>(57.6)</b>	<b>(8.8)</b>	<b>31.4</b>	<b>(2.3)</b>	<b>(37.3)</b>
<b>Balance as at 31 March 2023</b>	<b>19.8</b>	<b>(37.1)</b>	<b>(413.7)</b>	<b>1.5</b>	<b>(429.5)</b>

## 16. UNUSABLE RESERVES (continued)

Unusable Reserves	Descriptions and Purpose
<b>Pension Scheme Reserve</b>	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.
<b>Asset Revaluation Reserve</b>	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.
<b>Capital Adjustment Account</b>	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.
<b>Statutory Adjustment Accounts</b>	
These consist of three adjustment accounts:	
<b>Collection Fund Adjustment Account</b>	This represents the council's share of Council Tax and Business Rates within the Collection Fund Balance.
<b>Paid Absences Adjustment Account</b>	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.
<b>Financial Instruments Adjustment Account</b>	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, above.

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 £0.5M as at 31 March 2023 (£0.4M at 31 March 2022) and a loan receivable from MDV LLP of £3.3M (including accrued interest) as at 31 March 2023 (£2.3M as at 31 March 2022).

**17. RELATED PARTY TRANSACTIONS (continued)**

Members of the council have direct control over the council's financial and operating policies.

During 2022/23 and 2021/22, 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 2022/23 and 2021/22, other than the Senior Employees' Remuneration shown in Note 23, there were no related party transactions between the council and Chief Officers.

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

**18. AGENCY SERVICES**

The council undertakes work on an agency basis for Hampshire County Council. The work includes grass cutting, traffic management and highways planning. The total reimbursable expenditure for 2022/23 was £0.7M (£0.3M in 2021/22).

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 2022/23 was £6.9M (£3.2M in 2021/22). The council took on the client role with respect to the waste collection contract during 2021/22, which accounts for the increase in reimbursable expenditure in the first full year of 2022/23.

**19. EXTERNAL AUDIT COSTS**

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

2021/22 £'000		Estimated 2022/23 £'000
42.9	<b>Ernst &amp; Young LLP (EY)</b> External Audit Services (scale fee)*	51.9
6.5	<b>KPMG</b> Certification of Grant Claims and Returns	21.7
0.0	<b>Cabinet Office</b> National Fraud Initiative (biennial)	2.5
<b>49.4</b>	<b>Total External Audit Costs (Net)</b>	<b>76.1</b>

\* This represents the scale fee set by Public Sector Audit Appointments Limited (PSAA), variations to the scale fee are expected for both 2021/22 and 2022/23 but, at the date of publication, have not yet been agreed.

**20. COUNCIL MEMBERS' ALLOWANCES**

The total sum paid directly to Council Members for allowances and travelling in 2022/23 was £629,524 (£611,055 in 2021/22). A detailed breakdown of allowances paid to individual Councillors can be found on the council's website on this link:

[Council budgets and spending \(basingstoke.gov.uk\)](https://www.basingstoke.gov.uk/council-budgets-and-spending)

**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 2021/22	Remuneration Band	Total Employees 2022/23
23	£50,000 - £54,999	14
10	£55,000 - £59,999	22
14	£60,000 - £64,999	12
7	£65,000 - £69,999	10
6	£70,000 - £74,999	6
3	£75,000 - £79,999	7
1	£80,000 - £84,999	2
0	£85,000 - £89,999	1
1	£90,000 - £94,999	1
1	£95,000 - £99,999	0
3	£100,000 - £104,999	2
0	£105,000 - £109,999	3
1	£110,000 - £114,999	0
0	£115,000 - £119,999	1
0	£120,000 - £124,999	0
1	£125,000 - £129,999	0
0	£130,000 - £134,999	0
0	£135,000 - £139,999	0
1	£140,000 - £144,999	0
0	£145,000 - £149,999	1
<b>72</b>		<b>82</b>

**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 9 employees in 2022/23 incurring liabilities of £241,041 (3 being in the £0 to £20,000 cost band, 3 being in the £20,000 to £40,000 band and 3 being in the £40,000 to £60,000). Of the 9 terminations, 2 were compulsory. In 2021/22, the comparable figures were 2 employees incurring liabilities of £24,421 (both being in the £0 to £40,000 cost band). Of the 2 terminations in 2021/22, 1 was compulsory.

There were £30,387 of additional pension costs in 2022/23 payable to the pension fund for early retirements as a result of redundancy (£0 in 2021/22).

## 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 2022/23 (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, Allow- ances & Benefits in Kind 2021/22 £	Pension Payments 2021/22 £	Total 2021/22 £	Senior Employee Position	Salary, Allowances & Benefits in Kind 2022/23 £	Pension Payments 2022/23 £	Total 2022/23 £
140,846	24,124	<b>164,970</b>	Chief Executive	146,366	24,676	<b>171,042</b>
127,567	21,774	<b>149,341</b>	Executive Director of Borough Development and Deputy Chief Executive (note 1)	77,269	2,874	<b>80,143</b>
82,046	12,752	<b>94,798</b>	Deputy Chief Executive (note 2)	108,886	16,727	<b>125,613</b>
112,258	19,064	<b>131,322</b>	Executive Director of Corporate Services and Assets (Section 151 Officer)	117,756	19,697	<b>137,453</b>
101,733	17,360	<b>119,093</b>	Project Director (Manydown)	105,991	17,807	<b>123,798</b>
101,622	17,360	<b>118,982</b>	Project Director (Basing View and Commercial)	106,009	17,807	<b>123,816</b>
100,556	17,152	<b>117,708</b>	Head of Law and Governance and Monitoring Officer	102,481	17,196	<b>119,677</b>
72,194	12,199	<b>84,393</b>	Head of Human Resources, Communications and Policy	75,411	12,552	<b>87,963</b>
78,730	13,289	<b>92,019</b>	Head of Planning, Sustainability and Infrastructure (note 3)	71,018	12,009	<b>83,027</b>
97,557	16,533	<b>114,090</b>	Head of Environment and Community Services (note 4)	101,298	16,917	<b>118,215</b>
8,266	1,394	<b>9,660</b>	Head of Financial Services and Commercialisation (note 5)	79,075	13,123	<b>92,198</b>
70,669	11,045	<b>81,714</b>	Head of Contracted Services	78,082	12,048	<b>90,130</b>

## Notes:

- 1 The postholder left on 31/05/2022
- 2 Job title was initially Executive Director of Residents' Services, changing to Deputy Chief Executive in September 2022
- 3 The postholder left on 27/01/2023
- 4 The postholder was seconded to the role of Interim Executive Director of Residents' Services from 13/09/2021 until 19/09/2022
- 5 Started 21/02/2022

**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 2023.

**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 2022/23, these proper accounting practices principally comprise:

- (i) The Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (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
<b>Property, Plant and Equipment: Land and Buildings</b>	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).
<b>Investment Properties</b>	Fair value
<b>Financial Instruments - Fair Value Through Profit or Loss</b>	Fair value
<b>Pensions Assets</b>	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 2023 and before the date the Statement was authorised for issue only where the events provide evidence of conditions that existed at 31 March.

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.

**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:

<b>Expense</b>	<b>Proper Accounting Basis in CIES</b>	<b>Statutory Funding Basis in MiRS</b>	<b>Unusable Reserve (used for differences)</b>
<b>Property, Plant and Equipment</b>	Depreciation and revaluation/ impairment losses	Revenue provision to cover historical cost determined in accordance with the 2003 Regs	Capital Adjustment Account
<b>Investment Properties</b>	Movements in fair value	Revenue provision to cover historical cost determined in accordance with the 2003 Regs	Capital Adjustment Account
<b>Revenue Expenditure Funded from Capital under Statute</b>	Expenditure incurred in year	Revenue provision to cover historical cost determined in accordance with the 2003 Regs	Capital Adjustment Account
<b>Capital Grants and Contributions</b>	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)
<b>Long-Term Asset Disposals</b>	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)
<b>Financial Instruments</b>	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
<b>Pensions Costs</b>	Movements in pensions assets and liabilities	Employer's pensions contributions payable and direct payments made by the council to pensioners in year	Pensions Reserve
<b>Council Tax Income</b>	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

**25.2 Adjustments between Accounting Basis and Funding Basis (continued)**

Expense	Proper Accounting Basis in CIES	Statutory Funding Basis in MiRS	Unusable Reserve (used for differences)
<b>Business Rates Income</b>	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
<b>Holiday Pay Accrual</b>	Projected cost of untaken leave entitlements at 31 March	No charge	Paid Absences Adjustment Account

**25.3 Council Tax and Business Rates (Non-Domestic Rates)**

The council acts as an agent, collecting council tax and business rates (non-domestic rates) on behalf of the major preceptors (including government, in respect of business rates) and, as principal, collecting council tax and business rates 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 business rates. 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 business rates collected could be less or more than predicted.

The council tax and business rates 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 business rates 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 business rates 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:

<b>Amortised Cost</b>	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).
<b>Fair Value Through Profit or Loss (FVTPL)</b>	all other financial assets

## 25.4 Financial Instruments (continued)

### 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 the 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.

### 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:

<b>Level 1</b>	quoted prices in active markets for identical assets or liabilities
<b>Level 2</b>	inputs other than quoted prices that are observable for the asset or liability
<b>Level 3</b>	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).

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.

**25.8 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:**

<b>Current Service Cost</b>	allocated in the CIES to the services for which the employees worked
<b>Past Service Cost</b>	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:**

<b>The return on plan assets</b>	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
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**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.

**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 25.1 for details. All other categories are measured subsequently using depreciated historical cost. Assets included in the Balance Sheet at current value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

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

- (i) Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- (ii) Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

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

**Impairments:** Assets are assessed at each year-end as to whether there is any indication that items may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall. Where impairment losses are identified, they are accounted for in the same way as revaluation losses.

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

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

### 25.11 Provisions

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

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

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

### 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 2023/24 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:

<b>Asset classifications</b>	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.
<b>Lease classifications</b>	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.
<b>Contractual arrangements</b>	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).
<b>Providing for potential liabilities</b>	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.
<b>Allowances for doubtful debts</b>	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.
<b>Conditions on Developers' Contributions</b>	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.
<b>Events after the Balance Sheet date</b>	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 and Assets (Section 151 Officer) as set out in the Statement of Responsibilities for the Statement of Accounts.

**28. UNCERTAINTIES RELATING TO ASSUMPTIONS AND ESTIMATES USED**

The financial statements contain some estimated figures that are based on assumptions made by the council about the future, or that are otherwise uncertain.

Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates made.

The items in the council’s Balance Sheet at 31 March 2023 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><b>Property Valuations</b>                      Estimation of property valuations depends on a number of complex judgements and assumptions, including determining the appropriate comparative market data upon which the market value of investment property is based.</p>	<p><b>PPE Land and Buildings</b> - 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><b>Investment Property</b> - 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 £3.4M.</p>
<p><b>Pension Liability</b>                      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% increase in the discount rate assumption would result in a decrease in the net pension liability of approximately £3.5M. The sensitivity of each of the assumptions used by the actuaries can be seen in Note 14 on pensions.</p>
<p><b>Allowance For Doubtful Debts</b>                      As at 31/03/23, the Council had an outstanding balance of short-term debtors totalling £13.4M net of £0.7M of prepayments (£14.4M net of £3.1M as at 31/3/22). Against this debtors’ balance, there is an impairment allowance of £4.0M (£4.2M as at 31/03/22). 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.</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><b>Business Rates Appeals Provision</b></p> <p>The council has made provision for its share of appeals on business rates of £2.1M (£2.3M in 2021/22) based on what it believes to be a prudent but realistic level.</p> <p>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 (2010 Rates List) and one for the appeals estimated to arise from the Revaluation and CCA process (2017 Rates List).</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 has taken into account various factors including the percentage allowance used by the Government (to estimate the eventual impact of the appeals on the 2017 List) results of appeals and estimated success rates and reduction rates for outstanding appeals. A new Rates Revaluation exercise has taken place for 2023/24.</p>	<p>The historic appeals provision (2010 Rates List) is insignificant and so the sensitivity analysis results in nominal changes only to the financial statements.</p> <p>For the appeals provision relating to the 2017 Rates List, a change in the allowances of 2.5% would require an estimated adjustment to the financial statements of £1.5M of which the council's share is £0.6M.</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 4.5% (May 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.

As at 31 March 2023 the council had £36.9M cash and cash equivalents and approximately £56.9M of long-term strategic investments that could be liquidated at short notice (within 7 days) if required. Furthermore the council has a General Fund Balance of £1.5M and risk reserves of £21.9M as at 31 March 2023 (excluding the Business Rates Risk Reserve).

The going concern period of assessment is twelve months from the authorisation date of the financial statements. Risk reserves (excluding the Business Rates Risk Reserve) are forecast to remain stable with the balance of £21.9M as at 31 March 2023 reducing to £19.8M 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. These balances are not expected to fall below the S151 Officer's assessed minimum required level for the risk reserves of £9.9M and for the General Fund balance of £1.5M.

It is therefore noted that there is significant headroom within the General Fund and Risk Reserves to absorb the estimated financial impact of 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 2023**

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.

2021/22 Council Tax £M	2021/22 Business Rates £M	2021/22 Total £M		2022/23 Council Tax £M	2022/23 Business Rates £M	2022/23 Total £M
<b>INCOME</b>						
(123.0)	(64.0)	(187.0)	<b>Amounts Receivable</b>	(128.7)	(70.1)	(198.8)
<b>Contributions towards Previous Years' Estimated Deficits</b>						
0.0	(13.2)	(13.2)	Central Government	0.0	(6.2)	(6.2)
(0.3)	(2.4)	(2.7)	Hampshire County Council	0.0	(1.1)	(1.1)
0.0	(10.6)	(10.6)	General Fund (BDBC)	0.0	(5.0)	(5.0)
0.0	(0.3)	(0.3)	Fire and Rescue Authority	0.0	(0.1)	(0.1)
0.0	0.0	0.0	Police Authority	0.0	0.0	0.0
(123.3)	(90.5)	(213.8)	<b>TOTAL INCOME</b>	(128.7)	(82.5)	(211.2)
<b>EXPENDITURE</b>						
<b>Precepts, Demands and Shares</b>						
0.0	36.3	36.3	Central Government	0.0	32.9	32.9
90.0	6.5	96.5	Hampshire County Council	94.3	5.9	100.2
10.3	29.0	39.3	General Fund (BDBC)	10.9	26.3	37.2
4.7	0.7	5.4	Fire and Rescue Authority	5.1	0.7	5.8
15.1	0.0	15.1	Police Authority	16.0	0.0	16.0
<b>Distribution of Previous Years' Estimated Surpluses</b>						
0.0	0.0	0.0	Hampshire County Council	0.4	0.0	0.4
0.0	0.0	0.0	General Fund (BDBC)	0.1	0.0	0.1
0.0	0.0	0.0	Fire and Rescue Authority	0.0	0.0	0.0
0.0	0.0	0.0	Police Authority	0.1	0.0	0.1
<b>Charges to Collection Fund</b>						
0.0	2.2	2.2	Transitional Protection Payments	0.0	0.9	0.9
0.4	(1.3)	(0.9)	Other	0.6	1.2	1.8
120.5	73.4	193.9	<b>TOTAL EXPENDITURE</b>	127.5	67.9	195.4
(2.8)	(17.1)	(19.9)	<b>MOVEMENT IN FUND BALANCE</b>	(1.2)	(14.6)	(15.8)
<b>OPENING FUND BALANCE</b>						
0.5	25.5	26.0		(2.3)	8.4	6.1
<b>CLOSING FUND BALANCE</b>						
(2.3)	8.4	6.1		(3.5)	(6.2)	(9.7)

## 1. CALCULATION OF THE COUNCIL TAX BASE

The Council Tax Base was calculated as follows:

Band	Ratio to Band D	Discounted Equivalent Properties 2021/22	Band D Equivalent Properties 2021/22	Discounted Equivalent Properties 2022/23	Band D Equivalent Properties 2022/23
*A	5/9	7.25	4.0	7.25	4.0
A	6/9	2,017.15	1,344.8	2,037.75	1,358.5
B	7/9	10,551.75	8,206.9	10,706.00	8,326.8
C	8/9	24,393.75	21,683.3	24,616.75	21,881.6
D	1	13,645.25	13,645.3	13,877.00	13,877.0
E	11/9	10,303.00	12,592.6	10,432.25	12,750.5
F	13/9	6,097.00	8,806.8	6,216.75	8,979.8
G	15/9	3,215.00	5,358.3	3,270.00	5,450.0
H	18/9	413.75	827.5	422.00	844.0
		<b>70,643.90</b>	<b>72,469.5</b>	<b>71,585.75</b>	<b>73,472.2</b>
Growth in tax base			1,088.6		1,115.4
Allowance for council tax support			(5,222.5)		(5,025.1)
Allowance for doubtful debts (2.5%)			(1,708.4)		(1,739.1)
<b>Council Tax Base (Band D equivalent properties)</b>			<b>66,627.2</b>		<b>67,823.4</b>

\*A - Entitled to disabled relief reduction

## 2. NON-DOMESTIC RATEABLE VALUE

For 2022/23 the Uniform Business Rate was 51.2p (51.2p in 2021/22) and the total non-domestic rateable value at 31 March 2023 was £176.2M (£178.4M as at 31 March 2022).

The total potential gross business rates collectable in 2022/23 were £87.4M (£88.6M in 2021/22) but this was reduced to £70.1M in 2022/23 (£64.0M in 2021/22) due to adjustments, including reassessments of rateable values, losses and business rate reliefs.

## 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:

2021/22 Council Tax £M	2021/22 Business Rates £M	2021/22 Total £M		2022/23 Council Tax £M	2022/23 Business Rates £M	2022/23 Total £M
(0.2)	3.4	3.2	Borough Share (included within the Collection Fund Adjustment Account)	(0.3)	(2.5)	(2.8)
(2.1)	5.0	2.9	Government & Preceptors' Share (included in Debtors and Creditors)	(3.2)	(3.7)	(6.9)
<b>(2.3)</b>	<b>8.4</b>	<b>6.1</b>		<b>(3.5)</b>	<b>(6.2)</b>	<b>(9.7)</b>

## 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 Chief Finance Officer (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 Chief Finance Officer (Section 151 Officer)

The Chief Finance Officer (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 2022/23.

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 2023 and its income and expenditure for the year then ended.

Signed: \_\_\_\_\_

Date: 25 November 2024

**Adam Swain FCPFA – Chief Finance Officer (Section 151 Officer)**

Signed: \_\_\_\_\_

Date: 25 November 2024

**Cllr Paul Basham – Chair of Audit and Accounts Committee, on behalf of the committee**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BASINGSTOKE & DEANE BOROUGH COUNCIL****Disclaimer of opinion**

We were engaged to audit the financial statements of Basingstoke & Deane Borough Council ('the Council') for the year ended 31 March 2023. The financial statements comprise the:

- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Movement in Reserves Statement,
- Cash Flow Statement
- the related notes 1 to 29 including a summary of significant accounting policies.
- Collection Fund and the related notes 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 2022/23 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

We do not express an opinion on the accompanying financial statements of the Council. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

**Basis for disclaimer of opinion**

The Accounts and Audit (Amendment) Regulations 2024 (Statutory Instrument 2024/907) which came into force on 30 September 2024 requires the accountability statements for this financial year to be approved not later than 13th December 2024.

The backstop date and the wider requirements of the local audit system reset, meant we did not have the required resources available to complete the detailed audit procedures that would be needed to obtain sufficient appropriate audit evidence to issue an unmodified audit report on the 2022/23 financial statements. Therefore, we are disclaiming our opinion on the financial statements.

**Matters on which we report by exception**

Notwithstanding our disclaimer of opinion on the financial statements, performed subject to the pervasive limitation described above, we have nothing to report in respect of whether the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council.

We report to you if:

- 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 2023.

We have nothing to report in these respects.

**Responsibility of the Chief Finance Officer**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 86, the Chief Finance 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 2022/23 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view and for such internal control as the Chief Finance 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 Chief Finance 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 Council 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 responsibility is to conduct an audit of the Council's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report.

However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

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 Code of Audit Practice 2024 and we have fulfilled our other ethical responsibilities in accordance with these requirements.

## **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 2024, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in January 2023, as to whether Basingstoke & 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 & 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 2023.

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 & 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 Council 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 Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

## **Certificate**

We certify that we have completed the audit of the accounts of Basingstoke & Deane Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office.

**Use of our report**

This report is made solely to the members of Basingstoke & 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.

Kevin Suter (Key Audit Partner)  
Ernst & Young LLP (Local Auditor)  
Southampton  
28 November 2024

*The following footnote does not form part of our Auditor's Report.*

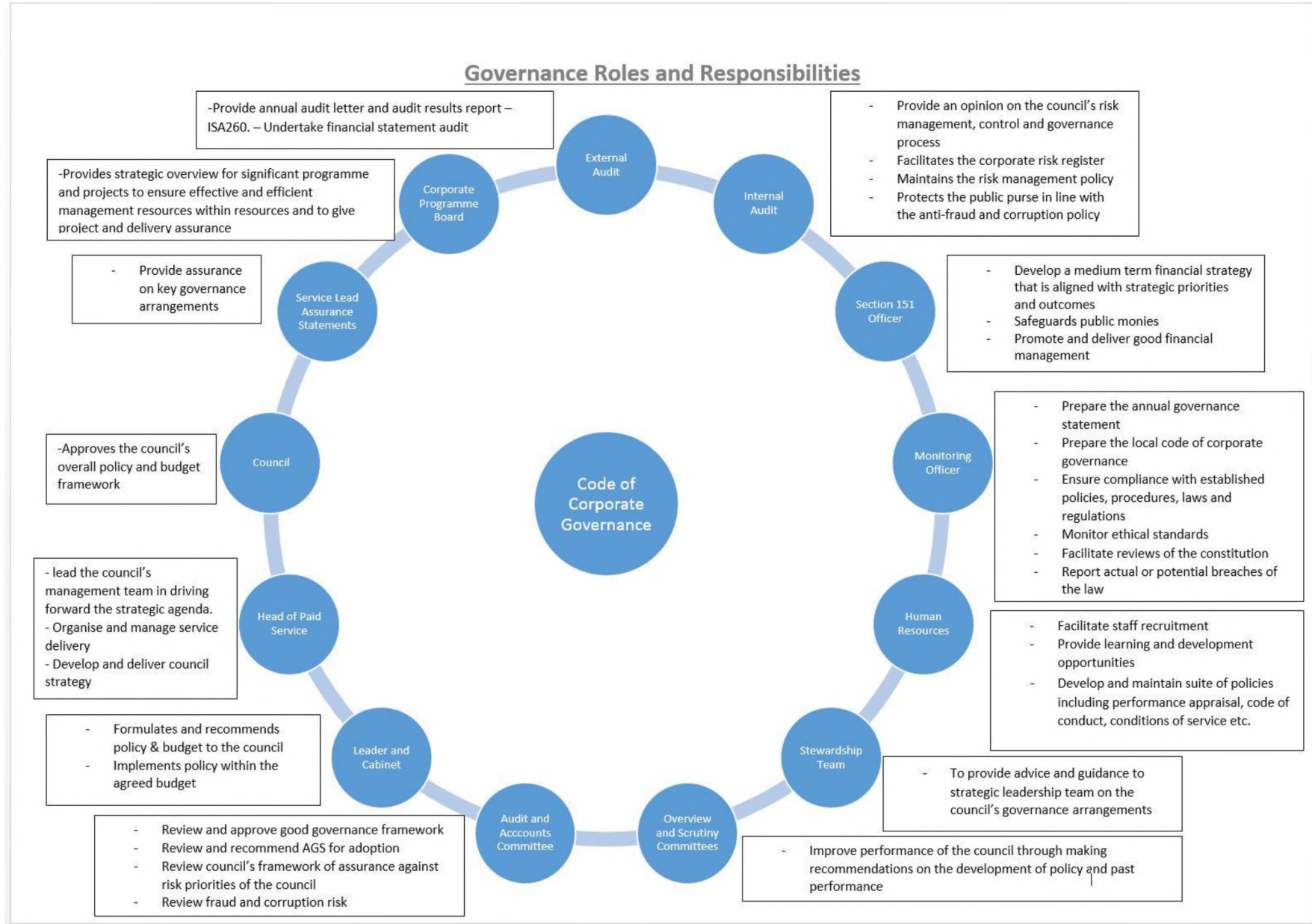
Additional information related to the disclaimer of opinion is set out in our Completion Report for Those Charged with Governance dated 11 November 2024, available on the Council's website, which includes further explanations about the implementation of the statutory instrument which led to the disclaimer of our opinion on the financial statements.

## 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](http://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 2022/23 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 2023 and up to the date of approval of the statement of accounts.



### 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 \(basingstoke.gov.uk\)](https://www.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. Two training sessions for councillors on the new code took place in June 2022 and October 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 corruption and has a dedicated Counter Fraud team. Investigations are carried out by the fraud team within the Audit, Fraud and Insurance service and if allegations are made against a councillor, then the Monitoring Officer will be involved. The council has adopted the Fighting Fraud and Corruption Locally Strategy in its counter fraud approach.

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 considered by the Constitution

Working Group in July 2022. Further changes are required will be further reconsidered by the Constitution Working Group in 2023.

## **(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. A residents' survey was last undertaken in summer 2022 to inform the Council Plan 2023 to 2027 and obtain opinions on the quality of council services. 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 plans<sup>1</sup>. There are a total of 18 designated neighbourhood plan areas across the borough, and 14 adopted neighbourhood plans in the borough: Ashford Hill with Headley, East Woodhay, Ecchinswell, Sydmonton and Bishops Green, 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 and Manydown Community Plan. Other communities are also considering doing so.

The council carried out a review of community and voluntary sector grant funding following adoption of the Strengthening Communities and Wellbeing strategies and the Framework by Cabinet in July 2022, following the funding allocation approved by Council in February 2022. The review aimed to ensure that funding models and streams remain fit for purpose and that council investment in the sector achieves best possible outcomes. The review identified a series of proposals which were approved by Cabinet in November 2022. The new approach included the introduction of Strategic Partner Contributions to replace Strategic Grant Funding, the introduction of the Community Infrastructure Fund to provide capital funding to community organisations, the continuation of the Strengthening Communities grant scheme, which provides capacity building and resilience funding and the continuation of the Councillor Grants Scheme. However, it was recognised that further updates and changes were required to the Councillor Grants and Strengthening Communities schemes and views of CEP were sought at a meeting in January 2023. Alongside these council-funded schemes, Cabinet also approved in July 2022 the council's approach to spending its £1M allocation of UK Shared Prosperity Fund and to launch a range of grant schemes to support community and voluntary sector organisations and businesses over the period 2022/23 to 2024/25.

The council consulted on its approach to savings, income generation and spending for its four-year budget known as the Medium-Term Financial Strategy (2023/24 to 2026/27) and this consultation helped to shape the final budget report agreed at council on 23 February 2023. The information was made available in any easy-to-understand format and responses were reported to Cabinet on 7 February 2023 before they made their final recommendation to council on 23 February.

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

The council's website has a "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. A

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

new Customer Experience Strategy and operational framework is currently being taken through the approval process and will start to be implemented during 2023/24.

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

### Council plan and corporate priorities

The council has adopted a [Council Plan](#) 2023 to 2027 which was agreed at Council in February 2023 to sit alongside the Medium Term Financial Strategy and is monitored through a series of actions and target dates. Together the MTFs and Council Plan set out the basis for an efficient and effective council delivering on growth and the council's key priorities. The council's priorities in the Council Plan are:

- A place where people can live happily.
- A borough where the environment can flourish.
- A council that provides good quality services for our residents.

### Supporting strategies and plans

The council takes an evidence-based approach to developing policy and strategy informed by research, data, demand trends and performance monitoring. 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, Diversity and Inclusion Plan, and the Policy and Procedure for the safeguarding of children and vulnerable adults.

The most recent was the Wellbeing Strategy 2022 to 2025, 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.

BASP, the Basingstoke Area Strategic Partnership was a voluntary partnership which brought together different sectors to focus on local issues in a strategic and coordinated way. BASP had 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. These documents have now been superseded by the adoption of the Strengthening Communities Strategy in July 2022.

Following engagement with board members of the Basingstoke Area Strategic Partnership (BASP) and a review of the partnership, the BASP Board agreed in December 2022 to disband the partnership. There is recognition that partnership working is important to shaping local policy and plans to set up a Place Shaping Board are being progressed.

The council declared a Climate Emergency on 18 July 2019 and on 18 March 2021 Council approved a Climate Change and Air Quality Strategy 2021 to 2030. This outlines the actions to be undertaken to reduce emissions in line with the declaration, focussed around leading, enabling and inspiring, recognising the need to support residents and businesses and work in partnership with organisations across the borough to effect change. This is reported on annually and is focussed on achieving net zero emissions by the council by December 2025 and working towards a carbon neutral borough by 2030. A £2.0M Climate Change Revenue Reserve has been set up to help support this agenda and is being utilised.

At sub - regional level the Enterprise M3 is a business-led Local Enterprise Partnership, one of 38 in England, which is working to secure economic growth at sub-national level through its [Strategic Economic Plan](#) to 2030. 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.

Government made further announcements as part of the Budget statement in March 2023 that it intends for the functions of LEPs to be delivered by local government in the future and that government “is minded” to withdraw central government support for LEPs from April 2024. The Department for Levelling Up, Housing and Communities and the Department for Business and Trade are consulting on these proposals before confirming a final decision. The government will publish an updated policy paper by summer 2023 confirming what the next steps will be.

#### Policy briefing and consultations

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, the council taking every opportunity to influence Government policy at each stage of its development. In 2022-23 the council responded to 18 consultations (the majority from the Government but also from local partners such as Hampshire County council), covering community safety and anti-social behaviour, the late-night levy, air quality, the Building Safety Levy, changes to homelessness legislation and funding, environmental targets, minerals and waste planning, river catchment management, strategic transport planning in Hampshire and the South East, and local cycling and walking planning.

#### **(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 and ecological implications, 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 the extended biodiversity duty for public authorities provided for in the Environment Act 2021, the biodiversity 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 and 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. This included having a work programming session at the beginning of the municipal year which was attended by the Chairs of the Overview and Scrutiny Committees, Group Leaders, Chief Executive and Directors to improve the process of planning the work programme of all the committees. Scrutiny training was also arranged and provided by an external provider. The Constitution Working Group also began consideration of options for a new overview and scrutiny committee structure.

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 Scrutiny Committee (Performance Panel).

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

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

The council provides a programme of learning and development for councillors which includes an induction programme, and mandatory training for councillors who sit on the Development Control and Licensing Committees. During 2022/23 training sessions and briefings were held on a wide range of topics, including Code of Conduct, GDPR and Data Protection, Safeguarding and Equality, Diversity and Inclusion, Scrutiny, Financial awareness, Climate Change and Biodiversity.

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. The council is currently going through a pay and benefits review, designed to ensure that the council has a sustainable and attractive pay and benefits offer both as part of attraction and retention.

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 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 2023/24 to ensure that it continues to facilitate the achievement of the overall Council Plan.

The council continued to work towards achieving its corporate equality, diversity and inclusion priorities:

- Seeks to make the borough a welcoming place for everyone
- Seeks to make sure relevant services are accessible to all
- Seeks to provide fair treatment that meets individual needs
- Commits to having an increasingly diverse workforce

The council has continued to support local forums on equality, diversity and inclusion initiatives and work with community groups to address hate crime in the borough. It has facilitated joint activities, projects, and campaigns to reach diverse groups and promote access to employment programmes. In addition, it has provided an employment related area at a recent Ukraine information event, bringing partners in to support Ukrainian guests to find work and training. As an organisation the council has continued to work on achieving its actions on the Race at Work Charter action plan 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 has started to review its Equality, Diversity, and Inclusion priorities for 2024-2028 to ensure they are tackling inequality in the borough.

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. 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 providing a clear layout which is easy to navigate, displaying easy to read content with uncluttered pages will be implemented early summer 2023. The website will link into the new Customer Relationship Management (CRM) system which will enable proactive service status updates to be shared with customers accessing Waste and Recycling and Parks and Streetscene services. The first phase of the new CRM, covering Waste and Recycling services will go live in the autumn of 2023.

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 (both for new and existing staff) 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, next review is scheduled for September 2023. 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. Risk management training for the Wider Leadership Team was carried out during January 2023 and an internal audit review of the risk management process was undertaken during 2022/23 that resulted in a full assurance opinion which will be reported to the Audit and Accounts committee on 31 July 2023.

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 2023-2027 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, Deputy Chief Executive and Executive Director of Corporate Services and Assets who review Highlight Reports which update on the status of major projects. The process is managed by the Programme Management Office, which is a centre of excellence in respect of the support and expertise it delivers to projects and initiatives it is involved with. The Programme Management Office is the home for project/programme governance, control and standards assurance which in turn supports the realisation of benefits and minimise project/programme risk to the organisation.

The joint Manydown Programme has additional governance arrangements in place. The Manydown North project is set 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 Wellcome 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.

Manydown South has a joint (HCC and BDBC) strategic leadership group which provides oversight and direction on the promotion of Manydown South, wider Southern Manydown with adjacent landowner the Society of Merchant Venturers, options for Parcel 6a and the feasibility of a public transport, walking and cycling bridge connection between north and south Manydown.

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 took place between 2020 and 2022 to ensure that the procurement and contract procedures remain effective and compliant. The recommendations for improvements arising out of the review have commenced implementation 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 2023. 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. A structure is 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

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. This framework has been identified in previous Annual Governance Statements as requiring a review as existing partnerships are, in the main, partnerships arising out of contractual relationships or shared services or which are led by other bodies, none of which are covered by the framework. The adoption of the Strengthening Communities Strategy and the subsequent decision to disband BASP and establish a Place Shaping Board will lead to a revised Partnership Governance 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 service areas across the council. The group usually meets quarterly 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 as and when they arise. In 2022/23 there was one data breach which was reported to the Information Commissioner's Office (ICO) and to the Audit and Accounts Committee. The ICO decided no further action was required.

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 2022/23.

As a result of recommendations arising from an internal audit of information management procedures in December 2022, work has commenced on improving the council's information asset register and the retention of information.

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 procure an ethical hacker to test the council's IT cyber and network security.

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 2023 and is completed annually with the last being approved by Council in February 2023.

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. The self-assessment also identified areas where improvement could be made and the council has taken action to address these areas and improve compliance with the code, this includes:

- Implementing a new finance and HR ERP system, improving the financial information available to the council
- Implementing a restructure of the accountancy function, including the implementation of a business partnering approach for finance, to strengthen the support provided across the council
- Developing financial training to enhance the financial awareness of officers and councillors

These actions in year reflect the drive for financial management and good practice to be embedded across the council and at all levels of the organisation. The council will continue to monitor compliance with the code to ensure good financial management is maintained and evolves as the needs of the organisation change.

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. The Local Government Peer Challenge that took place in November 2022 stated “The Peer team were impressed with the council’s internal audit and risk processes. Audit arrangements are robust; engagement was evident from across the council with activity linked to the risk register. Recommendations for improvement are categorised by priority and followed up. Oversight from the Audit Committee appears strong.”

**(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 and Assets (Section 151 Officer), the Head of Law and Governance, the Legal Services Manager, the Chief Internal Auditor, the Head of Financial Services and Commercialisation and the Head of HR and Organisational Development, 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 can 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 27 June 2022, 26 September 2022, 28 November 2022 and 6 March 2023. 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 – 2022/23

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 assurance<sup>1</sup> on the effectiveness of the council's risk management, control and governance processes which enables the council to meet its aims and objectives.

*<sup>1</sup>Substantial 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 commenced 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 30<sup>th</sup> November 2022. In line with a number of other local authorities the publication of audited accounts was delayed and are expected to be finalised in summer 2023. It is also likely that due to wider issues with external audit across the local government sector in England that the audit of the 2022/23 financial statements will not commence until early 2024. The Senior Leadership Team within the council have responsibility for the development and maintenance of the governance framework.
- (f) The completion of 'Service Lead Assurance Statements' that are countersigned by the relevant executive director, covers the key processes and systems that comprise the council's governance arrangements and is intended to identify any areas where improvement or further development is required. All were completed appropriately.
- (g) The annual review of the council's Local Code of Corporate Governance which reflects the key components of the council's overall governance and internal control environment. This document, based on CIPFA/SOLACE guidance, records the key controls in place, and sources of assurance, and identifies any significant gaps or weaknesses in key controls.
- (h) The Risk Management Policy and Corporate Risk Register.
- (i) The work of the Audit and Accounts committee in relation to the discharge of its responsibility to lead on all aspects of corporate governance.
- (3) We have been advised on the implications of the result of the review of effectiveness of the governance framework by the Audit and Accounts Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new action planning are outlined below.

## 5. SIGNIFICANT GOVERNANCE ISSUES

Review of the significant governance issues identified in the Annual Governance Statement 2022/2023 identified by the work of the Stewardship Team:

	<b>Governance Issue</b>	<b>Planned Action</b>	<b>Responsible Officer</b>	<b>Progress</b>
1	Review of constitution	Continue the review of constitution, giving due regard to best practice.	Head of Law and Governance	There has been steady progress on the review of the constitution. The following matters have received Council approval during the year: -Overview and Scrutiny Protocol - Amendments to the Council Procedure Rules and Overview and Scrutiny Rules -Parental Leave Policy for councillors Other matters are in the progress of being considered by the Constitution Working Group include possible changes to the Overview and Committee structure, consideration of the arrangements for dealing with complaints against councillors, other procedure rules.
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 & Assets (S151 Officer) & Head of Financial Services & Commercialisation	Good progress has been made on actions identified to enhance our compliance with the Financial Management Code, this includes implementation of a modern ERP system and introducing a business partnering approach for finance. Compliance with the requirements of the code will be kept under review.
3	Partnership Governance Framework Review	Undertake review of the partnership framework document and of the consolidated list of partnerships	Chief Executive or nominee	This work is outstanding and will now be considered as part of the work on the new Place Shaping Board.

**SIGNIFICANT GOVERNANCE ISSUES TO BE ADDRESSED IN 2023/2024:**

	<b>Governance Issue</b>	<b>Planned Action</b>	<b>Responsible Officer</b>	<b>Timescale</b>
1	Business Continuity Plan and Crisis Management Plan	The council's Business Continuity Plan and Crisis Management Plan should be reviewed and updated accordingly. Consideration should be made of the new ISO Standard for Business Continuity, ISO 22301:2019 Followed by the testing of service recovery plans.	Chief Executive	October 2023
2	Review of Constitution	Continue the review of constitution, giving due regard to best practice.	Head of Law and Governance	March 2024
3	Succession to LEPs	Reviewing the impact of the proposed transfer of responsibilities of LEPs to local authorities.	Director of Regeneration	March 2024
4	Financial Management Code	Continue the development of business partnering in finance and enhancements to the reporting functionality of ERP.	Executive Director of Corporate Services & Assets (S151 officer)	March 2024
5	Information Management	To improve the council's information asset register and the retention of information	Head of Law and Governance	March 2024
6	Partnership Governance Framework Review	Undertake review of the partnership framework document and of the consolidated list of partnerships	Deputy Chief Executive	March 2024

## 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: 31 August 2023**

**Cllr Paul Harvey  
Leader of the Council**

**Signed:**

**Date: 31 August 2023**

**Russell O'Keefe  
Chief Executive**

<b>ACCOUNTING PERIOD</b>	The period of time covered by the Council's accounts, normally a period of 12 months commencing on 1 April. The period may also be referred to as the "financial year". The end of the accounting period (31 March) is the Balance Sheet date.
<b>ACCOUNTING POLICIES</b>	The specific principles, bases, conventions, rules and practices the Council applies in preparing and presenting the financial statements.
<b>ACCRUAL</b>	The concept that income and expenditure are recognised in the financial records as they are earned or incurred, not as cash is received or paid.
<b>ACCUMULATED ABSENCES ADJUSTMENT ACCOUNT</b>	This is the 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.
<b>ACTUARIAL GAINS AND LOSSES (PENSIONS)</b>	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.
<b>ACTUARY</b>	An actuary is an expert on pension scheme assets and liabilities. Every three years the Pension Scheme actuary assesses the adequacy of employer contributions made to the Pension Fund, and updates for predicted changes to the scheme deficit each year.
<b>AGENCY SERVICES</b>	Arrangements under which the Council provides goods or services to third parties on behalf of another organisation.
<b>AMORTISATION</b>	The spreading of the cost of an asset over a number of financial years to fairly represent the period over which the Council benefits from the asset.
<b>AMORTISED COST</b>	A way of measuring financial instruments that ignores changes in fair value but takes into account the spreading of transaction costs over the instrument term and the impact of any concessionary interest rates.
<b>AMORTISED COST FINANCIAL ASSETS</b>	Investments for which any gains and losses in fair value are not accounted for until the investment matures or is sold. Defined as financial assets whose objective is to hold investments in order to collect their contractual cash flows, and which have the form of a basic lending arrangement (i.e. contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding).
<b>ASSETS UNDER CONSTRUCTION</b>	These are assets that are currently being developed and are not yet completed. They are shown in the accounts at costs incurred in that year.
<b>BUDGET</b>	The Council's plans for raising income and spending money on the provision of services.
<b>BUSINESS RATES</b>	Business rates (sometimes referred to as Non-Domestic Rates or NDR) are charged on most non-domestic premises, including commercial properties such as shops, offices, pubs, warehouses and factories. The council uses the rateable value provided by the Valuation Office Agency to calculate how much businesses should pay.

<b>BUSINESS UNITS</b>	The council's employee and employee-related expenditure is recorded and monitored in business unit accounts during the year and then recharged to services on an allocation basis that ensures a relevant level of cost is applied to each service.
<b>CAPITAL ADJUSTMENT ACCOUNT</b>	This is an unusable reserve used for accounting purposes specified by regulations. It absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets (largely depreciation) and for the financing of the acquisition, construction, or enhancement of those assets (financing being from revenue resources, capital grants and contributions and capital receipts).
<b>CAPITAL CHARGES</b>	Charges made to service revenue accounts for notional depreciation to reflect the cost of long-term assets used in the provision of services.
<b>CAPITAL EXPENDITURE (STATUTORY)</b>	This is expenditure on the acquisition of long-term assets which will be of long-term value to the Council (such as property, plant and equipment), 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).
<b>CAPITAL FINANCING</b>	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.
<b>CAPITAL FINANCING REQUIREMENT (CFR)</b>	The measure of the Council's capital expenditure that has yet to be financed, as defined in the CIPFA Prudential Code. It increases as capital expenditure is incurred and reduces when resources are set aside as capital finance.
<b>CAPITAL RECEIPTS</b>	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. Whilst rules set down by Government allow for capital receipts to be used to repay any outstanding debt on fixed assets or to finance new capital expenditure, they cannot be used to finance revenue expenditure.
<b>CAPITAL RECEIPTS RESERVE</b>	This is a usable reserve consisting of capital receipts that have not yet been used to finance capital investment.
<b>CASH AND CASH EQUIVALENTS</b>	Cash constitutes notes and coins held by the Council and money in bank accounts that can be withdrawn on demand. Cash equivalents are short-term highly liquid investments subject to an insignificant risk of changes in value and may be readily converted into cash.
<b>CIPFA</b>	The Chartered Institute of Public Finance and Accountancy (CIPFA) is the professional accountancy body covering public finance. It provides the secretariat for the CIPFA/ LASAAC Local Authority Code Board, which has formal responsibility for issuing financial reporting standards for local government accounting in the UK. These standards are reflected in The Accounting Code (see immediately below).

<b>CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING (THE ACCOUNTING 'CODE')</b>	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.
<b>COLLECTION FUND</b>	The Collection Fund is a statutory fund set up under the provisions of the Local Government Finance Act 1988. It includes the transactions of the billing authority (i.e. this council) in relation to Business Rates and Council Tax, and accounts for the way in which the fund balance is distributed to the Government, to preceptor authorities and to this council.
<b>COMMUNITY ASSETS</b>	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 include parks and cemeteries.
<b>CONTINGENT LIABILITY</b>	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.
<b>CONTINGENT RENT</b>	Rent payable under a lease that is not fixed but based on the future amount of a factor (such as a rent review based on an inflation index).
<b>COUNCIL TAX</b>	This is a charge paid to the Council by households to pay for local services. The proceeds are paid into the Council's Collection Fund. For the purpose of paying an appropriate level of Council Tax, residential properties are given bandings (from A to H) that determine the level of Council Tax due for each property. Band D is regarded as the mid-point, or average property valuation band.
<b>COUNCIL TAX BASE</b>	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.
<b>CREDITOR</b>	This refers to amounts owed by the Council at the Balance Sheet date in respect of goods and services received before the end of the financial year. It may also refer to an individual or organisation to whom, at the Balance Sheet date, the council owes money.
<b>CURRENT ASSET</b>	An asset that the council expects to consume, realise or dispose of within less than one year.
<b>CURRENT LIABILITY</b>	A liability or obligation that is due to be settled within one year.
<b>CURRENT SERVICE COST</b>	The increase in pensions liabilities arising from employee service in the current year.
<b>DEBTOR</b>	This refers to amounts owed to the Council but unpaid at the Balance Sheet date (31 March each year). It may also refer to an individual or organisation that owes money to the council.
<b>DEFINED BENEFIT SCHEME (PENSIONS)</b>	A pension scheme where the future benefits receivable by pensioners are guaranteed and sufficient contributions must be paid into the fund to ensure that payments will be affordable.
<b>DEPRECIATED REPLACEMENT COST (DRC)</b>	A valuation method for items of property, plant and equipment based on the current cost of replacing an asset with a modern equivalent, less deductions for the physical deterioration of the asset.

## GLOSSARY OF TERMS

<b>DEPRECIATION</b>	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.
<b>DIRECT REVENUE FINANCING</b>	The financing of capital expenditure from revenue rather than from capital resources.
<b>DOUBTFUL DEBT</b>	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.
<b>EARMARKED REVENUE RESERVES</b>	Usable reserves consisting of amounts set aside from revenue (General Fund) to fund specific future planned expenditure or held as a contingency to provide funds for unforeseen events.
<b>EFFECTIVE INTEREST RATE</b>	The implied rate of interest in a financial instrument, calculated by reference to the cash flows within the arrangement as opposed to quoted rates of interest.
<b>EMPLOYEE BENEFITS</b>	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).
<b>ESTIMATED MARKET VALUE</b>	See FAIR VALUE, below
<b>EXISTING SATISFACTORY PURCHASES SCHEME</b>	Loans to housing associations to partly-fund the purchase and conversion of existing properties for use as temporary accommodation.
<b>EXISTING USE VALUE</b>	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.
<b>EXPECTED CREDIT LOSSES (ECLs)</b>	The weighted average of credit losses (i.e. bad debts) with the respective risks of a default occurring in line with those weights. ECL has superseded the term 'bad debt provision.'
<b>FAIR VALUE (or ESTIMATED MARKET VALUE)</b>	This is an accounting measurement of the amount for which an asset could be exchanged on the date of valuation between a willing buyer and a willing seller in an orderly market wherein the parties had each acted knowledgeably, prudently and without compulsion.
<b>FAIR VALUE THROUGH PROFIT OR LOSS FINANCIAL INSTRUMENTS</b>	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.
<b>FINANCE LEASE</b>	A leasing agreement where the potential risks or rewards of the future resale value are transferred and/ or shared between the parties of a lease contract.
<b>FINANCIAL INSTRUMENTS</b>	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).

<b>FINANCIAL INSTRUMENTS REVALUATION RESERVE</b>	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.
<b>GENERAL FUND</b>	The General Fund is the primary account through which the council's transactions pass relating to its cost of services. The balance at year-end is not earmarked for any specific purpose. It is maintained at a prudent level sufficient to absorb a reasonable level of unforeseen expenditure pressure or variation.
<b>GILTS</b>	These are financial instruments issued by the UK government in order to finance public expenditure.
<b>GOING CONCERN</b>	The assumption made when preparing the financial statements that the functions of the Council will continue in operational existence for the foreseeable future.
<b>GOVERNMENT GRANTS</b>	This is where government provides assistance to the council in the form of cash or transfers of assets. If the council needs to comply with certain conditions, these are referred to as ring-fenced grants.
<b>GRANTS UNAPPLIED RESERVE</b>	This is a usable reserve consisting of capital grants and contributions that have been received but have yet to be used or applied to finance capital expenditure.
<b>GRANTS AND CONTRIBUTIONS (RECEIPTS IN ADVANCE)</b>	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.
<b>HERITAGE ASSETS</b>	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).
<b>IFRS</b>	International Financial Reporting Standards (IFRS) are accounting standards issued by the International Accounting Standards Board. The council's accounts conform to IFRS's where they are applicable to local authorities.
<b>IMPAIRMENT</b>	This is a reduction in the value of a long-term asset below its carrying amount in the Balance Sheet. For example, a reduction in value of physical non-current assets may be the result of physical damage, dilapidation, or obsolescence; for a long-term debtor or investment, an impairment may reflect the risk of non-repayment.
<b>INFRASTRUCTURE ASSETS</b>	Fixed assets that, by their nature, cannot be sold and therefore expenditure is only recoverable by continued use of that asset. Examples of infrastructure assets are highways and footpaths.
<b>INTANGIBLE ASSETS</b>	Assets that do not have physical substance, such as computer software, licences and websites supporting the Council's services.
<b>INTEREST COST (PENSIONS)</b>	For a defined benefit pension scheme, the expected accumulated increase in the present value of pension liabilities.
<b>INVESTMENT PROPERTY</b>	Properties held by the Council solely to earn rentals, or for capital appreciation, or for both.
<b>LEASE</b>	An arrangement under which a lessor conveys the right to use an asset to a lessee in return for a payment or series of payments

## GLOSSARY OF TERMS

<b>LONG-TERM ASSETS</b>	An asset that the Council does not expect to realise or consume in the provision of services within the next twelve months.
<b>LONG-TERM BORROWING</b>	This is a loan that is due for repayment in more than one year from the Balance Sheet date.
<b>LONG-TERM DEBTOR</b>	An individual or organisation that owes money to the council where the full balance is due for repayment in more than one year from the Balance Sheet date.
<b>LONG-TERM INVESTMENTS</b>	Financial instruments with maturity dates that are longer than 365 days at the time of making the investment.
<b>MATERIALITY</b>	A measure of the significance of information potentially to be included in the financial statements, whereby its omission, misstatement or obscuration could reasonably be expected to influence decisions that the primary users make on the basis of those financial statements. Materiality is important for influencing which 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.
<b>MONEY MARKET FUNDS</b>	This is an externally managed liquid investment in high-quality, short-term debt instruments, cash, and cash equivalents, and is designed to reduce uncertainty and control risk.
<b>NET ASSETS</b>	This is the amount by which assets in the Balance Sheet exceed liabilities
<b>NET BOOK VALUE</b>	The amount at which fixed assets are included in the Balance Sheet, equating to their historical cost or current value less accumulated depreciation.
<b>NON-DISTRIBUTED COSTS</b>	These are overheads for which there are no direct service benefits, and which are therefore not apportioned to services (e.g. past service pension costs).
<b>OPERATING LEASES</b>	Similar to renting, this is a lease where the risks and rewards of ownership of the asset remain with the lessor (being the owner/ provider of the asset being leased).
<b>OTHER LONG-TERM ASSETS</b>	This is a grouping of long-term assets and includes Heritage Assets, Intangible Assets and Other Long-Term Debtors.
<b>PAST SERVICE COST (PENSIONS)</b>	The change in pensions liabilities relating to employee service in previous years as result of changes to the pension scheme or the ending of the Council's responsibility for employees transferred to another organisation.
<b>PENSIONS RESERVE</b>	An unusable reserve that absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. For instance, a debit balance on the Reserve shows that the Council has made commitments to fund pensions that the Government has permitted it to fund from contributions to be made in future years.
<b>POOLED FUND INVESTMENTS</b>	Collective investment schemes in which a number of investors pool their money, which is then invested in a portfolio of assets.
<b>POST BALANCE SHEET EVENTS</b>	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.
<b>PRECEPTS/ PRECEPTORS</b>	Amounts levied on the council by other local authorities (preceptors) that the council is required to collect on their behalf as Council Tax distribute to those preceptors.

<b>PRIOR PERIOD ADJUSTMENTS</b>	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.
<b>PROPERTY, PLANT AND EQUIPMENT (PPE)</b>	A class of assets with physical substance that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes (and expected to be used for more than one year).
<b>PROVISIONS</b>	Estimated amounts set aside to meet liabilities that are known to exist, but where there is uncertainty about when they will be settled and/ or how much the Council will have to pay. The estimated amount that will be required to settle these liabilities is charged as an expense when the Council recognises the obligation.
<b>PRUDENTIAL CODE</b>	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.
<b>RELATED PARTIES</b>	This term applies to persons or entities with which the Council has a relationship, such as a company in which the Council has an interest or an organisation that is controlled by a member or chief officer.
<b>RELATED PARTY TRANSACTION</b>	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.
<b>REMUNERATION</b>	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.
<b>RETIREMENT BENEFITS</b>	The benefits that employees earn during their period of employment but which are not paid to them until after they retire (predominately pensions).
<b>REVALUATION RESERVE</b>	An unusable reserve that accumulates the gains made by the Council from increases in the value of its Property, Plant and Equipment assets. The Council might benefit from these gains in the future from the continued use of the assets or from their sale.
<b>REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)</b>	Expenditure that would normally be charged to revenue resources, but which Government regulations allows to be treated as capital expenditure (e.g. renovation grants) and funded from capital resources.
<b>REVENUE EXPENDITURE/ INCOME</b>	Costs and income relating to the day-to-day running of council services e.g. salaries and wages, supplies and services, transport and fees from service-related income.
<b>SCHEME LIABILITIES (PENSIONS)</b>	The liabilities of a defined benefits pension 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.
<b>SHORT-TERM BORROWING</b>	This refers to loans repayable in less than one year from the Balance Sheet date.
<b>SHORT-TERM CREDITOR</b>	An individual or entity to which the council owes money that is due for payment within one year from the Balance Sheet date.

<b>SHORT-TERM DEBTORS</b>	An individual or entity that owes money to the council that is due for payment within one year from the Balance Sheet date.
<b>SHORT-TERM INVESTMENTS</b>	These are financial instruments with maturity dates not more than 365 days after the date of the initial investment.
<b>STATUTORY ADJUSTMENT ACCOUNTS (RESERVES)</b>	Unusable reserves relating to statutory adjustments made in the accounts (e.g. Accumulated Absences Adjustment Account, Collection Fund Adjustment Account and Financial Instruments Adjustment Account).
<b>SUPRANATIONAL BONDS</b>	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.
<b>TERMINATION BENEFITS</b>	Amounts paid to employees on termination of their contract with the council usually in the form of redundancy payments.
<b>TRUE AND FAIR</b>	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.
<b>UNUSABLE RESERVES</b>	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) and are held for accounting purposes prescribed by the Accounting Code of Practice, backed by regulations.
<b>USABLE RESERVES</b>	Amounts set aside that the council may use to fund expenditure.
<b>USEFUL LIFE</b>	This is the period over which the local authority will derive benefits from the use of a long-term asset.

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