

FAREHAM BOROUGH COUNCIL STATEMENT OF ACCOUNTS 2021/22

FAREHAM
BOROUGH COUNCIL



Fareham Borough Council's Statement of Accounts has been prepared in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA).

This narrative report gives an overview of the Council's purpose, financial position and performance. Its aim is to demonstrate to residents and stakeholders how the available resources are being used to deliver the corporate plans for the Borough.

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NARRATIVE REPORT AND WRITTEN STATEMENTS

NARRATIVE REPORT

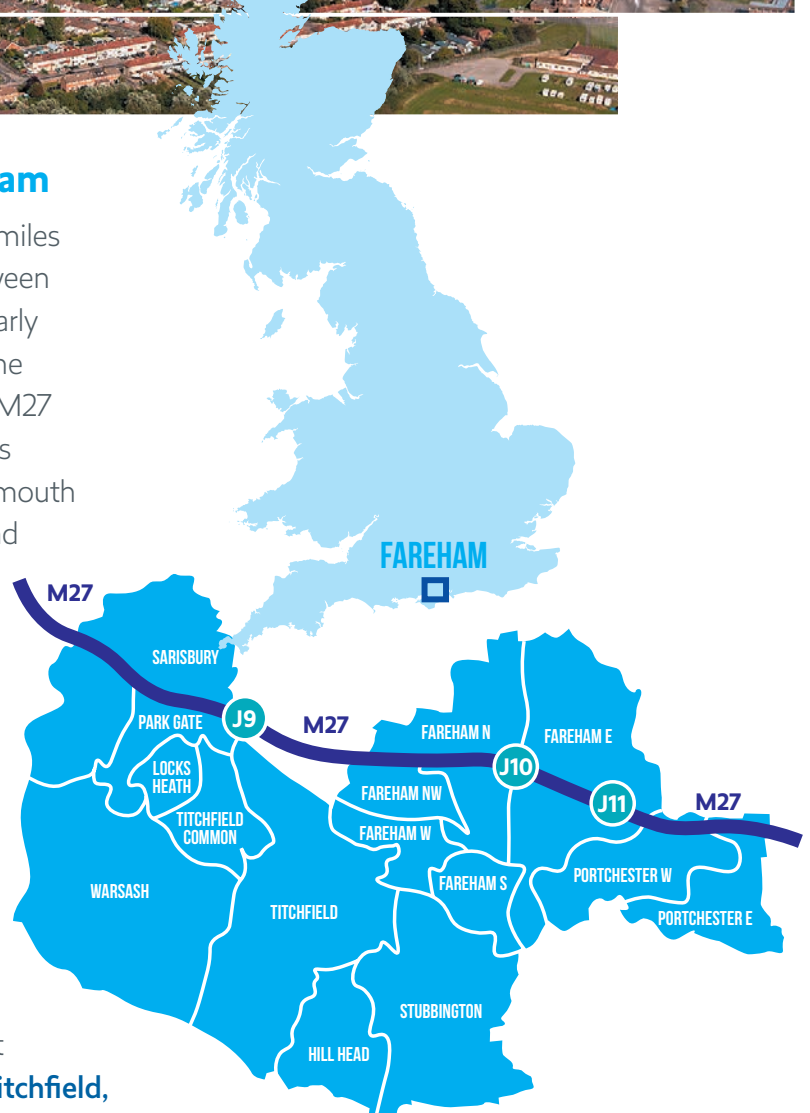


Introducing the Borough of Fareham

Fareham comprises approximately 30 square miles located on the south coast of Hampshire between Portsmouth and Southampton and is particularly well connected for travel with easy access to the area's major road network which includes the M27 and M3 motorways. Fareham railway station is served by trains to Southampton and Bournemouth or the Midlands to the west, or Portsmouth and London to the east. There is also easy access to the ferry ports and Southampton International Airport.

Benefiting from its rich heritage as a market town, Fareham is well-placed for a range of leisure activities for residents and visitors. It enjoys an enviable location with the seafront to the south and open countryside to the north and there are many parks and community spaces.

The Borough has 15 wards across five distinct communities: **Fareham town, Portchester, Titchfield, Western wards, Hill Head and Stubbington.**



RESIDENTS

Population of 117,000 expecting to rise to 123,174 by 2041.

Approx. 50,000 households.

Largest rise in Hampshire of residents aged 85+ in the last 20 years.

Reduction in the number of people of working age, particularly aged between 25 and 39.

Approximately 25% of households are people living alone.

80% of homes are owner occupied.

94.7% of the population is white British against a national average of 79.8%.

2.1% of residents are on the Claimant Count against the national average of 5.1%.

BUSINESSES

Approx. 3,200 business rate payers and at least 600 working out of residential or shared offices.

Part of Solent Enterprise Zone encouraging and supporting a thriving aviation-led employment area.

Higher than south east average of residents educated to college level and above.

Fareham is a growing Borough both in terms of residents and the local economy. To help meet the future housing need, a new community, Welborne Garden Village, is being developed in the Borough to provide up to 6,000 homes. Welborne will be a distinct community located to the north of the M27 and has been awarded status as one of the Government's first new garden villages.

Putting customers at the heart of our organisation

In 2013 the Council embarked on a new approach to delivering services. Systems Thinking puts the customer at the heart of service delivery and looks

at everything we do through their eyes. Rather than follow processes that have 'always been done that way' or pass customers from department to department, officers now take ownership of a customer to ensure, wherever possible, that a customer's needs are met and they only have one officer as their point of contact.

Since 2013, services have been reviewed and redesigned adopting this new way of working. We believe our new approach makes it easier for our customers to do business with us and easier for us to do the right thing for our customers. It also leads to a more cost-effective provision of services as we concentrate on what matters to customers and drive out costs associated with 'failure work' (where we have failed to address the customer's needs at the earliest opportunity).



OUR VISION

To make Fareham a prosperous, safe and attractive place to live and work

CORPORATE VALUES

Listening and being responsive to our customers.

Recognising and protecting the identity of existing communities.

Enhancing prosperity and conserving all that is good.

Being efficient, effective and providing value for money.

Leading our communities and achieving change for the better.

PRIORITIES

Providing Housing Choices.



Protect and enhance the environment.



Strong, safe, inclusive and healthy communities.



Maintain and extend prosperity.



Leisure opportunities for health and fun.



Dynamic, prudent and progressive Council.



Preparing for the future

The Council's Vision, Values and Priorities are set out in the Corporate Strategy which can be viewed in full on the Council's website. It recognises the constraint of continued reduction in Government funding and seeks to continue to deliver priorities but within a balanced and sustainable budget. The Council's Vision, Values and Priorities have been defined above. A series of actions are set for the coming years under each priority heading and these are refreshed each year. In 2020/21 the Council embarked on a full review of the Corporate Strategy for completion in 2022/23.

The Council

Fareham Borough Council is a 'shire district' Council which means some services are delivered by Hampshire County Council. It operates a leader and cabinet model of political management. This means that a Councillor is appointed as leader of the executive (cabinet). The leader then has responsibility for appointments to the cabinet, the allocation of portfolios and the delegation of executive functions. A Mayor is also elected by his/her fellow councillors each year to represent the Council at civic events and functions and organise events to raise funds for nominated charities.

MEMBERS

15 wards
31 Councillors
Three political groups:
Conservative (majority)
Liberal Democrats
Independents

PARTNERSHIPS

Nine significant partnerships including shared services for:
Legal Services
Building Control
Environmental Health
Coastal Protection
Portchester Crematorium

EMPLOYEES

Approximately 440 employees (361 full time and 79 part time)
Two employees undertaking apprentice training
Three Directors and One Deputy CX
10 Heads of Service

ORGANISATION

Five Directorates:

Deputy Chief Executive (encompassing Finance and Resources and Fareham Housing)
Planning and Regulation
Street Scene
Leisure and Community
Support Services

ORGANISATIONAL SUMMARY

Eight committee portfolios, led by members, oversee more than 60 functions of the Council which deliver services such as Planning, Leisure, Environmental Health and Housing. Scrutiny Panels are in place for each of the six Executive Portfolios, which lead on the delivery of the Corporate Priorities. Two topic-specific scrutiny panels were added in 2021/22 to cover Climate Change and Daedalus.

The day to day delivery of services is overseen by the Chief Executive's Management Team. In 2021/22 this was made up of the Chief Executive Officer, the Deputy Chief Executive Officer and three Directors, as in the previous year.

Most employees are based at the Civic Offices or the Council's Depot, both of which are based in Fareham. Some services, however, are delivered by working in partnership with other organisations, or by outsourcing to private contractors. The Council actively seeks shared service and partnership opportunities where they improve resilience, drive efficiency and improve service delivery. The performance of all partnerships is subject to a strict monitoring programme and constantly reviewed to ensure they remain beneficial to the Fareham community and financially robust.

Highlights for partnerships, shared services and outsourced services in 2021/22 include:

- **Covid-support package continued for the Leisure Centres' operator into the year and after restrictions lifted, ending in January 2022. This was to secure their survival as a critical supplier for the Council.**
- **The Fareham and Gosport Environmental Partnership renewed their partnership and now operate on an open-ended basis.**
- **The governance arrangements for the Coastal Partnerships started to be reviewed.**
- **A revised joint Waste Strategy was approved for Project Integra in November 2021 which includes a move towards twin waste stream collection.**
- **The Internal Audit Partnership with Portsmouth City Council was extended for another five years.**
- **The appointed operator continued to work with the Council to deliver a new vision for the primary community, arts and entertainment venue in the Borough.**
- **The Building Control Partnership contract which provides building regulations services to Hampshire County Council was renewed, securing that revenue stream for another year.**



For more information about our Governance arrangements see the Annual Governance Statement on our website under 'about the Council'.

Covid Pandemic

The Covid pandemic started at the end of 2019/20 and had a significant impact, both globally and nationally throughout 2020/21 and 2021/22. At a local level the pandemic

resulted in wide-reaching implications on Council services with regard to delivery, resources and financial sustainability. The Council's response to the pandemic included the following areas:

 PROVISION OF SERVICES	<ul style="list-style-type: none"> • Services were reviewed to identify those which should be suspended during the periods of lockdown. • New services that were required in the response phase were identified, including measures to support the most vulnerable in the community, supporting the Test and Trace process and making the support payments, advise and enforcement of local business lockdown and social distancing measures; and distributing £35 million of grants to local businesses across 11 mandatory and 24 discretionary schemes.
 HUMAN RESOURCES	<ul style="list-style-type: none"> • Upon lockdown, the Council's office-based workforce was mobilised to work from home, while those most at risk were shielded. To achieve continuity of service, new technology was deployed, which continued well after lockdown and now offers opportunities for new ways of working. • The Council's resources were rapidly redeployed to respond to the emerging pressures of the pandemic, reprioritising capacity to assist front line services and to deliver the services identified. • Special measures were instigated to ensure that front-line employees were able to work safely during the lockdown period and subsequent pandemic, and continue to provide key public services.
 SUPPLY CHAINS	<ul style="list-style-type: none"> • Special arrangements were put in place for the Council's suppliers to ensure that appropriate support was available to the supply chain. • Detailed dialogue about supporting the Council's key partners during lockdown and beyond (such as maintenance contractors and Leisure Operators) were established (in accordance with PPN / 02/20).
 DECISION MAKING	<ul style="list-style-type: none"> • Arrangements were established using emergency powers to ensure that a high standard of governance could be maintained in relation to decision-making throughout the response period. • Social distancing measures during meetings continued into 2021/22.

Financial Impact

In 2020/21 the financial impact of Covid was estimated to total £3.6million. A replacement emergency budget was therefore developed



which forecast the potential need to use £1.1 million of the Council's reserves to plug the funding gap. At the same time, September 2020, the Council introduced a Financial Recovery Plan to mitigate the impacts arising where it could and to recover over the medium term.

Financial forecasts were updated as the Government implemented further periods of lockdown and announced support packages for local authority services. The Council benefitted from Government Covid grants totalling £3.8 million during 2020/21; £0.8 million of these were not anticipated. This coupled to some income streams, such as planning applications, starting to recover towards the end of the year meant that Council reserves were not used to finance the Council's spending that year.

The 2021/22 budget was set in February 2021 which anticipated that the trends in Covid-related increased expenditure and reduced income streams would continue.

The Local Government Finance Settlement was announced on 17 December 2020 and included some details of how Covid support would be available into 2021/22 as follows:

The basic level of Covid support will continue and it is anticipated that the council will receive a further £451,000 in 2021/22.

The Sales, Fees and Charges Support scheme will continue through into the first quarter of 2021/22 and will be based on the 2020/21 budget figures for income. This has been estimated to deliver a further £300,000 for 2021/22.

A one-off Lower Tier Services Grant will be offered to ensure a minimum amount of funding is provided. Fareham as a lower tier authority will receive a sum of just over £150,000 in 2021/22.

As this support would not be sufficient to bridge the funding gap forecast for 2021/22 the Council was anticipating the need to use nearly £2 million of its reserves to balance the 2021/22 budget.

The mid-term position was reviewed in November 2021 which showed that there had been some recovery but the following pressure areas continued:

TOWN CENTRE PARKING

Car parks had reopened but income levels had only partly recovered.

LEISURE CENTRES

The Council continued to provide a financial support package to allow the two Leisure Centres to reopen.

COMMERCIAL AND INVESTMENT PROPERTY

Income from the Council's commercial property portfolio was suppressed, largely due to a loss of income from the shopping centre and Market Quay sites. Alternative payment arrangements had been agreed for some other commercial property tenants to assist with their cash-flow and some businesses may not return to their pre-pandemic levels of operation.

SOLENT AIRPORT AND DAEDALUS

Alternative payment arrangements had been agreed to support tenants based at Daedalus and some income streams such as fuel sales continued to be reduced.

BAD DEBT PROVISION

An increase in the bad debt provision was still needed to cover potential lost income streams from businesses and also unrecoverable council tax and business rates income.

The position was reviewed again for the Revised Budget setting in January 2022 which indicated that there had been a drop in the net budget provision needed and an increase in the amount of Central Government funding being provided so the expected hit on the Council's reserves was expected to fall to £0.4 million.

The Outturn position for 2021/22 was that no use of Council's reserves was needed as detailed overleaf.

2021/22 Financial Position: overview

Financial Outturn

The table below summarises the revenue outturn position¹ on the General Fund for the year compared to last year.

The General Fund actual net revenue expenditure totals £11,482,703 which is **£595,297 less** than was budgeted for the year. This was partly due to some services such as car parking recovering more than anticipated towards the end of the year (£211,400), a large increase in the price received for recycled material (£267,000) and also due to the corporate efforts in reducing spend where it was possible.

More core funding income was also received than expected, particularly from business rates, resulting in a final net budget outturn position of an underspend of £211,117.

This has meant that the anticipated drawing from reserves of £404,200 to fund the revenue expenditure was not needed in the year.

	2020/21 Actual	2021/22 Revised Budget	2021/22 Actual
Gross Cost of Services	£54,044,198	£47,782,100	£52,666,846
Net Cost of Services	£25,976,217	£17,420,900	£13,540,119
Other Provisions	-£9,383,844	-£478,600	£2,254,226
Non-Service Specific Income	-£4,409,938	-£4,864,300	-£4,311,642
Net revenue expenditure	£12,182,435	£12,078,000	£11,482,703
Covid Funding	-£3,787,189	-£1,179,000	-£957,604
Use of Reserves	-	-£404,200	-
Net Underspend (+)/Overspend (-) on Services	£1,211,254	-	£211,117
Net Budget	£9,606,500	£10,494,800	£10,736,216
Core Funding Sources			
Revenue Support Grant	£0	£0	£0
Business Rates	£2,456,700	£2,800,305	£3,128,109
Lower Tier Services Grant	£0	£153,700	£153,687
Council Tax	£7,196,900	£7,456,402	£7,385,186
Other Funding Sources	-£47,100	£84,393	£69,234
	£9,606,500	£10,494,800	£10,736,216

¹These figures are those used in the reports to members and will differ from the Comprehensive Income and Expenditure Statement because of the way in which the information is presented to meet Statement of Account requirements.

Continued delivery of the Covid Response 2021/22

Despite the pressures in the year, the Council has continued to help support the community through the pandemic including:

Further design and/or delivery of 31 mandatory and discretionary Business Grant Support schemes distributing over £7.3 million to local businesses.

Working with local charitable organisations to continue to provide food to hard hit and vulnerable residents and families.

Design of Covid Additional Relief Fund Scheme (CARF) and initial delivery of Business Rates Relief of £350,000 to 71 local businesses.

Design and deliver a programme of projects to boost the look and feel of high street and coastal areas to support their reopening using the Welcome Back Funding (£168,270).

Continued support for the Test and Trace Schemes both in terms of tracing and making the support payments.

Working with local businesses to help with their recovery including the continuation of the Shop Local and Eat Local Campaign.

Delivery on Key Priorities

In addition to the Covid response, the Council has continued to deliver capital projects and priorities for the Borough during 2021/22 including:

Driving forward the Welborne Plan to deliver more housing in the Borough, including establishing funding agreements between the interested bodies for Junction 10 of the M27 motorway, and the linkages to affordable housing targets, with planning permission being granted.

Further investing in the infrastructure and assets at the Daedalus site including the completion and launch of four speculative commercial units at Faraday Business Park.

Investment in the Leisure Centres to deliver improved revenue. Fareham Leisure Centre works included refurbishment of dry changing rooms and café area, creation of new studio space and climbing area and extended gym area. Holly Hill Leisure Centre works included conversion of store to sauna and steam room and improvements to the main foyer layout.

New social housing development schemes started on site at Station (16 sheltered flats) and Stubbington Lane (11 shared ownership houses).

Financial Management: Non-Covid pressures

The ability to deliver on the Covid response and key priorities has been achieved by maintaining a Medium-Term Finance Strategy to ensure we remain financially robust and stable and can finance the delivery of the Council's corporate plans.

The following risks and pressures were recognised when setting the original 2021/22 budgets and Council Tax:

Reduction in non-specific Government Funding of £462,200 (66%).

£500,000 to be put aside in reserves for maintenance of assets.

Increase of £181,000 in the Minimum Revenue Provisions (MRP) to cover the borrowing costs of a commercial property purchase and feasibility study for hangars at Daedalus.



Prudent planning continues to be used to produce a balanced budget which addressed these risks, which included:

Development of an Opportunities Plan in 2018/19, in partnership with all Heads of Service in the Council, which identified projects which could generate income or reduce costs.

Delivery of the Green Waste Charging project from the Opportunity Plan with an expected income for 2021/22 of £522,000.

Delivery of the Coastal Parking project from the Opportunity Plan with an expected income for 2021/22 of £450,000.

Continued use of investment properties as a funding stream to generate annual income of £2.8 million.

Increasing fees and charges and introducing new charges where it was felt that the market was robust enough not to cause a detrimental effect.

Increasing Council Tax for the seventh year running by the maximum £5; this represented 16% of the funding sources used.

Use of prudent low cost borrowing.

Implementation of new finance system in 2021/22 to increase efficiencies and improve budget monitoring and forecasting.

Development of the Daedalus Financial Strategy to establish a financial framework for the operation of the airport and investment at the wider Daedalus site, in support of the Council's Vision for Daedalus.

Financial Management: Covid Pandemic

The financial pressures arising from the Covid pandemic are discussed in the section on page 10. A number of financial measures were used to help secure the out-turn position, which included in 2021/22:

Carrying out a mid-year update to the Medium term Financial Strategy with renewed five-year projections and stressing the opportunities that needed to be grasped to generate future revenue streams.

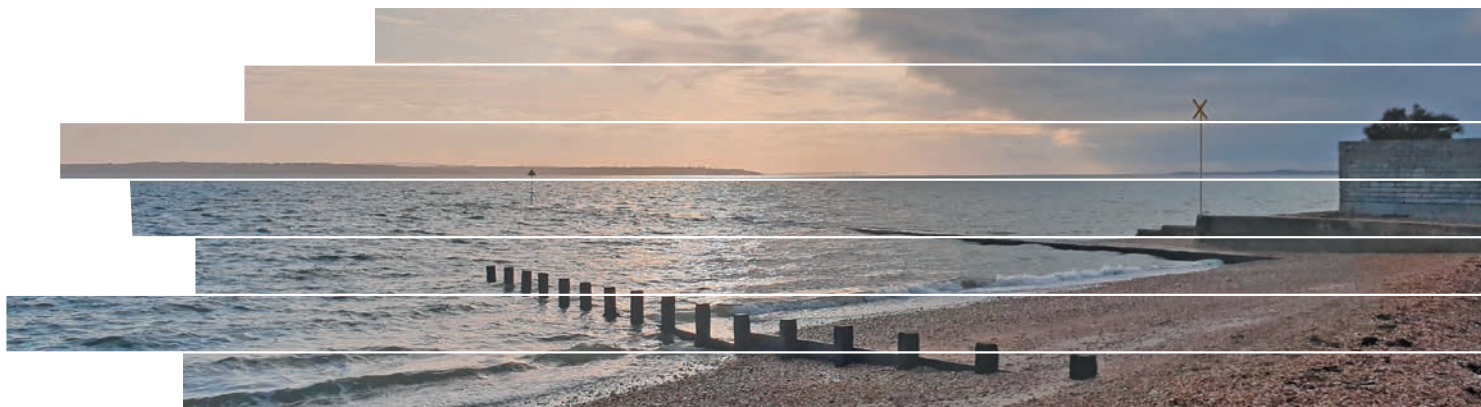
Resourcing applications for Government Covid Support for local authorities and new burdens funding.

Maintaining a clear message that the Council may need to use Reserves to balance the budget and every pound of spend saved reduces the pressure on the Reserves.

Use of Business Support grant pre-payments to help with short-term cash flow management and reduce the cost of borrowing.

Increasing the bad debt provision.





Balance Sheet Position

The General Fund Reserve has increased in the year by £0.2 million. Total ‘useable’ reserves overall have decreased by £4 million to a total of £48.8 million. This includes the Spending Reserve provision for unforeseen fluctuations in revenue expenditure and income which is still held at 5% of planned gross expenditure. The balance sheet also shows a drop in Receipts in advance – revenue grants due to the funding received for Covid grants to pay to businesses under the discretionary schemes being distributed by the end of 2021/22.

The Council had increased funds (£716,000) from the Community Infrastructure Levy (CIL) during 2021/22 (£173,000 in 2020/21). This has been transferred to the Council’s capital reserves and is one of the main funding sources earmarked for the new community, arts and entertainment venue. A total of £240,410 CIL reserves were used in the year including £205,310 towards the Play and Recreation Improvement Programme and £35,100 on Fareham Live.

The overall value of Council long term assets again increased in value by £32.5 million, particularly Other land and buildings which increased by nearly £18 million. Half of this related to additional asset build or purchases (for Leisure, Daedalus and emergency housing) and the rest due to revaluations and reclassifications.

Overall General Fund Position

The underspend for 2021/22 has been transferred to reserves to help protect the Council’s financial position

going forward. Some trends in increased expenditure and reduced income have continued into 2022/23 and some income streams may never recover, whilst the Government’s Covid financial support schemes will now start to disappear. The Council’s underlying financial position has therefore worsened. We are reviewing this in more detail as part of the Medium-Term Finance Strategy forecasting in 2022/23.

Housing Revenue Account (HRA)

The pandemic and other market impacts on the HRA, including the increased cost for materials, were recognised when setting the 2021/22 budget. However, the outturn showed that:

Actual rent income was higher than the revised budget figure. Although the number of void properties remained at a high level, rent arrears have not increased to the level that had been allowed for.

Revenue repairs expenditure was higher than the revised budget. This is partly due to cost inflation borne by the Fareham Housing team and our network of contractors and partly due to increased need and demand for works.

Overall, the value of the Housing Revenue Account Reserve has increased by £630,903 replenishing the HRA Revenue Reserve which had been depleted over the past two years.

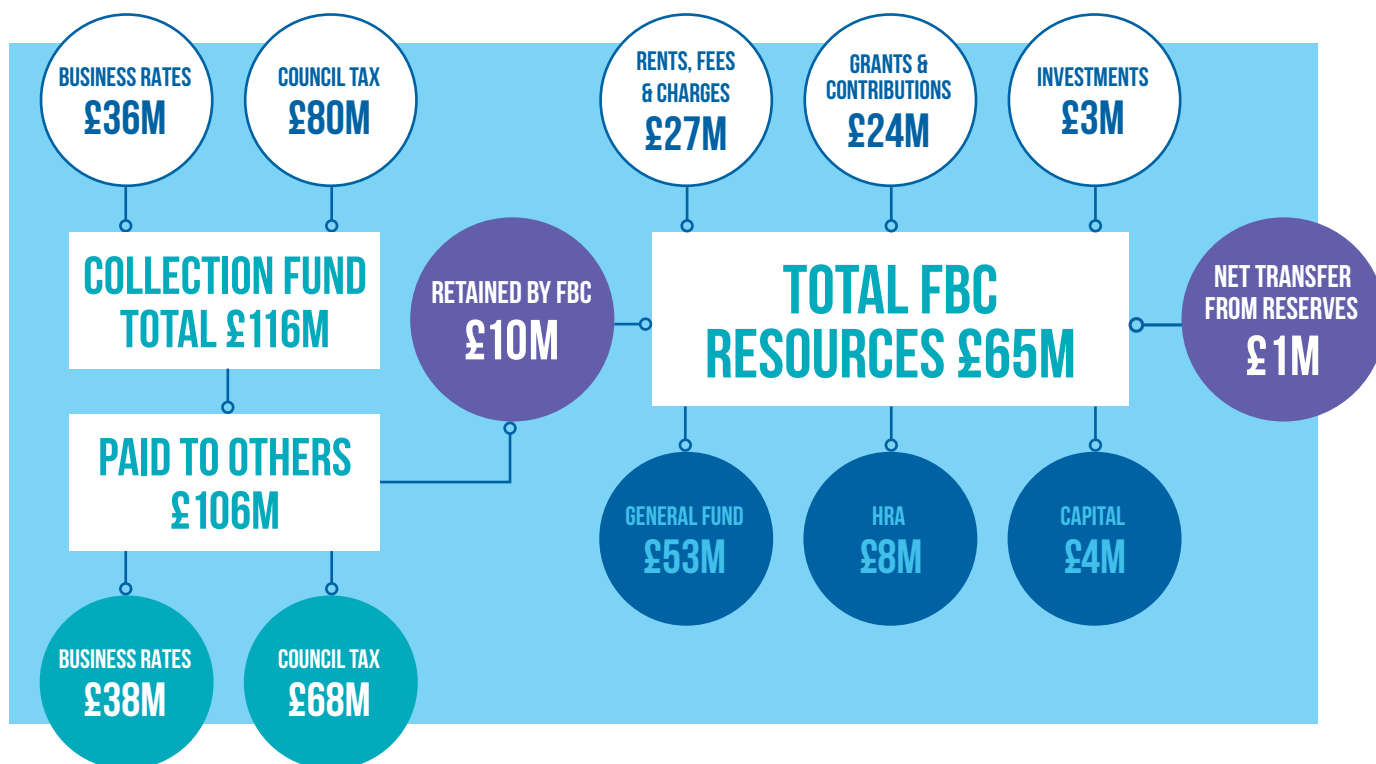
The following sections provide further details of the financial and non-financial performance of the Council.

Detailed Revenue Income and Expenditure 2021/22

Sources of Revenue Funding

The diagram below gives an overview of the Revenue flows in and out of the Council in the General Fund and Housing Revenue Account

in the year. It shows that, although the Council manages the Collection Fund cash flow for the area, it only retains a small proportion for our use.



Central Government Funding

2021/22 was Year Six of the Government's finance settlement. This meant the Council did not receive Revenue Grant Support (RSG) as the final payment of £288,000 was received in 2017/18. However, for the 2021/22 financial year it was announced there would be a Lower Tier Services Grant worth £153,700 to Fareham which we received.

The non-specific Grant funding received from the Department of Levelling Up, Housing and Communities for the year was a New Homes Bonus of £239,800. This had again reduced by another £462,200 (66%) under the revised 2017 scheme, due to the 2017/18 year dropping out of the calculation and this being the first year that no additional years were added in.

However, the Council did receive Covid Support Funding in the year which included:

- £0.35 million Sales, Fees & Charges Compensation Grant
- £0.45 million Local Government Support Grant
- £0.31 million of new burdens and admin grants

Government Grants to Services

It was another successful year in terms of securing other specific service grant funding.

Examples are shown below.

Funding to fully cover the cost of Disabled Facilities Grants awarded in the year of £793,000.

Funding towards homelessness initiatives of £928,000.

Funding towards supporting the reopening of High Streets after the pandemic of £271,000.

Funding towards coastal monitoring of £259,000.

Other Specific Covid Funding including Contain Outbreak Management Fund (£162,000), Compliance and Enforcement Grants (£41,000) and Clinically Extremely Vulnerable individuals funding (£42,000).

Income from Services

Discretionary fees and charges were generally increased in 2021/22 where it was deemed feasible to do so. Some income streams were slow to recover from the pandemic but others did increase quicker than expected. There were also new income streams introduced during the year in respect of garden waste collection and coastal car parking. These changes led to a total income of £6.7 million in the year which is a 31% increase on 2020/21 (£5.1 million).

Overall income from services, including rental and sales income, was £15.2 million; an increase of 12% on 2020/21.

INCOME SOURCES INCREASING

Town centre parking income recovered by **£618,000** (75%) compared to 2020/21.

Recycling income received was **£132,000** which was mainly due to an increase in the amount paid for recycled goods during the latter part of the year.

Gross income from the trade waste service increased by **£123,000**.

Planning application income increased by **£74,000** (11%) compared to 2020/21 as a result of an increase in applications.

NEW INCOME SOURCES

Garden waste service saw income of **£580,000** from one-off sales of bins and the collection service starting in February 2022. This was **£58,000** above the expected budget.

Charges for Coastal parking income commenced in August 2021 and brought in **£261,000** for the remainder of the year including **£63,000** for season tickets.

The effect of the loss of income from services has been offset by Government grant through the sales, fees and charges reduction funding which continued into the first quarter of 2021/22 with Fareham receiving a further £350,000. However, this funding did not apply to commercial activities such as tenants in the investment properties,

commercial or industrial estates or tenants at Daedalus. Work was carried out during the year with the tenants to balance protecting the Council's position against allowing tenants some breathing space to defer rent where necessary.

As part of the emergency budget setting provision in 2020/21 £950,000 was included for bad debts over a 3-year period to help with the potential loss of income from rents as well as losses through Council Tax and non-payment of Business Rates. At the end of 2021/22, only £357,000 of this provision was required and it is considered that the current bad debt provision is adequate to meet the risks of default currently identified. In particular, considerable activity had been carried out by estates officers to tackle a few commercial tenants with significant arrears.



Council Tax and Business Rates

The Council increased the rate of Council Tax by £5 for the seventh time since 2016/17. The increase was kept within Government referendum limits. The overall level for Council Tax for a band D property in the Borough was £1,877.97 of which £170.22 related to Fareham Borough Council funding. This compared to £1,732.02 and £165.22 in 2020/21 at which point we had one of the lowest Council Taxes for a District Council when parish precepts are taken into account.

Income due from Business Rates continued to be impacted by the Business Rates Discount schemes introduced by the Government to help businesses

through the pandemic. The Council was reimbursed for this loss of income through S31 grants. However, expected income was higher (£343,605 – 14%) than in 2020/21 and the actual income received was even higher (£671,409 – 27%).

As at the end of March 2022 we had collected 98.6% of Council Tax due and 98.86% of Business Rates due. This compares to 98.9% (Council Tax) and 93.6% (Business Rates) in 2020/21 and seems to show that businesses are recovering from the pandemic. There were continued problems with the Council being able to pursue debts through the courts during 2021/22, which are ongoing.



Trends in sources of funding

The diagram below summarises the reduction in general funding from the Government and the greater reliance now placed on local sources of income. It also shows the continued significance of the Covid support funding in 2021/22.

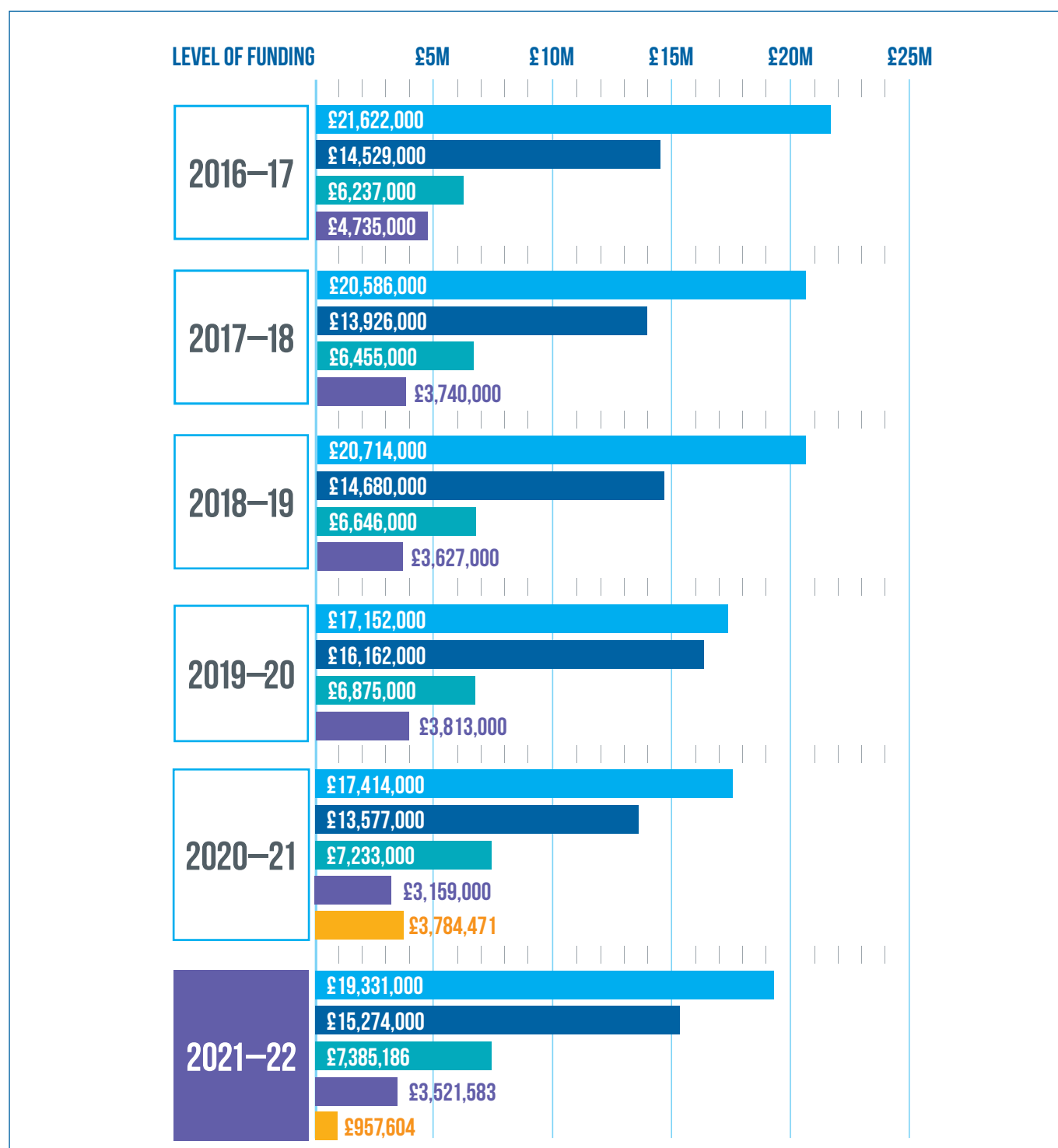
SPECIFIC GOVERNMENT GRANTS TO SERVICES

INCOME FROM SERVICES (INCLUDING RENTS, FEES AND CHARGES)

COUNCIL TAX PAYERS

CORE GOVERNMENT FUNDING (INCLUDING BUSINESS RATES)

COVID GENERAL GRANTS

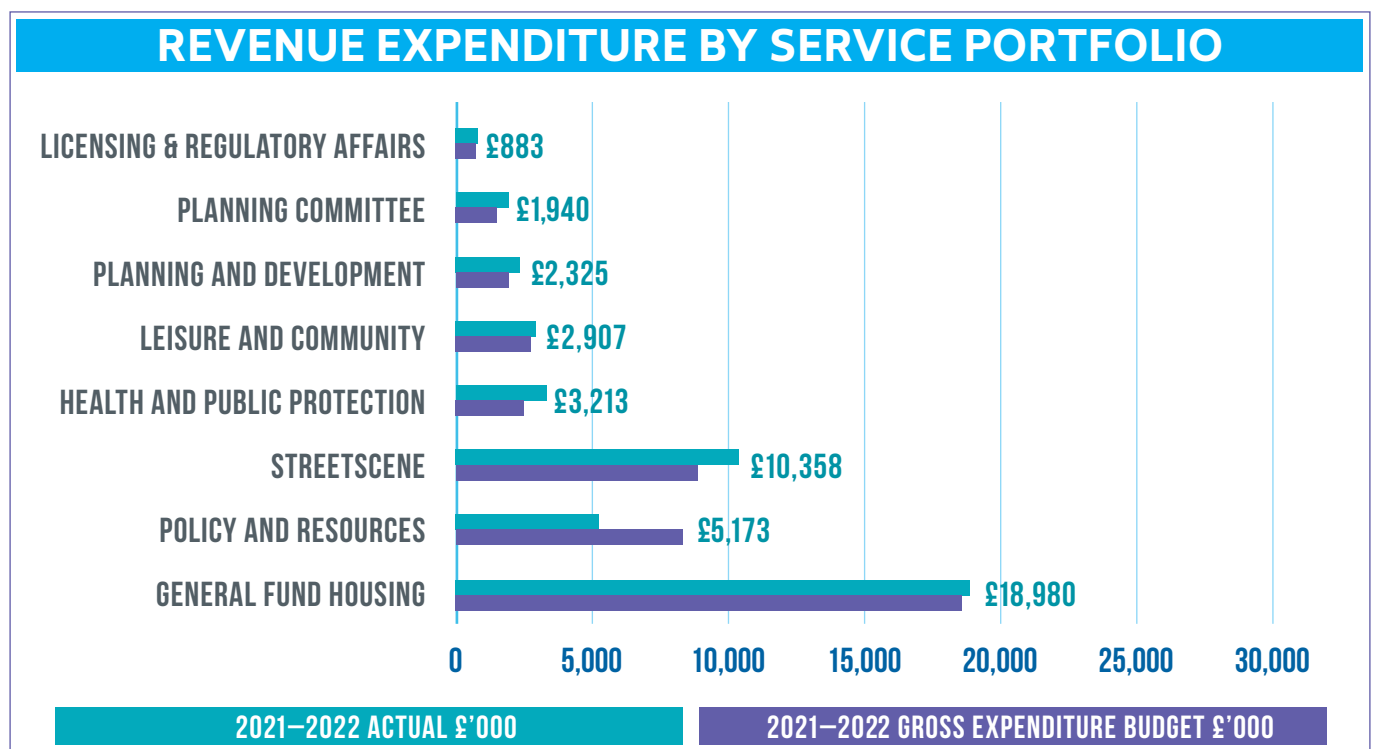




Revenue Spending on Services in 2021/22

The following chart shows how money has been spent across the Council's services. Spend on employees increased to 23% of the total spend

spent across the Council's services, compared to 21% last year.



Examples of services provided in 2021/22



Service changes, challenges and successes

It was a year with a considerable number of challenges.

As well as the continued Covid-specific responses mentioned earlier, other financial and non-financial service changes, challenges and successes included:

- **New Forest Recreational Disturbance:** the Council worked with other bodies in the Solent area, to address the Natural England position in relation to recreational disturbance impacts from new occupiers of development in Fareham on protected sites in the New Forest in order to allow residential developments to continue following the nitrates mitigation plan.
- **Homelessness:** the increased demand on the homelessness service continued. Some costs have been offset by grant received from
- Government but there was still a high impact on the Bed and Breakfast budget.
- **Vehicle Fleet:** introduction of first electric vehicle, and part of fleet changed to Hydrogenated vegetable oil fuel, with the latter increasing considerably in price as the war in Ukraine impacted on markets.
- **Planning:** submission of the Local Plan for examination and risk mitigation of it being found unsound.
- **Trees:** tree service review completed and policy and service provision changes introduced to help contain spending. Ash die back programme of works commenced as an area of extraordinary spend.
- **Coastal Habitat Protection:** use of Environmental Agency grant funding of over £200,000 to initiate



and undertake option appraisal, and develop outline designs for habitat creation at Hook Lake.

- **Crematorium:** it was another successful year for the Portchester Crematorium which generated a surplus leading to a contribution of £180,000 to the Council which was £10,000 above budget.
- **Housing:** during the year, 11 council homes were sold under the Right to Buy scheme (6 in 2020/21) although none were sold on the open market (2 in 2020/21). One shared ownership property was fully acquired by its owner. Two other properties that were 100% in private ownership were bought back.
- **Consultation:** there were still high levels of public engagement throughout the year. Over 2,860 people responded to 16 consultations and virtual events including responses to the Local Plan, the Homelessness and Rough Sleeping Strategy, options for Covid Business Support

and the Balancing the Books consultation about the way forward for funding the Council in future years.

- **Elections:** delivery of elections for District Council, County Council and Police and Crime Commissioner under social distancing conditions.

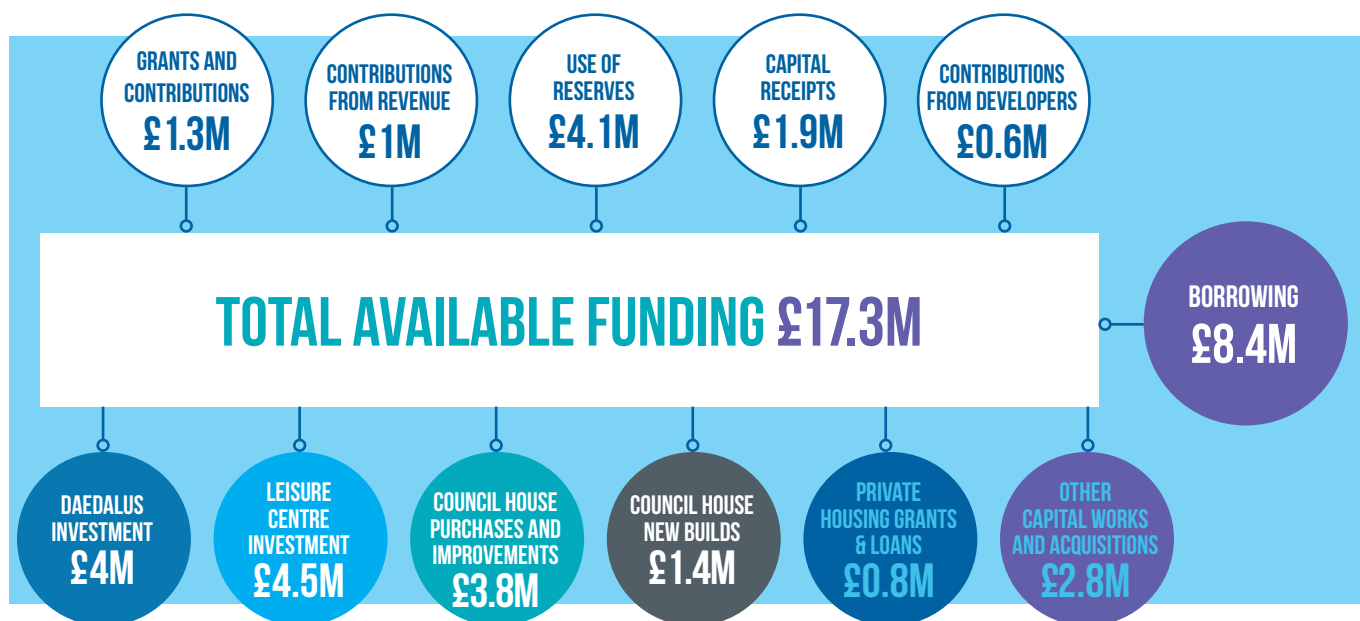


Major projects and Capital finances 2021/22

There was an increased spend on the Capital programme in 2021/22 totalling just over £17 million compared to £12 million in the previous year.

There was no further investment in Commercial Property acquisitions in the year, and the

most significant areas of spend was for capital improvement to the Leisure Centres, new buildings at the Faraday Business Park on the Daedalus site and Council House purchases and improvements.



Significant projects

WELBORNE

In 2021/22 the Council continued to resource activities to support the development of the site in the north of the Borough to deliver up to 6,000 more homes. The new community of Welborne has been given 'Garden Village' status by the Government. As part of this initiative there have been specific funding opportunities including:

- **£1,421,000 Capacity Funding and Garden Towns and Village funding received (including £116,850 for 2021/22).**
- **£65,000 from the Homes England Local Infrastructure Fund for the Railway Station Strategic Outline Business Case.**
- **Recoverable grant of up to £42 million, towards the motorway junction works.**

£860,030 of grant funding has now been used to progress the work streams involved with the development. Work in 2021/22 included:

- **The funding model for the Motorway junctions works were agreed and appropriate agreements put in place involving the master developer, Government and the Highways authority.**
- **Working with the master developer to achieve a Resolution to Grant outline planning permission for the Scheme from the Planning Committee in July 2021.**
- **Working with consultees and the master developer to agree for the Section 106 agreement which with outline planning permission issued September 2021.**





- **Working with consultees and the master developer to resolve the pre-commencement conditions to be discharged.**
- **Master developer commissioned techno-economic feasibility study of low carbon heat network options for the development.**

FAREHAM LIVE

Ferneham Hall, in the Borough, is being remodelled to deliver the vision of a new community, arts and entertainment facility for Fareham.

A revised tender process for the construction of the new venue was completed in 2021/2, and a preferred contractor selected for commencement in 2022/23. As expected prices had increased from initial estimates due to the market increase in raw material costs and building resources. A revised design and funding strategy has therefore been established.

The Council was unsuccessful in a Government Funding Application which, if successful, would have released the CIL contributions put aside for the build for other projects.

DAEDALUS

Developments at the former naval airfield at

Daedalus, now comprised of Solent Airport, Faraday Business Park, Daedalus Common and an adjacent play area, have continued in 2021/22.

The Council's vision is for Daedalus to become a premier location for aviation, aerospace engineering and advanced manufacturing businesses, creating many skilled employment opportunities for local people, which is underpinned by a vibrant and sustainable airfield. Building on the existing general aviation uses, the airfield will be an attractive destination for visiting aircraft and will offer the hangars, facilities, and services to attract more corporate and commercial aviation activities, allowing it to be self-sustaining in the medium term and contribute positively to the local community.

In 2021/22 the Council:

- **Developed the Daedalus Financial Strategy to establish a financial framework for the operation of the airport and investment at the wider Daedalus site, in support of the Council's Vision for Daedalus.**
- **Completed and launched four speculative commercial Units 14-17 on Spitfire Way at Faraday Business Park (£3.8 million in 2021/22).**

- Purchased land in Titchfield to provide environmental mitigation for future development at Daedalus (£280,000).
- Increased activity on aged debt collection.
- Achieved 100% occupancy of the business hangars at Solent Airport.
- Commissioned independent expert advice on the impact of economic changes on Solent Airport, the availability of investment finance, the specification of any new operator contract as well as risks and opportunities relating to the airport operation.
- Developed an Investment Plan for the Airport and secured capital funding for improvements to the taxiways, hangars, airport parking and fuelling services as well as for the installation of Aeronautical Ground Lighting and the development of a Performance Based Navigation system (£46,000 site wide investment in 2021/22).
- Commissioned and installed the Daedalus Gate Guardian sculpture (£90,000 in 2021/2).
- Progressed the development of Daedalus Common.
- Secured Civil Aviation Authority approval and implemented a new circuit pattern for training flights to reduce the airport's impact on local residents.

In 2021/22, the Council's activities at Daedalus returned £193,795 to the General Fund, an improvement of some £66,000 on the forecast budget position.



OTHER SIGNIFICANT CAPITAL PROJECTS

- **£1.4 million has been spent on new housing developments, with help from funding from Homes England. The housing development at Rose Court was completed bringing 12 homes into the housing stock.**
- **£757,000 was used to acquire a General Fund Housing property. Once conversion / improvement works are completed this will be a House of Multiple Occupancy for emergency accommodation purposes.**
- **£4.5 million has been invested in the Council's two Leisure Centres to enhance revenue positions to ensure that operation is self-financing over the course of the contract.**
- **£449,000 has been spent on the ICT development programme including purchase and implementation of the new finance system, migration from Oracle servers and investment in laptops and other equipment to facilitate new ways of working and paperless committees.**
- **Further £310,000 investment in play areas.**

Outlook for the Future: risks and pressures

The Medium-Term Finance Strategy (MTFS) for 2022/23, developed in January 2022, incorporated the work being achieved through the Opportunities Plan to date, with projects such as the introduction of charges for coastal parking and Green Waste collection continuing to feed through to the 2022/23 budgets.

However, despite such initiatives, the MTFS recognised that the Council will continue to face financial pressures and forecast a projected shortfall of £2.2 million up to 2025/26, even if Council Tax continues to rise by £5 a year.

General risks and pressures recognised in the MTFS include:

The full impact of the Fair Funding Review on the Council's core funding sources is not known. However, the New Homes Bonus payments are expected to carry on reducing and end by 2023/24.

The funding needs of the Council's corporate priorities have not been fully costed and built into the budgets.

There is a level of uncertainty surrounding the current economic climate with even more uncertainty as to the length of time the economy will take to recover after the Covid Pandemic.

Demand for Council services remains volatile in some services, and this may be heightened due to economic changes.

While the Council's capital resources are expected to exceed planned capital expenditure at the end of the programme period, future spending requirements could give rise to a shortfall. It is therefore imperative that capital reserves are replenished whenever possible in order to meet the future spending needs.

Hampshire County Council is also having funding pressures, and some of the decisions they may need to take may impact on Fareham Borough Council's finances.

There are also significant future pressures that have not yet been built into the forecasts such as the impact of future population increases in the Borough on Council services; the continued migration of the benefits process to Universal Credit and the centralisation of the Land Charges service.

The budget set for 2022/23 estimated a funding gap of over £1.1 million to be met by drawing down from general reserves. This is on the assumption that no further funding is received from the government to help alleviate the continued impacts of the pandemic on income streams in particular.

Long Term Risks to the Council

The greatest impact of the pandemic has undoubtedly been on local communities, and the Council has a key role to play, as a community leader, in supporting the community back to normality.

The Council has developed clear overarching objectives for recovery from the pandemic, accompanied by more detailed thematic plans for recovery within each of the following areas; the Community, Council Services, Public Spaces, the Economy, Democracy and Finance.

During 2022/23, the success of these plans will continue to be reviewed and any further work streams needed will be identified along with the financial implications.

While a gradual return of most income streams is continuing, and as costs return to normal operational levels, the Council is not anticipating that this will necessarily be to the levels previously observed or budgeted.

The economic uncertainty presents a significant financial challenge as demand for welfare services increases and income-generating services may decline, particularly in those areas that are more susceptible to economic fluctuations (such as building regulations applications and commercial property).

Other risks are also starting to emerge in relation to cost of living increases, partly fuelled by the Russian invasion of Ukraine. The economy is seeing a rise in inflation partly due to shortages in the labour market. These are affecting expenditure streams such as vehicle fuel, electricity costs, construction costs (labour and materials) and other commodity purchases.

It is also likely that the Government will be looking for opportunities to make spending cuts affecting local government as they seek to reverse the increase in borrowing arising from the pandemic.



Financial Outlook, Reserves, Financial Performance and Reporting

Going forward, the approach to Financial Recovery will be to continue to assess the financial impact of Covid and non-Covid pressures and take measures, to protect the Council's financial standing and ensure its position as a going concern is not compromised.

The Council's main priorities are to produce sustainable spending plans, maintain adequate reserves and to continue to minimise increases in the net revenue budget, such that increases in Fareham's proportion of the council tax are not excessive.

The Council will also continue to strive to maximise the benefit achievable from any residual reserves it has to deliver the corporate priorities and support the overall Council's financial position in the longer term.

The forecasts in the Medium-Term Finance Strategy (MTFS) are being regularly updated and discussed to ensure there is clarity about the scale of the financial exposure, together with the opportunities available to minimise costs and secure funding support.

They will also monitor the likelihood that the Council's reserves will continue to be needed to maintain a balanced budget over the coming years and any risk to being able to maintain a healthy level of reserves.

The Council obtains regular updates from its Treasury Advisers to update the forecasts for the general economy to feed into the Medium-Term Finance Strategy.

The predictions are being shared with the Senior Management Team and members to agree action as appropriate.

The current predictions show that, despite all the actions taken to date, there is likely to be a funding shortfall starting in 2022/23, if no action is taken. Whilst there are General Fund reserves in place to meet this shortfall, a prudent financial management approach will be taken to address this position.

In particular, the Opportunities Plan work is being reviewed to continue to find further ways to reduce costs and increase income from the Council's services.

Actions are also being taken to continually improve financial forecasting processes including:

The Council has invested in a modern financial management system which was implemented by March 2022. This includes integrated budgeting and forecasting tools to assist the finance teams in providing timely and accurate financial predictions.

The Council is invigorating its Corporate Financial Forecasting process by developing integrated financial reporting and drill downs for the finance managers to quickly review areas of spend and income trends.

The Council is improving the quality of financial information to budget holders to assist them in knowing and understanding their spend, and identifying where timely action is needed to prevent budget spending pressures.

The Council continues to look for opportunities to learn from others (eg other councils and software suppliers) on ways to maximise the effectiveness of our budgeting and forecasting processes, and harness the knowledge of the Finance Business Partners.



Explanation to accounting statements

The Statement of Accounts sets out the Council's income and expenditure for the year, and its financial position at 31 March 2022. It comprises core supplementary statements, together with disclosure notes. The format and content of the

financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, which is turn is underpinned by International Financial Reporting Standards.

The Core Financial Statements are:

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

- Records all of the Council's income and expenditure for the year.
- Top half of the statement provides an analysis by Council Portfolio.
- Bottom half deals with corporate transactions and funding.

BALANCE SHEET

- A snapshot of the Council's assets, liabilities, cash balances and reserves at the year-end date.

MOVEMENT IN RESERVES STATEMENT

- A summary of changes to the Council's reserves over the course of the year.
- Reserves are divided into "usable" which can be invested in capital projects or service improvement and "unusable" which must be set aside for specific purposes.

CASH FLOW STATEMENT

- Shows the reason for changes in the Council's cash balances during the year and whether that change is due to operating activities, new investment, or financing activities (such as repayment of borrowing and other long term liabilities).

The **Notes** to these financial statements provide more detail about the Council's accounting policies and individual transactions.

The Supplementary Financial Statements are:

HOUSING REVENUE ACCOUNT

- Separately identifies the Council's statutory landlord function as a provider of social housing under the Local Government and Housing Act 1989.

COLLECTION FUND

- Summarises the collection of Council Tax and Business Rates, and the redistribution of some of that money to central Government, Hampshire County Council, Hampshire Fire and Rescue Authority and the Police and Crime Commissioner for Hampshire.

A **Glossary of key terms** can be found at the end of this publication.

Statement of Responsibilities for the Statement of Accounts

The Council's responsibilities

The Council is required to:

- **Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. This is the Deputy Chief Executive Officer.**
- **Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.**
- **Approve the Statement of Accounts.**
Responsibility for this has been delegated to the Audit and Governance Committee.

The Deputy Chief Executive Officer's responsibilities

The Deputy Chief Executive Officer is responsible for the preparation of the Council's Statement of Accounts which, in terms of the CIPFA Code of Practice on Local Authority Accounting in Great Britain ('the Code'), are required respectively to present fairly the financial position of the Council at the accounting date and the income and expenditure for the year then ended.

In preparing this Statement of Accounts, the Deputy Chief Executive Officer has:

- **Selected suitable accounting policies and then applied them consistently except where policy changes have been noted in these accounts.**
- **Made judgements and estimates that were reasonable and prudent.**
- **Complied with the Code.**

The Deputy Chief Executive Officer has also:

- **Kept proper accounting records which were up to date.**
- **Taken reasonable steps for the prevention and detection of fraud and other irregularities.**

Andrew Wannell CPFA
Deputy Chief Executive Officer

Date: 21 November 2022.

Approval of the Statement of Accounts

The Statement of Accounts was approved by Fareham Borough Council's Audit and Governance Committee.

Councillor Frair Burgess
Chairman of the Audit and Governance Committee

Date: 21 November 2022.



CORE FINANCIAL STATEMENTS

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Council raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement in note 10.

Gross Exp £'000	2020/21		Note	2021/22		Net Exp £'000
	Gross Income £'000	Net Exp £'000		Gross Exp £'000	Gross Income £'000	
602	(184)	418	Licensing and Regulatory Affairs Committee	883	(400)	483
1,518	(669)	849	Planning Committee	1,940	(749)	1,191
19,226	(17,180)	2,046	Housing Portfolio	18,980	(16,696)	2,284
9,466	(12,573)	(3,107)	Housing Revenue Account	4,791	(12,900)	(8,109)
4,235	(143)	4,092	Leisure and Community Portfolio	2,907	(421)	2,486
1,928	(301)	1,627	Planning and Development Portfolio	2,325	(501)	1,824
13,625	(7,649)	5,976	Policy and Resources Portfolio	12,425	(6,794)	5,631
2,187	(939)	1,248	Health and Public Protection Portfolio	3,213	(1,819)	1,394
9,583	(2,261)	7,322	Streetscene Portfolio	10,358	(3,248)	7,110
62,370	(41,899)	20,471	Cost of Services	57,822	(43,528)	14,294
Other Operating Expenditure						
	(521)		(Gain)/loss on disposal of assets			(574)
	196		Housing capital receipts			196
Financing and Investment Income and Expenditure						
	1,495		Interest payable			1,440
	(472)		Interest receivable			(403)
	248		Changes in impairment loss allowance			41
	(936)		Net (gain)/losses on financial assets at fair value through profit and loss			(413)
	1,409		Pension net interest cost	17		1,465
	3,437		Changes in fair value of investment properties	19		(8,035)
	(3,975)		Investment properties rental and expenses	19		(4,152)
Taxation and Non-Specific Grant Income						
	(7,186)		Council tax income			(7,454)
	(2,880)		Non-domestic rates income			(3,132)
	(5,511)		Grants and contributions not distributable to services	11		(2,735)
5,775			(Surplus)/Deficit on Provision of Services			(9,462)
	(6,007)		(Surplus)/deficit on revaluation of property, plant and equipment assets			(13,894)
	5,309		Pension liability re-measurements	17		(21,653)
(698)			Other Comprehensive Income and Expenditure			(35,547)
5,077			Total Comprehensive Income and Expenditure			(45,009)

Balance Sheet

The Balance Sheet shows the values of assets and liabilities held by the Council. The net assets are matched by the reserves. The reserves are presented within two categories, usable and unusable reserves. Usable reserves may be used to provide services subject to statutory limitations on their use and the need to maintain prudent level of reserves for financial stability. Unusable reserves cannot be used to fund services.

31 March 2021 £'000	Note	31 March 2022 £'000
	Property, Plant and Equipment	18
127,639	- Council dwellings	135,159
92,714	- Other land and buildings	110,592
3,764	- Vehicles, plant and equipment	4,205
1,148	- Infrastructure	1,130
335	- Community assets	333
3,343	- Assets under construction	1,357
60,301	Investment properties	19
163	Heritage assets	154
275	Intangible assets	466
11,475	Long term investments	28
85	Long term debtors	74
301,242	Total long term assets	333,695
83	Short term investments	28
280	Assets held for sale	2,245
102	Inventories	98
16,953	Short term debtors	21
408	Payments in advance	417
7,151	Cash and cash equivalents	28
24,977	Current assets	19,799
(625)	Bank Overdraft	28
(15,985)	Short term borrowing	28
(24,993)	Short term creditors	22
(109)	Depositors	(126)
(2,743)	Provisions	23
(44,455)	Current liabilities	(45,008)
(4,497)	Receipts in advance - capital grants	24
(4,352)	Receipts in advance - revenue grants	24
(40,000)	Long term borrowing	28
(3,137)	Long term creditors	(3,159)
(71,076)	Pension scheme liability	17
(123,062)	Long term liabilities	(104,775)
158,702	Net assets	203,711
52,758	Usable reserves	48,780
105,944	Unusable reserves	27
158,702	Total Reserves	203,711

Certification by the Chief Financial Officer

I certify that the Statement of Accounts presents a true and fair view of the financial position as at 31 March 2022 and its income and expenditure for the year then ended.



Andrew Wannell CPFA, Deputy Chief Executive Officer, 29 July 2022

Movement in Reserves Statement

The Movement in Reserves Statement shows the movement in year on reserve balances held by the Council analysed into usable reserves, which may be used to fund expenditure or reduce local taxation, and unusable reserves. The Statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted practices and the statutory adjustments required to return to the amounts chargeable to council tax or rents for the year.

	General Fund Balance £'000	Ear-marked Reserves £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000
Balance at 31 March 2021	9,890	25,795	579	2,318	8,120	6,056	52,758	105,944	158,702
Movement in reserves in year									
Total Comprehensive Income and Expenditure	2,367	-	7,095	-	-	-	9,462	35,547	45,009
Adjustments between accounting basis and funding basis under regulations	(7,227)	-	(5,941)	(325)	(423)	476	(13,440)	13,440	-
Transfers to/(from) earmarked reserves	5,072	(4,549)	(523)	-	-	-	-	-	-
Increase/(decrease) in year	212	(4,549)	631	(325)	(423)	476	(3,978)	48,987	45,009
Balance at 31 March 2022	10,102	21,246	1,210	1,993	7,697	6,532	48,780	154,931	203,711

	General Fund Balance £'000	Ear-marked Reserves £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000
Balance at 31 March 2020	8,221	18,934	798	2,317	8,735	6,143	45,148	118,631	163,779
Movement in reserves in year									
Total Comprehensive Income and Expenditure	(7,760)	-	1,985	-	-	-	(5,775)	698	(5,077)
Adjustments between accounting basis and funding basis under regulations	16,468	-	(2,382)	1	(615)	(87)	13,385	(13,385)	-
Transfers to/(from) earmarked reserves	(7,039)	6,861	178	-	-	-	-	-	-
Increase/(decrease) in year	1,669	6,861	(219)	1	(615)	(87)	7,610	(12,687)	(5,077)
Balance at 31 March 2021	9,890	25,795	579	2,318	8,120	6,056	52,758	105,945	158,702

Cash Flow Statement

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

2020/21 £'000		Note	2021/22 £'000
(5,775)	Net surplus/(deficit) on the provision of services		9,462
31,351	Adjustments to surplus/(deficit) on the provision of services for non-cash movements	32	3,700
(2,974)	Adjustments for items included in the net surplus/(deficit) on the provision of services that are investing and financing activities	33	(2,989)
22,602	Net Cash Flows from Operating Activities		10,173
	Investing Activities		
(11,506)	Purchase of property, plant and equipment, investment property and intangible assets		(16,160)
-	Purchase of short and long term investments		-
1,781	Proceeds from property, plant and equipment, investment property and intangible assets		1,674
985	Other receipts from investing activities		1,681
(8,740)	Net Cash Flows from Investing Activities		(12,805)
	Financing Activities		
3,339	Cash receipts of short and long term borrowing		231
(10,972)	Other receipts from financing activities		7,867
(5,000)	Repayments of short and long term borrowing		(3,000)
(12,633)	Net Cash Flows from Financing Activities		5,098
1,229	Net increase/(decrease) in cash and cash equivalents		2,466
5,297	Cash and cash equivalents at the beginning of the reporting period		6,526
6,526	Cash and cash equivalents at the end of the reporting period		8,992



NOTES TO THE ACCOUNTS

Note 1 Going Concern

The Statement of Accounts has been prepared on a going concern basis with no material uncertainties identified. The Statement of Accounts has been prepared on a going concern basis with no material uncertainties identified. Although the Covid-19 restrictions were reduced during 2021/22 they continued to leave issues for many businesses and residents with some continuing to experience difficulties into the 2021/22 financial year with some Council income affected as payers continued to seek to defer payments or were unable to pay at all.

Many areas have seen a recovery during 2021/22:

- Car Parking – town centre parking has seen levels increase to around £1.3 million for the year but this still remains over £0.5 million below the last full year of income before the impacts of COVID.
- Trade Waste – this service saw a small increase in the service during 2021/22 with income almost topping £1 million during the year
- Commercial Income – The loss on commercial income was not as big as expected although many businesses had revised payment arrangements some of which will continue into 2021/22 and beyond.

An additional bad debt provision of £950,000 covering a 3-year period from 2020/21 will provide some cover for reduced rental income from commercial properties and loss of business rates and council tax payments. In 2020/21 less than half of this provision was required and less than 40% of the £300,000 allocated in 2021/22 was required.

The Government continued to support local authorities financially during 2021/22 with grants totalling over £1m being received by the Council.

The Council's revised 5-year financial forecast for the Medium-Term Finance Strategy (MTFS) was presented to the October 2021 Executive taking into account the future impacts of the pandemic and other operational changes. The MTFS will be updated during 2022/23 to take into account continuing events and the impact on services and Council reserves.

The effects of this going forward over the Strategy period is shown in the table below along with the impact on the General Fund reserve balance:

£'000	2021/22	2022/23	2023/24	2024/25	2025/26
Approved MTFS Deficit Position	2,282	706	594	452	N/A
Revised MTFS Forecast Deficit Position	-	1,265	749	1,169	1,236
General Fund Reserve Balance	4,946	3,681	2,932	1,763	527

During 2021/22 there were two new income streams introduced to help reduce the gap in the Council's finances. Charges for coastal car parking were introduced with a view to generating £400,000 of income each year. Also there was a charge for the garden waste collection service that saw a higher than anticipated take up of the service with income anticipated to reach £1 million by the end of 2022/23.

Going forward the cost of living crisis will impact Council finances in 2022/23 and beyond. The pay award for April 2022 is yet to be settled but with inflation climbing month by month careful financial planning will be needed to ensure that reserves are kept at a healthy level.

There has been a less significant impact of Covid-19 on the Housing Revenue Account which made a surplus of £631,000 against an original budgeted breakeven position in 2021/22.

The Council has undertaken cash flow modelling through to March 2024 which demonstrates the Council's ability to work within its authorised borrowing limit of £147 million in 2022/23 and £156 million in 2023/24. Based on its cash flow forecasting and the resultant liquidity position, the Council expects to have short-term borrowings of approximately £10 million at 31 March 2023, a decrease of £5m on last year with £4.5m longer-term planned borrowing for the Housing Revenue Account. The Council's short-term borrowing continues to be for financing capital expenditure. The Council will actively manage the cash position through daily treasury

management controls and has access to short-term borrowing from other local authorities and the Public Loans Work Board to meet its liquidity needs.

As we transition into Recovery, a robust and comprehensive approach to predicting the longer-term financial impact has been established. This will ensure that measures can be taken, where necessary, to protect the Council's financial standing and ensure its position as a going concern is not compromised.

Note 2 Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Deputy Chief Executive Officer (Section 151 Officer) on 29 July 2022. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Note 3 Expenditure and Funding Analysis

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

2020/21			2021/22			
Net Expenditure Chargeable to the General Fund and HRA Balances £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Compre- hensive Income and Expenditure Statement £'000		Net Expenditure Chargeable to the General Fund and HRA Balances £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Compre- hensive Income and Expenditure Statement £'000
412	6	418	Licensing and Regulatory Affairs Committee	477	6	483
834	15	849	Planning Committee	1,177	14	1,191
1,991	55	2,046	Housing Portfolio	2,202	82	2,284
(3,919)	812	(3,107)	Housing Revenue Account	(5,396)	(2,713)	(8,109)
1,461	2,631	4,092	Leisure and Community Portfolio	848	1,638	2,486
1,521	106	1,627	Planning and Development Portfolio	1,718	106	1,824
2,006	3,970	5,976	Policy and Resources Portfolio	3,429	2,202	5,631
1,657	(409)	1,248	Health and Public Protection Portfolio	844	550	1,394
5,773	1,589	7,322	Streetscene Portfolio	6,349	761	7,110
11,696	8,775	20,471	Cost of Services	11,648	2,646	14,294
(20,007)	5,311	(14,696)	Other Income and Expenditure	(7,942)	(15,814)	(23,756)
(8,311)	14,086	5,775	(Surplus)/Deficit	3,706	(13,168)	(9,462)
(9,019)			Opening General Fund and HRA Balance at 1 April	(10,470)		
(8,311)			Less Surplus/(Deficit) on General Fund and HRA Balance in Year	3,706		
6,861			Less Transfers (to)/from Earmarked Reserves	(4,548)		
(10,470)			Closing General Fund and HRA Balance at 31 March	(11,312)		

Note 4 Note to the Expenditure and Funding Analysis

This note provides a reconciliation of the main adjustments to the net expenditure chargeable to the General Fund and the HRA balances to arrive at the amounts in the Comprehensive Income and Expenditure Statement.

2021/22				
Adjustments from General Fund and HRA to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (1) £'000	Net Changes for the Pension Adjustments (2) £'000	Other Differences (3) £'000	Total Adjustments £'000
Licensing and Regulatory Affairs Committee	6	-	-	6
Planning Committee	14	-	-	14
Housing Portfolio	82	-	-	82
Housing Revenue Account	(3,645)	932	-	(2,713)
Leisure and Community Portfolio	1,638	-	-	1,638
Planning and Development Portfolio	106	-	-	106
Policy and Resources Portfolio	2,202	-	-	2,202
Health and Public Protection Portfolio	550	-	-	550
Streetscene Portfolio	761	-	-	761
Net Cost of Services	1,714	932	-	2,646
Other income and expenditure from the Expenditure and Funding Analysis	(14,365)	4,119	(5,568)	(15,814)
Difference between General Fund and HRA surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(12,651)	5,051	(5,568)	(13,168)

2020/21				
Adjustments from General Fund and HRA to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (1) £'000	Net Changes for the Pension Adjustments (2) £'000	Other Differences (3) £'000	Total Adjustments £'000
Licensing and Regulatory Affairs Committee	6	-	-	6
Planning Committee	15	-	-	15
Housing Portfolio	55	-	-	55
Housing Revenue Account	191	621	-	812
Leisure and Community Portfolio	2,631	-	-	2,631
Planning and Development Portfolio	106	-	-	106
Policy and Resources Portfolio	3,970	-	-	3,970
Health and Public Protection Portfolio	(409)	-	-	(409)
Streetscene Portfolio	1,589	-	-	1,589
Net Cost of Services	8,154	621	-	8,775
Other income and expenditure from the Expenditure and Funding Analysis	(3,226)	2,797	5,740	5,311
Difference between General Fund and HRA surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	4,928	3,418	5,740	14,086

Notes

1) Adjustments for Capital Purposes:

Net Cost of Services - Adjusts for depreciation, impairment charges and revaluation gains and losses in the service lines along with adjustments for non-capitalised expenditure and associated contributions from the Council's capital programme.

Other Income and Expenditure from the Expenditure and Funding Analysis

- Capital disposals with a transfer of income on disposal of assets and the amounts written off.
- Housing capital receipts which have been pooled to Central Government.
- Statutory charges for capital financing i.e. minimum revenue provision and other revenue contributions deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Capital grants adjusted for income not chargeable under generally accepted accounting practise. Revenue and capital grants adjusted from those received in the year to those received without conditions or for which conditions were satisfied throughout the year.

2) Net Changes for the Pension Adjustments:

The removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income are reflected as follows:

Net Cost of Services - the removal of the employer pension contributions made by the Council as determined by statute and their replacement with current service costs and past service costs.

Other Income and Expenditure from the Expenditure and Funding Analysis - the net interest on the defined benefit liability is charge to the Comprehensive Income and Expenditure Statement.

3) Other Differences:

For reporting to management, the Council includes rental income from investment properties in the Policy and Resources Portfolio. However, this is reported in the Comprehensive Income and Expenditure Statement below the net cost of service line.

Note 5 Expenditure and Income Analysed by Nature

The Council's expenditure and income is analysed as follows.

Expenditure/Income	2021/22 £'000	2020/21 £'000
Expenditure		
Employee benefits expenses	18,246	16,507
Other services expenses	43,144	45,793
Support service recharges	(214)	(914)
Interest payments	1,440	1,818
Depreciation, amortisation and impairment	(10,405)	6,275
Gain/loss on financial assets	(413)	(936)
Payments to housing receipts pool	196	196
Gain/loss on the disposal of assets	(574)	(521)
Total Expenditure	51,420	68,218
Income		
Fees, charges and other service income	(27,678)	(26,034)
Interest and investment income	(403)	(662)
Income from council tax and non-domestic rates	(10,586)	(10,066)
Government grants and contributions	(22,215)	(25,681)
Total Income	(60,882)	(62,443)
(Surplus)/Deficit on Provision of Services	(9,462)	5,775

Note 6 Segmental Income

Revenues received from external customers on a segmental basis is analysed below.

Services	2021/22 £'000	2020/21 £'000
Licensing and Regulatory Affairs Committee	388	184
Planning Committee	749	669
Housing Portfolio	953	959
Housing Revenue Account	12,900	12,573
Leisure and Community Portfolio	271	143
Planning and Development Portfolio	124	49
Policy and Resources Portfolio	3,661	4,015
Health and Public Protection Portfolio	1,754	876
Streetscene Portfolio	3,248	2,261
Total Income Analysed on a Segmental Basis	24,048	21,729

Note 7 New Accounting Standards yet to be adopted

At the Balance Sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

- Annual Improvements to IFRS Standards 2018–2020. The annual IFRS improvement programme notes 4 changed standards :
 - IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
 - IAS 37 (Onerous contracts) – clarifies the intention of the standard
 - IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material
 - IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).

These amendments are minor and not expected to have a material impact on the Statement of Accounts.

Note 8 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in note 34, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

Asset Reclassifications - The Council has made judgements on whether assets are classified as Investment Property, Heritage Asset 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 the asset has historical, artistic, scientific, technological, geophysical or environmental qualities and are held and maintained principally for their contribution to knowledge and culture it is deemed to be a Heritage Asset. If there is no subsidy and/or full market rent is being charged this would indicate that the asset is an Investment Property. The classification determines the valuation method to be used.

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

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

Future Funding for Local Government - There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that it is not yet necessary to consider the impairment of any assets for this reason, which would otherwise be necessary if facilities were required to close.

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

Doubtful Debts Allowances - The Council has made judgements about the level of doubtful debts allowances that it needs to provide for. These judgments are based on historical experience of debtor defaults and what the Council believes to be a prudent but realistic level.

Group Accounts - The Council has made a judgement not to produce Group Accounts. The Portchester Crematorium Joint Committee (PCJC) is classified as an Associate of the Council and under the Code the Council would recognise in its group financial statements its share of PCJC's net assets. Group Accounts have not been produced as the differences between the Council's group and single entity accounts would be very minor.

Covid-19 Business Grants – As part of the Covid-19 response, the government announced a range of grant schemes to support local businesses. The Council, as billing authority, were responsible for paying over the grants to the businesses and were then reimbursed by government under Section 31 of the Local Government Act 2003. The Council has made judgements about the treatment of these grants and whether the Council is acting as a principal or agent. Of the £5.9 million grants received during 2021/22, £5 million were treated as agent transactions, of which £4.2 million were applied, £0.6 million were repaid and the balance of £0.2 million shown as a government creditor. £1 million were treated as principal transactions and were applied. Of the £35.1 million received during 2020/21, £30.5 million were treated as agent transactions, of which £26 million are now applied, £2.2 million were repaid and the balance of £2.3 million shown as a government creditor. £4.6 million were treated as principal transactions, of which £4.4 million were applied and the balance of £0.2 million shown as receipts in advance.

Note 9 Assumptions made about the future and other sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are explained in the table below.

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the service being delivered by the asset and the level of repairs and maintenance that will be incurred in relation to individual assets.	If the useful life of assets is reduced, depreciation increases resulting in a fall in the carrying value of assets. It is estimated that the annual depreciation charge for all assets would increase by £377,272 (2020/21 £408,379) for every year that useful lives had to be reduced.
Investment Property	The Council's valuers use valuation techniques to determine the fair value of investment property. This involves developing estimates and assumptions consistent with how market participants would price the property. The valuers base their assumptions on observable data as far as possible, but this is not always available. In that case, the valuers use the best information available.	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 properties were to reduce by 10% this would lead to a reduction in value of £6.8 million.
Council Dwellings	Council dwellings are valued based on a beacon methodology. Each beacon property is considered individually using comparable properties to give evidence of value, utilising sales figures from the Land Registry, marketing details from local estate agents and regional and national indices.	A reduction in the estimate value of Council dwellings would be a reduction in the revaluation reserve or a loss in the Comprehensive Income and Expenditure Statement. If the value of dwellings were to reduce by 10% this would lead to a reduction in value of £13.5 million.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. Note 17 provides details of the impact of changes to the key assumptions.
Financial Assets and Liabilities	Estimation of fair values for financial assets and liabilities are based on current lending rates for equivalent loans and investments. These are provided by the Council's treasury advisors.	Fair value estimates do not apply to instruments which mature within the next 12 months. The values are disclosed as a note to the accounts and do not impact on the primary statements.
Bad Debt Provision	The Council has made allowances for doubtful debts of £2.6 million (2020/21 £2.2 million) based on what it believes to be a prudent but realistic level. The economic impact of the Covid-19 pandemic has made the estimation of	If collection rates were to deteriorate or improve, a 5% change would require an adjustment to the allowance of £130,000 (2020/21 £110,000).

debt impairment more difficult as there is more uncertainty about the economic viability of debtors and hence their ability to settle their debts.

Provisions	The Council has made provisions for outstanding insurance claims, accumulated absences and land charges. The calculation for accumulated absences is based on an average of annual leave accrued over 4 years and the total of flexi leave at year end.	A 10% increase or decrease in provisions would require an adjustment of £58,000 (2020/21 £29,900).
Business Rates Appeals Provision	Under the business rates retention scheme, which came into effect on 1 April 2013, the Council has assumed some liability for refunding ratepayers who successfully appeal against the rateable value of their properties on the rating list. The estimate for the provision is based on software modelling and the latest list of outstanding rating list proposals provided by the Valuation Office Agency. The estimate looks at changes in comparable properties market trends and other valuation issues including the potential for certain proposals to be withdrawn.	The Council has made an allowance of £7.1 million (2020/21 £6.1 million) for these refunds within the Collection Fund. The Council's share of the provision is £2.8 million (2020/21 £2.4 million) which has reduced the amount of income that is distributed from the Collection Fund to the Council's General Fund. A 10% increase or decrease in the Council's share of the provision would require an adjustment of £284,000 (2020/21 £244,400).

Note 10 Adjustments between Accounting Basis and Funding Basis under Regulation

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2021/22	General Fund Balance £'000	Ear-marked Reserves £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Unusable Reserves £'000
Capital Adjustment Account							
Depreciation and impairment of non-current assets	3,460	-	2,759	-	-	-	(6,219)
Revaluation losses on property, plant and equipment	1,925	-	(5,170)	-	-	-	3,245
Revaluation of investment properties	(8,021)	-	(14)	-	-	-	8,035
Amortisation of intangible assets	-	-	28	-	-	-	(28)
Capital grants and contributions applied	(1,010)	-	(452)	-	-	(240)	1,702
Revenue Expenditure funded from capital under statute	793	-	-	-	-	-	(793)
Property written out on disposal	294	-	779	-	-	-	(1,073)
Statutory provision for the financing of capital investment	(1,187)	-	-	-	-	-	1,187
Capital expenditure charged to the General Fund and HRA Balances	(1,137)	-	(740)	-	-	-	1,877
Capital Grants Unapplied Account							
Capital grants and contributions unapplied	(716)	-	-	-	-	716	-
Capital Receipts Reserve							
Proceeds from disposal of property	(348)	-	(1,300)	-	1,648	-	-
Capital receipts applied	-	-	-	-	(1,920)	-	1,920
Housing and other capital receipts	(19)	-	(15)	-	45	-	(11)
Payments to the Government housing capital receipts pool	196	-	-	-	(196)	-	-
Major Repairs Reserve							
Depreciation re-credited to HRA	-	-	(2,759)	2,759	-	-	-
Major Repairs Reserve to finance new capital expenditure	-	-	-	(3,084)	-	-	3,084
Pension Reserve							
Net charges for retirement benefits	6,218	-	1,369	-	-	-	(7,587)
Employer's contribution to Pension Fund/ to pensioners	(2,099)	-	(437)	-	-	-	2,536
Collection Fund Adjustment Account							
Collection Fund adjustment	(5,422)	-	-	-	-	-	5,422
Accumulated Absences Account							
Accumulated Absences	259	-	11	-	-	-	(270)
Pooled Fund Adjustment Account							
Financial Assets	(413)	-	-	-	-	-	413
Total Adjustments	(7,227)	-	(5,941)	(325)	(423)	476	13,440

2020/21	General Fund Balance £'000	Ear-marked Reserves £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Unusable Reserves £'000
Capital Adjustment Account							
Depreciation and impairment of non-current assets	3,482	-	2,691	-	-	-	(6,173)
Revaluation losses on property, plant and equipment	4,504	-	730	-	-	-	(5,234)
Revaluation of investment properties	3,408	-	29	-	-	-	(3,437)
Amortisation of intangible assets	-	-	5	-	-	-	(5)
Capital grants and contributions applied	(821)	-	(478)	-	-	(260)	1,559
Revenue Expenditure funded from capital under statute	451	-	-	-	-	-	(451)
Property written out on disposal	-	-	533	-	-	-	(533)
Statutory provision for the financing of capital investment	(1,101)	-	-	-	-	-	1,101
Capital expenditure charged to the General Fund and HRA Balances	(1,277)	-	(2,767)	-	-	-	4,044
Capital Grants Unapplied Account							
Capital grants and contributions unapplied	(173)	-	-	-	-	173	-
Capital Receipts Reserve							
Proceeds from disposal of property	-	-	(1,055)	-	1,055	-	-
Capital receipts applied	-	-	-	-	(2,228)	-	2,228
Housing and other capital receipts	(738)	-	-	-	754	-	(16)
Payments to the Government housing capital receipts pool	196	-	-	-	(196)	-	-
Major Repairs Reserve							
Depreciation re-credited to HRA	-	-	(2,691)	2,691	-	-	-
Major Repairs Reserve to finance new capital expenditure	-	-	-	(2,690)	-	-	2,690
Pension Reserve							
Net charges for retirement benefits	4,873	-	1,033	-	-	-	(5,906)
Employer's contribution to Pension Fund/ to pensioners	(2,076)	-	(412)	-	-	-	2,488
Collection Fund Adjustment Account							
Collection Fund adjustment	6,676	-	-	-	-	-	(6,676)
Accumulated Absences Account							
Accumulated Absences	-	-	-	-	-	-	-
Pooled Fund Adjustment Account							
Financial Assets	(936)						936
Total Adjustments	16,468	-	(2,382)	1	(615)	(87)	(13,385)

Note 11 Grant Income

The Council credited the following grants and contributions over £40,000 to the Comprehensive Income and Expenditure Statement.

Service Specific Revenue Grants and Contributions (included in Cost of Services)	2021/22 £'000	2020/21 £'000
Department for Works and Pensions		
Rent Allowances Subsidy	8,097	9,449
Rent Rebates	5,338	5,617
Housing and Council Tax Benefit Administration	155	178
Discretionary Housing Payments	122	154
New Burdens Grants	184	59
Department for Levelling Up, Housing and Communities		
Discretionary Business Support Grants	2,692	2,756
Disabled Facilities Grant	793	451
Council Tax Hardship Grant	-	423
Preventing Homelessness Grants	928	408
Reopening High Streets Safely Fund	171	-
NNDR Collection Allowance	136	-
Welborne Capacity Funding	108	130
Welcome Back Fund	100	-
Council Tax Support Administration	140	90
European Regional Development Fund - Public Spaces Recovery Fund	-	62
Test and Trace Grants	97	60
Covid 19 Compliance and Enforcement Grant	41	41
Department of Health and Social Care		
Contain Outbreak Management Fund	162	-
Department for Environment, Food and Rural Affairs		
Air Quality Feasibility Study Grant	-	23
Homes England		
Daedalus Development	46	-
Environment Agency		
Coast Monitoring Grant	259	136
Hampshire County Council		
Emergency Assistance Grants	-	72
Clinically Extremely Vulnerable Individuals Funding	42	55
Other		
Portchester Crematorium	180	200
Sport England National Leisure Recovery Fund	150	-
Developer Contributions	-	43
Total	19,941	20,407

Credited to Taxation and Non-Specific Grant Income	2021/22 £'000	2020/21 £'000
Department for Levelling Up, Housing and Communities		
Sales, Fees and Charges Compensation Grant	350	1,966
Covid-19 Support Grants	451	1,400
New Homes Bonus	240	702
New Burdens Business Support Grants	131	356
Other New Burdens and Admin Grants	179	65
Homes England		
Affordable Homes Programme	427	478
Daedalus Development	-	221
Other		
Community Infrastructure Levy	716	173
Developer Contributions	221	150
Other Capital Contributions	20	-
Total	2,735	5,511

Note 12 Audit Fees Payable

The Council has incurred the following costs in relation to the audit of the Statement of Accounts provided by the external auditor Ernst & Young LLP and the certification of the housing benefit subsidy claim provided by KPMG LLP.

	2021/22 £'000	2020/21 £'000
External audit services	37	37
Certification of grant claims and returns	17	10
Total	54	47

Note 13 Members' Allowances

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

	2021/22 £'000	2020/21 £'000
Basic Allowances	229	225
Special Responsibility Allowances	184	168
Superannuation and National Insurance	17	19
Travelling and Subsistence Allowances	1	-
Total	431	412

Details of individual allowances including travel and subsistence are published in full on the Council's website.

Note 14 Remuneration of Staff

The number of employees, including senior officers (see note 15), whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 are set out in the table below.

Remuneration Band	2021/22 Number of Employees	2020/21 Number of Employees
£50,000 - £54,999	13	10
£55,000 - £59,999	6	2
£60,000 - £64,999	1	4
£65,000 - £69,999	3	1
£70,000 - £74,999	7	7
£75,000 - £79,999	2	1
£80,000 - £84,999	1	1
£85,000 - £89,999	-	-
£95,000 - £99,999	1	2
£105,000 - £109,999	-	1
£110,000 - £119,999	2	1
£120,000 - £124,999	1	-
£135,000 - £139,999	-	1
£156,000 - £159,999	1	-

Note 15 Senior Officer Emoluments

Post Title	Salary inc fees and allowances £	Expense Allowances £	Total remuneration excl pension contributions £	Pension contributions £	Total remuneration incl pension contributions £
2021/22					
Chief Executive Officer (1)	156,584	28	156,612	-	156,612
Deputy Chief Executive Officer (1)	114,265	-	114,265	21,474	135,739
Director of Support Services	119,918	-	119,918	20,191	140,109
Director of Planning and Regulation	97,421	80	97,501	18,802	116,303
Director of Leisure and Community (1)	120,456	25	120,481	18,802	139,283
	608,644	133	608,777	79,269	688,046
2020/21					
Chief Executive Officer (1)	137,418		137,418	26,308	163,726
Deputy Chief Executive Officer (1)	118,432	-	118,432	21,085	139,517
Director of Support Services	108,775	-	108,775	19,984	128,759
Director of Planning and Regulation	95,981	441	96,422	18,524	114,946
Director of Leisure and Community (1)	95,411	-	95,411	18,424	113,835
	556,017	441	556,458	104,325	660,783

Notes:

A Senior Officer is defined as an employee whose salary is more than £50,000 per year and undertakes a statutory role or has the power to direct or control the major activities of the Council. Senior Officers in this note relate to the Chief Executive Officer and his direct reports. Roles and responsibilities can be found on the Council's website.

(1) Includes pay in respect of the Returning and Deputy Officer role in elections.

Note 16 Termination Benefits

The Council terminated the contracts of a number of employees in 2021/22, incurring liabilities of £109,597 (£37,435 in 2020/21). The number of exit packages with total cost per band and total cost of compulsory and other redundancies are set out in the table below.

	Number of compulsory redundancies		Number of other departures		Total number of exit packages		Total cost of exit packages	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
£0 - £20,000	-	-	6	9	6	9	£27,225	£37,435
£20,001 - £40,000	-	-	1	-	1	-	£38,122	-
£40,001 - £60,000	-	-	1	-	1	-	£44,250	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
£140,001 - £160,000	-	-	-	-	-	-	-	-
Total	-	-	8	9	8	9	£109,597	£37,435

Note 17 Pensions

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The disclosures below relate to the following schemes:

- The Hampshire Pension Fund (Fund) which is part of the Local Government Pension Scheme (LGPS). The LGPS is a funded defined benefit plan with benefits earned up to 31 March 2014 being linked to final salary. Benefits after 31 March 2014 are based on a Career Average Revalued Earnings (CARE) scheme. Details of the benefits to be paid for the period covered by this disclosure are set out in the LGPS (Benefits, Membership and Contributions) Regulations 2007. The funded nature of the LGPS requires the Employer and its employees to pay contributions into the Fund, calculated at a level intended to balance the pension liabilities with investment assets. Information on the framework for calculating contributions to be paid is set out in the LGPS Regulations 2013 and the Fund's Funding Strategy Statement. The contributions to be paid until the date the next actuarial valuation of the Fund is available are set out in the Rates and Adjustment Certificate. The Fund Administering Authority, Hampshire County Council is responsible for the governance of the Fund.
- Unfunded pension arrangements established by the Council. These are termination benefits made on a discretionary basis upon early retirement in respect of members of the LGPS. This is an unfunded defined benefit arrangement, under which liabilities are recognised when 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.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to 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 General Fund and Housing Revenue Account the amounts required by statute.

Contributions for the Accounting Period Ending 31 March 2023

The Employer's regular contributions to the Fund for the accounting period ending 31 March 2023 are estimated to be £2.51 million. Additional contributions may also become due in respect of any employer discretions to enhance members' benefits in the Fund over the next accounting period. For the unfunded benefits scheme, for the accounting period ending 31 March 2023, the Employer expects to pay £0.19 million directly to beneficiaries.

Transactions Relating to Post-Employment Benefits

The costs of retirement benefits are recognised in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that the Council is required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund and Housing Revenue Account via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund and Housing Revenue Account Balances via the Movement in Reserves Statement during the year:

	Funded Benefits		Unfunded Benefits	
	2021/22	2020/21	2021/22	2020/21
	£'000	£'000	£'000	£'000
Comprehensive Income and Expenditure Statement:				
Cost of Services				
- Current service cost	6,122	4,378	-	-
- Past service cost	-	119	-	-
Financing and Investment Income and Expenditure				
- Interest net defined benefit liability	1,410	1,350	55	59
(Surplus)/deficit on the provision of services	7,532	5,847	55	59
Other Charges to the Comprehensive Income and Expenditure Statement:				
Remeasurement of the net defined benefit liability comprising				
- Return on plan assets (in excess of)/below that recognised in net interest	(7,401)	(26,596)	-	-
Actuarial (gains)/losses due to:				
- Changes in financial assumptions	(12,745)	33,780	(62)	193
- Changes in demographic assumptions	(2,074)	-	(34)	-
- Liability experience	653	(2,034)	10	(34)
Total amount recognised in Other Comprehensive Income and Expenditure	(21,567)	5,150	(86)	159
Total Amount Recognised	(14,035)	10,997	(31)	218
Movement in Reserves Statement:				
Reversal of net charges made to the surplus/(deficit) in accordance with the Code	(7,532)	(5,847)	(55)	(59)
Actual amount charged against the General Fund				
Balance for pensions in year:				
Employers' contribution payable to scheme	(2,355)	(2,294)	-	-
Retirement benefits payable to pensioners	-	-	(181)	(194)

Pension Assets and Liabilities Recognised in the Balance Sheet

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

	Funded Benefits		Unfunded Benefits	
	2021/22	2020/21	2021/22	2020/21
	£'000	£'000	£'000	£'000
Fair value of assets	153,300	145,162	-	-
Present value of defined benefit obligation	205,298	213,550	2,476	2,688
Funded status	(51,998)	(68,388)	-	-
Liability recognised on the Balance Sheet	(51,998)	(68,388)	(2,476)	(2,688)

The split of the defined benefit obligation at the last valuation date between the various categories of members was as follows:

Active members	35%
Deferred Pensioners	18%
Pensioners	47%

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

	Funded Benefits		Unfunded Benefits	
	2021/22	2020/21	2021/22	2020/21
	£'000	£'000	£'000	£'000
Opening balance at 1 April	145,162	117,287	-	-
Interest income	3,026	2,680	-	-
Remeasurement gains and (losses)				
- Return on plan assets, excluding amount included in net interest expense	7,401	26,596	-	-
Contributions by the employer	2,355	2,294	181	194
Contributions by participants	864	838	-	-
Benefits paid	(5,508)	(4,533)	(181)	(194)
Closing balance at 31 March	153,300	145,162	-	-

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

	Funded Benefits		Unfunded Benefits	
	2021/22	2020/21	2021/22	2020/21
	£'000	£'000	£'000	£'000
Opening balance at 1 April	213,550	176,972	2,688	2,664
Current service cost	6,122	4,378	-	-
Interest expense	4,436	4,030	55	59
Contribution by participants	864	838	-	-
Remeasurement gains and (losses) on liabilities				
- Financial assumptions	(12,745)	33,780	-	-
- Demographic assumptions	(2,074)	-	-	-
- Experience	653	(2,034)	(86)	159
Benefits paid	(5,508)	(4,533)	(181)	(194)
Past service cost	-	119	-	-
Closing balance at 31 March	205,298	213,550	2,476	2,688

Local Government Pension Scheme Assets

The approximate split of assets for the Fund as a whole is shown in the table below. The assets allocated to the Employer in the Fund are notional and the assets are assumed to be invested in line with the investments of the Fund set out below for the purposes of calculating the return to be applied to those notional assets. The Fund is largely liquid and as a consequence there will be no significant restriction on realising assets if the situation arises.

The Administering Authority, Hampshire County Council, does not invest in property or assets related to itself. It is possible, however, that assets may be invested in shares relating to some of the private sector employers participating in the Fund, if it forms part of their balanced investment strategy.

	Asset split at 31 March 2022		Asset split at 31 March 2021	
	% Quoted	% Unquoted	% Total	% Total
Equities	45.8	11.1	56.9	57.0
Property	0.9	6.0	6.9	6.1
Government Bonds	17.2	-	17.2	17.3
Multi Asset Credit	9.0	-	9.0	-
Cash	0.9	-	0.9	1.4
Other	5.6	3.5	9.1	18.2
Total	79.4	20.6	100.0	100.0

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc.

Both the Local Government Pension Scheme and discretionary benefits liabilities have been assessed by Aon Hewitt Limited, an independent firm of actuaries. Estimates for the Hampshire County Council Fund are based on the latest full valuation of the scheme as at 31 March 2019 for funded benefits and 31 March 2020 for unfunded benefits.

The principal assumptions used by the actuary in updating the latest valuation of the Fund for IAS19 purposes were:

	Funded Benefits 31 March		Unfunded Benefits 31 March	
	2020 % p.a	2021 % p.a	2020 % p.a	2021 % p.a
Mortality assumptions:				
Future lifetime from age 65 (aged 65 at accounting date)				
Men	22.9	23.1	22.9	23.1
Women	25.4	25.5	25.4	25.5
Future lifetime from age 65 (aged 45 at accounting date)				
Men	24.7	24.8	n/a	n/a
Women	27.1	27.3	n/a	n/a
Principal financial assumptions (% per annum)				
Discount rate	2.7	2.1	2.7	2.1
CPI inflation	3.0	2.7	3.0	2.7
Pension increases	3.0	2.7	3.0	2.7
Pension accounts revaluation rate	3.0	2.7	n/a	n/a
Salary increases	4.0	3.7	n/a	n/a

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 31 March 2022 and the projected service cost for the year ending 31 March 2023 is set out in the table below.

In each case, only the assumption mentioned is altered; all other assumptions remain the same. The sensitivity of unfunded benefits is not included on materiality grounds.

Discount rate assumption

	+0.1% p.a.	Base Figure	-0.1% p.a.
Adjustment to discount rate			
Present value of total obligation (£M)	201.397	205.298	209.404
% change in present value of total obligation	-1.9%		2.0%
Projected service cost (£M)	5.528	5.711	5.899
Approximate % change in projected service cost	-3.2%		3.3%

Rate of general increase in salaries

	+0.1% p.a.	Base Figure	-0.1% p.a.
Adjustment to salary increase rate			
Present value of total obligation (£M)	205.709	205.298	204.887
% change in present value of total obligation	0.2%		-0.2%
Projected service cost (£M)	5.711	5.711	5.711
Approximate % change in projected service cost	0.0%		0.0%

Rate of increase to pensions in payment and deferred pension assumptions

	+0.1% p.a.	Base Figure	-0.1% p.a.
Adjustment to pension rate increase			
Present value of total obligation (£M)	208.788	205.298	201.808
% change in present value of total obligation	1.7%		-1.7%
Projected service cost (£M)	5.899	5.711	5.528
Approximate % change in projected service cost	3.3%		-3.2%

Post retirement mortality assumption

	-1 year	Base Figure	+1 year
Adjustment to mortality age rating assumption			
Present value of total obligation (£M)	212.278	205.298	198.318
% change in present value of total obligation	3.4%		-3.4%
Projected service cost (£M)	5.939	5.711	5.488
Approximate % change in projected service cost	4.0%		-3.9%

Note 18 Property, Plant and Equipment

Valuation information

The Council's property portfolio has been revalued in accordance with the statement of accounting policies and to reflect the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors.

The portfolio is revalued on a rolling basis by the Council's own valuers K. Boothroyd MRICS, M. Newman MRICS and S. Farndell MRICS, alongside external valuers Carter Jonas and Vail Williams.

The various sites at Daedalus were revalued by M. Newman MRICS to 31 March 2022.

The table below shows the dates of the revaluation of non-current assets. Vehicles, plant, equipment and non-operational assets are valued at historic cost:

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Total £'000
Historic	-	1,764	13,525	15,289
2017/18	-	106	-	106
2018/19	-	1,110	-	1,110
2019/20	-	1,466	-	1,466
2020/21	-	1,334	-	1,334
2021/22	137,799	108,515	-	246,314
Total	137,799	114,295	13,525	265,619

The figure for additions includes capital expenditure which substantially lengthens the life of the assets or substantially increases the market value.

Council dwellings were re-valued as at 31 March 2022. The valuation takes into account the use for social housing and assumes social housing tenanted value is 33% of vacant possession value.

Depreciation

The following methods, useful lives and depreciation rates have been used in the calculation of depreciation:

Council Dwellings	20 to 50 years
Other Land and Buildings	3 to 60 years
Vehicles and Plant	2 to 10 years
Furniture and Equipment	3 to 20 years
Infrastructure	5 to 50 years

The Council calculates depreciation for dwellings by basing the calculation on the Existing Use Value for Social Housing and writing down the value of the buildings on a straight-line basis over the useful life of the major components of between 20 and 50 years.

Capital Commitments

At 31 March 2022, the Council had entered into a number of contracts for the construction, purchase or enhancement of Property, Plant and Equipment in 2022/23 and future years, budgeted to cost £3.9 million. Similar commitments at 31 March 2021 were £13.8 million. The major commitments relate to Housing projects.

Movement in Non-Current Assets 2021/22

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant and Equipment £000	Infrastr ucture Assets £'000	Community Assets £'000	Assets Under Constr- uction £'000	Total £'000
Cost or Valuation							
At 1 April 2021	130,217	96,270	12,342	2,149	377	3,343	244,698
Additions	3,830	9,443	1,338	-	-	1,329	15,940
Revaluation increases/(decreases) to RR	-	11,379	-	-	-	-	11,379
Revaluation increases/(decreases) to SDPS	2,594	(1,925)	-	-	-	-	669
Derecognition – Disposals	(794)	-	(155)	-	-	-	(949)
Reclassified to/from Held for Sale	-	(2,245)	-	-	-	-	(2,245)
Other movements	1,952	1,372	-	-	-	(3,315)	9
At 31 March 2022	137,799	114,294	13,525	2,149	377	1,357	269,501
Depreciation and impairment							
At 1 April 2021	2,578	3,556	8,578	1,001	42	-	15,755
Depreciation Charge	2,656	2,653	882	18	2	-	6,211
Depreciation written out to RR	-	-	-	-	-	-	-
Depreciation written out to SDPS	(2,578)	(2,507)	-	-	-	-	(5,085)
Derecognition – Disposals	(16)	-	(140)	-	-	-	(156)
At 31 March 2022	2,640	3,702	9,320	1,019	44	-	16,725
Net Book Value							
At 31 March 2022	135,159	110,592	4,205	1,130	333	1,357	252,776
At 31 March 2021	127,639	92,714	3,764	1,148	335	3,343	228,943

Movement in Non-Current Assets 2020/21

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant and Equipment £000	Infrastr ucture Assets £'000	Community Assets £'000	Assets Under Constr- uction £'000	Total £'000
Cost or Valuation							
At 1 April 2020	126,886	95,075	11,791	2,143	377	2,244	238,516
Additions	4,398	2,792	964	6	-	3,074	11,234
Revaluation increases/(decreases) to RR	-	3,317	-	-	-	-	3,317
Revaluation increases/(decreases) to SDPS	(3,238)	(4,504)	-	-	-	-	(7,742)
Derecognition – Disposals	(544)	-	(413)	-	-	-	(957)
Reclassified to/from Held for Sale	-	-	-	-	-	-	-
Other movements	2,715	(410)	-	-	-	(1,975)	330
At 31 March 2021	130,217	96,270	12,342	2,149	377	3,343	244,698
Depreciation and impairment							
At 1 April 2020	2,509	3,578	8,103	984	40	-	15,214
Depreciation Charge	2,588	2,668	888	17	2	-	6,163
Depreciation written out to RR	-	-	-	-	-	-	-
Depreciation written out to SDPS	(2,509)	(2,690)	-	-	-	-	(5,199)
Derecognition – Disposals	(10)	-	(413)	-	-	-	(423)
At 31 March 2021	2,578	3,556	8,578	1,001	42	-	15,755
Net Book Value							
At 31 March 2021	127,639	92,714	3,764	1,148	335	3,343	228,943
At 31 March 2020	124,377	91,497	3,688	1,159	337	2,244	223,302

RR = Revaluation Reserve

SDPS = Surplus/Deficit on the Provision of Services

The figures for Other Land & Buildings, Vehicles Plant & Equipment and Assets Under Construction include assets owned by the Housing Revenue Account. Details for these can be found on Notes to the HRA note 2.

Note 19 Investment Properties

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The Council's Investment Property portfolio has been re-valued in accordance with the statement of accounting policies by K. Boothroyd MRICS.

	2021/22 £'000	2020/21 £'000
Rental, sales income and service charges	(4,921)	(4,622)
Direct operating expenses	769	647
Net (gain)/loss	(4,152)	(3,975)

Movement in Fair Value of Investment Properties

	Value at 31 March 2021 £'000	Acquisitions £'000	Change in Value £'000	Re- classifications £'000	Value at 31 March 2022 £'000
Commercial	19,675	-	4,007	-	23,682
Leisure	1,225	-	256	-	1,481
Office	4,083	-	657	-	4,740
Other	4,645	-	(257)	-	4,388
Retail	30,673	-	3,372	-	34,045
Total	60,301	-	8,035	-	68,336

	Value at 31 March 2020 £'000	Acquisitions £'000	Change in Value £'000	Re- classifications £'000	Value at 31 March 2021 £'000
Commercial	18,796	-	1,159	(280)	19,675
Leisure	1,202	-	323	(300)	1,225
Office	3,786	84	213	-	4,083
Other	4,403	-	272	(30)	4,645
Retail	36,077	-	(5,404)	-	30,673
Total	64,264	84	(3,437)	(610)	60,301

Fair Value Measurement of Investment Properties

	Quoted prices in active markets Level 1 £'000	Other significant observable inputs Level 2 £'000	Significant unobservable inputs Level 3 £'000	Fair Value at 31 March 2022 £'000
Commercial	-	23,263	420	23,683
Leisure	-	1,481	-	1,481
Office	-	4,740	-	4,740
Other	-	4,295	93	4,388
Retail	-	34,045	-	34,045
Total	-	67,823	513	68,336

Note 20 Leases

Council as Lessee – Finance Leases

The Council has some assets under finance leases which are carried as Property, Plant and Equipment and Investment Property in the Balance Sheet at the following net amounts:

	31 March 2022 £'000	31 March 2021 £'000
Property, Plant and Equipment	10,981	9,770
Investment Property	6,315	5,605
Total	17,296	15,375

All properties are subject to the Council making peppercorn minimum lease payments. There are no contingent rents payable. None of the properties are subject to finance lease liabilities as premiums were paid at the inception of the lease.

Council as Lessor – Operating Leases

The Council leases out property under operating leases for the following purposes:

- For the provision of leisure facilities
- To provide accommodation for local businesses
- For income generation and capital appreciation

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

	31 March 2022 £'000	31 March 2021 £'000
Not later than one year	6,611	5,161
Later than one year and not later than five years	13,643	13,846
Later than five years	42,680	43,239
Total	60,934	62,246

The minimum lease payments receivable does not include rents that are contingent rents on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2021/22, contingent rents of £0.427 million were received by the Council (2020/21 £0.22 million).

Note 21 Short Term Debtors

	31 March 2022 £'000	31 March 2021 £'000
Central government bodies	472	9,437
Other local authorities	2,314	3,171
Community Infrastructure Levy	503	173
Other entities and individuals	2,833	3,135
Housing benefits overpaid	1,325	1,447
Council tenants arrears	687	690
Council Tax and NNDR arrears	888	1,282
Provision for doubtful debts	(2,349)	(2,382)
Total	6,673	16,953

Note 22 Short Term Creditors

	31 March 2022 £'000	31 March 2021 £'000
Central government bodies	19,680	18,048
Other local authorities	1,959	1,945
Receipts in advance	1,861	837
Other entities and individuals	3,445	4,163
Total	26,945	24,993

Note 23 Provisions

	Balance at 1 April £'000	Provision in year £'000	Applied in year £'000	Balance at 31 March £'000
Business rate appeals	2,444	720	(324)	2,840
Insurance	90	61	(50)	101
Employee related	209	479	(209)	479
Total 2021/22	2,743	1,260	(583)	3,420
Total 2020/21	2,974	780	(1,011)	2,743

The business rate appeals provision is for refunding ratepayers who successfully appeal against the rateable value of their properties. The insurance provision is set up to meet certain known liabilities in respect of risks e.g. fire, explosion, storm, flood, burst pipes, impact. The employee related provision is used for accumulated absences due.

Note 24 Receipts in Advance

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

	31 March 2022 £'000	31 March 2021 £'000
Balance at 1 April	8,848	6,954
Movements in year:		
Amounts received (with conditions)	3,020	6,153
Amounts recognised as income (conditions subsequently met):		
- Within Cost of Services	(3,736)	(3,410)
- Within Taxation and Non-Specific Grants	(990)	(849)
Balance at 31 March	7,142	8,848
Receipts in Advance (Capital Grants)		
Leisure developer contributions	1,854	1,855
Homes England	610	656
Affordable housing developer contributions	755	442
Other developer contributions	519	501
Other capital contributions	1,109	1,043
	4,847	4,497
Receipts in Advance (Revenue Grants)		
Discretionary Business Grants	170	1,872
Welborne Garden Village contribution	560	552
National Grid IFA2 developer contribution	405	495
Titchfield Country Park developer contribution	329	434
Air quality grants	430	431
Environment Agency – Hook Lake Habitat Creation	2	150
Sport England – National Leisure Recovery Fund	-	150
Hampshire County Council – Contain Outbreak Mgt Fund	70	116
MHCLG – Test and Trace Grants	-	97
Other revenue contributions	329	55
	2,295	4,352
Total Receipts in Advance	7,142	8,848

Note 25 Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and Housing Revenue Account (HRA) balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure.

	31 March 2020 £'000	Transfers Out £'000	Transfers In £'000	31 March 2021 £'000	Transfers Out £'000	Transfers In £'000	31 March 2022 £'000
General Fund							
Major Repairs and Renewals	1,302	-	-	1,302	-	-	1,302
Other Earmarked Reserves	5,707	(136)	6,923	12,494	(5,431)	170	7,233
Earmarked Capital Reserves	4,041	(1,320)	1,572	4,293	(1,286)	1,475	4,482
	11,050	(1,456)	8,495	18,089	(6,717)	1,645	13,017
HRA							
Housing Repairs Account	1,500	-	-	1,500	-	-	1,500
Capital Development Fund	2,677	(1,392)	-	1,285	(740)	-	545
Debt Repayment Fund	3,420	-	1,140	4,560	-	1,140	5,700
Leaseholder Repairs	287	-	74	361	-	123	484
	7,884	(1,392)	1,214	7,706	(740)	1,263	8,229
Total	18,934	(2,848)	9,709	25,795	(7,457)	2,908	21,246

Note 26 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

The main items of capital expenditure on non-current assets during the year are shown below. Only a proportion of this expenditure led to an increase in the value of assets. Capital expenditure and financing for the year were as follows:

2020/21 £'000		2021/22 £'000
103,790	Opening Capital Finance Requirement	104,126
	Capital Investment	
11,424	Property, Plant and Equipment	16,160
83	Investment Properties	-
451	Revenue Expenditure Funded from Capital under Statute	793
	Sources of Finance	
(2,228)	Capital Receipts	(1,932)
(1,559)	Government Grants and Other Contributions	(1,700)
	Sums set aside from revenue:	
(2,690)	HRA Major Repairs Reserve	(3,084)
(4,044)	Direct Revenue Contributions	(1,877)
(1,101)	Minimum Revenue Provision	(1,187)
104,126	Closing Capital Finance Requirement	111,299
	Explanation of movements in year	
336	Increase/(decrease) in underlying need to borrow	7,133

Note 27 Unusable Reserves

	31 March	
	2022 £'000	2021 £'000
Revaluation Reserve	57,980	44,726
Capital Adjustment Account	154,675	141,109
Pensions Reserve	(54,474)	(71,076)
Collection Fund Adjustment Account	(2,660)	(8,082)
Accumulated Absences Account	(479)	(209)
Pooled Fund Adjustment Account	(111)	(525)
	154,931	105,944

a) Revaluation Reserve

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

- Re-valued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2020/21 £'000		2021/22 £'000
39,834	Balance at 1 April	44,726
11,419	Upward revaluation of assets	17,026
(5,412)	Downward revaluation of assets and impairment losses not charged to Surplus/Deficit on the Provision of Services	(3,131)
6,007		13,895
(1,115)	Difference between current value depreciation and historical cost depreciation	(641)
-	Accumulated gains on assets disposed or reclassified to Investment Properties	-
(1,115)	Amount written off to the Capital Adjustment Account	(641)
44,726	Balance at 31 March	57,98

b) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

Note 10 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2020/21 £'000		2021/22 £'000
144,222	Balance at 1 April	141,109
	Reversal of items relating to capital expenditure in the Comprehensive Income and Expenditure Statement	
(6,173)	Charges for depreciation and impairment of non-current assets	(6,219)
(5,234)	Revaluation losses on property, plant and equipment	3,245
(5)	Amortisation of intangible assets	(28)
(451)	Revenue expenditure funded from capital under statute	(793)
(534)	Amounts of non-current assets written off on disposal or sale as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,073)
131,825		136,241
(16)	Amount credited to Capital Receipts Reserve relating to part repayment of principal on long term debtor	(11)
-	Cumulative (gains)/losses on assets sold or reclassified as Investment Properties	-
1,115	Adjustment amounts written out of the Revaluation Reserve	641
132,924	Net written out amount of the cost of non-current assets consumed in the year	136,871
	Capital financing applied in the year	
2,228	Use of the Capital Receipts Reserve to finance new capital expenditure	1,920
2,690	Use of the Major Repairs Reserve to finance new capital expenditure	3,084
1,559	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,702
1,101	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	1,187
4,044	Capital expenditure charged against the General Fund and HRA balances	1,877
144,546		146,641
(3,437)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(8,035)
141,109	Balance at 31 March	154,675

c) Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions.

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

The debit balance on the Pensions Reserve therefore 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.

2020/21 £'000		2021/22 £'000
(62,349)	Balance at 1 April	(71,076)
(5,309)	Actuarial gains or losses on pension assets and liabilities	21,653
(5,906)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(7,587)
2,488	Employers' pension contributions and direct payments to pensioners payable in the year	2,536
(71,076)	Balance at 31 March	(54,474)

d) Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and NDR income in the Comprehensive Income and Expenditure Statement as it falls due from the Council Tax and NDR payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2020/21 £'000		2021/22 £'000
(1,405)	Balance at 1 April	(8,082)
(1)	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax calculated for the year in accordance with statutory requirements	(71)
(6,676)	Amount by which NDR income credited to the Comprehensive Income and Expenditure Statement is different from NDR calculated for the year in accordance with statutory requirements	5,493
(8,082)	Balance at 31 March	(2,660)

Note 28 Financial Instruments

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Fair Value Level	Long Term		Short Term	
		31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000
- Borrowing	2	40,000	40,000	13,205	15,985
- Bank overdraft		-	-	1,312	625
Total Borrowing		40,000	40,000	14,517	16,610
Long Term Creditors		3,159	3,137	-	-
Trade Creditors		-	-	5,942	5,714
Total Financial Liabilities		43,159	43,137	20,459	22,324

All borrowing is on fixed terms and shown at amortised cost.

	Fair Value Level	Long Term		Short Term	
		31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000
- Investments at amortised cost		-	-	62	83
- Fair value through profit or loss:					
Property funds	2	3,162	2,690	-	-
Multi-asset funds	1	8,727	8,785	-	-
Total Investments		11,889	11,475	62	83
- Cash at amortised cost		-	-	1,301	1,751
- Fair value through profit or loss:					
Money market funds	1	-	-	9,003	5,400
Total Cash and Cash Equivalent		-	-	10,304	7,151
Long Term Debtors		74	85	-	-
Trade Debtors		-	-	4,131	5,745
Total Financial Assets		11,963	11,560	14,497	12,979

Debtors and creditors and other Balance Sheet items that arise under contract from the Council's powers and duties are classified as financial instruments and carried at amortised cost, although debtors and creditors arising from council tax, business rates, government grants etc. are excluded.

Financial Instruments - Fair Values

Financial instruments classified as fair value through profit or loss are carried in the Balance Sheet at fair value. These assets are shares in money market funds and other pooled funds and the fair value is taken from the market price.

Fair values are shown in the tables above, split by their level in the fair value hierarchy:

Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices.

Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments.

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by discounting the contractual cash flows over the whole life of the instrument at the appropriate rate for local authority loans.

The fair values of long term borrowing are:

	31 March 2022		31 March 2021	
	Balance Sheet £'000	Fair Value £'000	Balance Sheet £'000	Fair Value £'000
Borrowing	40,000	46,235	40,000	54,135

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

The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment. Movements in the fair value during the life of long term debtors and creditors are not recognised.

Nature and Extent of Risks Arising from Financial Instruments

Liquidity Risk

The Council manages its liquidity position through the setting and approval of prudential indicators and the treasury and investment strategy (approved by Full Council on 26 February 2021) and through cash flow management which seeks to ensure that cash is available when needed.

The Council has ready access to borrowing at favourable rates from the Public Works Loan Board (PWLB) and other local authorities and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments.

The maturity analysis of financial instruments is as follows:

Time to Maturity	As at 31 March 2022		As at 31 March 2021	
	Liabilities £'000	Assets £'000	Liabilities £'000	Assets £'000
Less than 3 months	6,889	10,366	3,593	7,234
3 to 6 months	-	-	-	-
6 months to 1 year	5,004	-	13,017	-
1 to 5 years	-	11,889	-	11,475
Over 35 years	40,000	-	40,000	-
Total	51,893	22,255	56,610	18,709

All trade debtors and creditors are due to be received in less than one year.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. This risk is minimised through the annual investment strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria. It also considers maximum amounts and time limits in respect of each financial institution.

The following analysis shows the gross credit exposure by credit rating of the Council's investments as at 31 March 2022.

Rating Category	31 March 2022 £'000	31 March 2021 £'000
AA or equivalent	9,003	2,400
A or equivalent	1,301	4,752
Not rated	11,951	11,557
Total	22,255	18,709

The Council's financial liabilities and assets, other than investments, all relate to non-rated organisations.

The Council's maximum exposure to credit risk in relation to its £18.7 million (2020/21 £18.7 million) investments in financial institutions cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence as at the 31 March 2022 that this was likely to crystallise.

Although the fair value of trade debtors is taken to be the billed amount as they are receivable within 12 months, the Council does make significant provision for unpaid debts (£712,000 as at 31 March 2022, (£671,000 as at 31 March 2021). Trade debtors include outstanding sundry debts and other trade debts. Loss allowances have been calculated by reference to the Council's historic experience of default, multiplied by 67% (2020/21 131%) to adjust for current and forecast economic conditions.

Sundry Debtors Age Analysis	Amount Outstanding as at 31 March 2022 £'000	Expected Credit Loss £'000	Amount Outstanding as at 31 March 2021 £'000	Expected Credit Loss £'000
On time	1,219	3	26	-
Up to 1 month late	3	-	658	19
1-2 months late	33	-	126	16
2-3 months late	72	8	238	49
3-6 months late	132	17	308	70
6-12 months late	546	82	381	102
1-2 years late	393	368	146	152
2-3 years late	74	76	115	111
Over 3 years late	170	158	158	152
Total	2,642	712	2,156	671

Market Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on some of its borrowings and investments. Investments classed as loans and receivables and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on Comprehensive Income and Expenditure. Changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in the fair value of fixed rate investments classed as available-for-sale will be reflected in Other Comprehensive Income and Expenditure

Price Risk

The Council's investment in long term pooled funds is subject to the risk of falling commercial property prices and share prices. This risk is limited by the Council's maximum exposure to property and multi-asset investments. As at 31 March 2022 the Council had £11.9 million invested in long term pooled funds. A 5% fall in share price would result in a £595,000 charge to Other Comprehensive Income and Expenditure. This would have no impact on the Surplus or Deficit on the Provision of Services until the investment was sold.

Note 29 Related Party Transactions

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

Central Government

Central Government has effective control over the general operations of the Council as it is responsible for providing the statutory framework within which the Council operates, provides a significant proportion of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are shown in note 11.

Members

Members of the Council have direct control over the Council's financial and operating policies. During 2021/22, there were no material related party transactions between the Council and Council Members. Any declarations of interest are recorded in the Register of Member's Interests which is open to public inspection. The total of members' allowances paid in 2021/22 is shown in note 13.

Chief Officers

Chief Officers have the ability to influence the Council. During 2021/22, there were no material related party transactions between the Council and Chief Officers.

Portchester Crematorium Joint Committee

The Portchester Crematorium Joint Committee (PCJC) is a jointly controlled operation of the Council which manages the operations of Portchester Crematorium. The Joint Committee is represented equally by four constituent authorities, Fareham Borough Council, Gosport Borough Council, Havant Borough Council and Portsmouth City Council.

Fareham Borough Council's share of the net assets of PCJC is £2,437,092 (2020/21 £2,444,228). In 2021/22, PCJC paid a contribution of £180,000 to the Council (£200,000 in 2020/21). The PCJC has an investment policy of placing all surplus funds with the Council. At 31 March 2022, £3,198,707 was invested with the Council (£2,967,432 at 31 March 2021).

Building Control Partnership

The Building Control Partnership provides building control services to Fareham Borough Council, Gosport Borough Council and Portsmouth City Council. The Partnership between Fareham and Gosport has been in operation since 2003, with Portsmouth coming into the Partnership in 2015/16.

During 2021/22, the Partnership charged Gosport Borough Council £66,223 (2020/21 £59,382) and Portsmouth City Council £133,481 (2021/22 £103,919) for statutory building control services. The Partnership has a policy of dividing generated surpluses between the authorities based on fee generating work in each authority area. At 31 March 2022, the balance of retained surpluses for future investment in the service was £156,143 for Fareham Borough Council, £93,954 for Gosport Borough Council and £60,023 for Portsmouth City Council.

Fareham and Gosport Environmental Health Partnership

The Fareham and Gosport Environmental Health Partnership provides environmental health services to Fareham Borough Council and Gosport Borough Council. The Partnership came into operation in 2014/15. During 2021/22, the Partnership charged Gosport Borough Council £634,226 (2020/21 £619,094) for statutory environmental health services. The Partnership has a policy of sharing expenditure (excluding internal recharges) on a 50/50 basis. All income is retained by the relevant authority.

Note 30 Contingent Liabilities

Contingent Liabilities are potential liabilities which are not currently legally enforceable but may become so on the happening of a future event.

Municipal Mutual Insurance – Scheme of Arrangement

Prior to 1992 the Council was insured by Municipal Mutual Insurance (MMI). MMI ceased accepting new business or to renew general insurance business in September 1992 following which a Scheme of Arrangement (SoA), under Section 425 of the Companies Act 1985, was enacted. The SoA, formally triggered by the Directors of MMI in November 2012, was established as a better alternative to an insolvent liquidation, in the event that MMI could not achieve a solvent run-off. From that date control of MMI passed to the scheme administrator, Ernst & Young LLP, who became responsible for the management of the company's business affairs and assets.

An initial levy of 15% of previously paid claims, less the first £50,000 was collected by MMI from scheme members in February 2014. In April 2016, following a further review by the scheme administrator, the levy was increased by a further 10% to 25%. The current value of outstanding claims is £169,627 with a contingent liability of £127,220. Under the terms of the SoA, the Council also has to meet 25% of any new insurance claim settlements made by MMI. An annual review of the levy rate is required under the terms of the SoA and this could lead to the rate being further amended in future.

Note 31 Cash Flow Statement - Operating Activities (Interest)

Operating activities within the Cash Flow Statement include the following cash flows relating to interest:

2020/21 £'000	2021/22 £'000
470 Interest received	419
(1,508) Interest paid	(1,451)
(1,038)	(1,032)

Note 32 Cash Flow Statement – Adjustment to net surplus or deficit on the provision of services for non-cash movements

2020/21 £'000	2021/22 £'000
6,173 Depreciation and impairment	6,219
5,233 Downward valuations	(3,245)
5 Amortisation of intangible assets	28
16,313 Increase/decrease in creditors	181
(2,603) Increase/decrease in debtors	2,160
7 Increase/decrease in inventories	5
3,418 Movement in pension liability	5,051
534 Carrying amount of non-current assets and non-current assets held for sale, sold, or derecognised	1,073
2,271 Other non-cash items charged to the net surplus/deficit on provision of services	(7,772)
31,351	3,700

Note 33 Cash Flow Statement - Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities

2020/21 £'000		2021/22 £'000
(1,193)	Capital grants credited to surplus/deficit on the provision of services	(1,315)
(1,781)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(1,674)
(2,974)		(2,989)

Note 34 Accounting Policies

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

GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its position at the year-end of 31 March 2022. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and the Service Reporting Code of Practice 2021/22, supported by International Financial Reporting Standards (IFRS).

The Statement of accounts has been prepared on a 'going concern' basis. The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

ACCRUALS OF INCOME AND EXPENDITURE

With the exception of the Cash Flow Statement the accounts are drawn up on the basis that financial transactions are accounted for in the year that it takes place, not necessarily when cash payments are made or received. In particular:

- Fees, charges and rents are due from customers and income from the provision of services are accounted for as income at the date the Council provides the relevant goods or services i.e. when it is probable that the economic benefits associated with the transaction will flow to the Council.
- Supplies and services expenditure is recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Capital works are charged as expenditure when they are completed, and are carried as Assets under Construction on the Balance Sheet until the asset is brought into use.
- Interest receivable on investments and payable on borrowings is accounted for as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Exceptions to this relate to utility bills and other similar payments which do not vary significantly between years and are charged at the date of payment rather than being apportioned between financial years. Also, small amounts outstanding at year end are treated on a payments basis. In total, these do not have a material effect on the year's accounts.
- Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Income and expenditure are credited and debited to the relevant service revenue account, unless they properly represent capital receipts or capital expenditure.

CASH AND CASH EQUIVALENTS

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

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

EXCEPTIONAL ITEMS

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

PRIOR PERIOD ADJUSTMENTS IN ACCOUNTING POLICIES AND ESTIMATES AND ERRORS

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

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

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

CHARGES TO REVENUE FOR NON-CURRENT ASSETS

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

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

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. These amounts are therefore replaced by the contribution in the General Fund Balance by way of an adjusting transaction within the Capital Adjustment Account in the Movement in Reserve Statement for the difference between the two.

COUNCIL TAX AND NON-DOMESTIC RATES

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

Accounting for Council Tax and NDR

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

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

EMPLOYEE BENEFITS

Benefits Payable during Employment

Short-term employee benefits such as wages and salaries, paid annual leave, sick leave and expenses are paid on a monthly basis and charges on an accruals basis to the relevant service line of the Comprehensive Income and Expenditure Statement.

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

An accrual is made for the cost of holiday entitlements and accrued flexible working hours earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Post-Employment Benefits (Retirement Pensions)

Most employees of the Council are members of the Local Government Pensions Scheme, administered by Hampshire County Council. The scheme provides defined benefits to members (retirement lump sums and pensions) earned as employees worked for the Council and other relevant bodies.

The liabilities of the pension fund attributable to the Council are included in the Balance Sheet based on an actuarial valuation. Full details of the valuation method are shown in note 17 to the core financial statements.

The change in the net pensions liability is analysed into the following components.

Service cost comprising:

- **Current service cost:** The increase in liabilities as a result of years of service earned this year allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- **Past service cost:** This is the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- **Net interest on the net defined benefit liability, i.e. net interest expense for the Council:** The change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period. Taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

Re-measurement comprising:

- **The return on plan assets:** Excluding amounts included in net interest on the net defined benefit liability charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

- **Actuarial gains and losses:** Changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. Charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- **Contributions paid to the Hampshire County Council pension fund:** Cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the date of the Balance Sheet and the date when the Statement of Accounts is authorised for issue. There are two types of event:

- Adjusting events - those that provide evidence of conditions that existed at the Balance Sheet date - for this type of event the accounts are adjusted to reflect such events.
- Non-adjusting events - those that are indicative of conditions that arose after the Balance Sheet date - for this type of event the accounts are not adjusted to reflect such events. However, where the event would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

FINANCIAL INSTRUMENTS

Financial Liabilities

Financial liabilities 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 for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. In most cases the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. The two classes that are applicable to the Council are measured at:

- amortised cost, and
- fair value through profit or loss (FVPL)

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

Financial Assets Measured at Amortised Cost

Financial assets are initially measured at their fair value and carried at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Expected Credit Loss Model

The authority recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

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

Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at FVPL are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

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

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

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

Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.

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

Level 3 inputs – unobservable inputs for the asset.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

GRANTS AND CONTRIBUTIONS

Government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that the Council will comply with the conditions attached to the payments, and the grants or contributions will be received.

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

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

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

Business Improvement District

A Business Improvement District (BID) scheme applies to the Segensworth area and its business community. The boundary of the BID covers 90% of Fareham and 10% of Winchester Council areas. The scheme is funded by a BID levy paid by non-domestic ratepayers. The annual levy for both councils is collected by the Council and transferred directly to the Segensworth Business Forum to fund projects identified by the business community.

Community Infrastructure Levy

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

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure.

HERITAGE ASSETS

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

Heritage assets shall normally be recognised and measured in accordance with the Council's accounting policies on property, plant and equipment. Where it is not practicable to obtain a valuation at a cost which is commensurate with the benefits to users of the financial statements, heritage assets shall be measured at historical cost (less any accumulated depreciation, amortisation and impairment losses). Where there is no historical cost information, it will not be recognised in the Balance Sheet but, where material, will be described in the notes to the accounts.

An assessment is made as to whether the asset has an infinite or limited economic life. If it is a limited economic life then it is depreciated on a straight line basis over that term.

The Council does not have a programme to dispose of Heritage Assets as they are being held and maintained for the benefit of future generations.

INTANGIBLE ASSETS

Expenditure on assets that do not have physical substance but are controlled by the Council (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Intangible assets are measured initially at cost. Amounts are not re-valued, as the fair value (i.e. estimated market value) of the assets cannot be determined by reference to an active market. The depreciable

amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

INVENTORIES AND LONG TERM CONTRACTS

Inventories are included in the Balance Sheet at cost as this is not materially different from the recommended practice of carrying them at the lower of cost or net realisable value.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

INVESTMENT PROPERTIES

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

Investment properties are measured initially at cost and subsequently at fair value. Investment properties are not depreciated but are revalued annually according to market conditions. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in respect of leases on investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

LEASES

Leases are classified as either finance leases or operating leases. A finance lease is any arrangement where substantially all the risks and rewards incidental to ownership of the property, plant or equipment transfer from the lessor to the lessee. Leases that do not transfer substantially all of the risks and rewards are classified as operating leases.

Where an arrangement includes both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee – Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its current value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment applied to write down the lease liability, and

- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

The Council as Lessee – Operating Leases

The Council does not have any material operating leases where the Council is lessee.

The Council as Lessor – Finance Leases

The Council does not have any finance leases where the Council is lessor.

The Council as Lessor – Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance.

PROPERTY, PLANT AND EQUIPMENT

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council 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 an expense when it is incurred.

A de-minimis level of £10,000 is applied to capital expenditure. Any expenditure on property, plant or equipment below this amount is not recorded as an asset.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

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

- Land and buildings are measured at current value. This means Existing Use Value (EUV) for non-specialised properties or Depreciated Replacement Cost (DRC) for specialised properties.
- Infrastructure assets are measured at depreciated historical cost.
- Community assets and assets under construction are measured at historical cost.

- Council dwellings are measured at current value, determined using the basis of Existing Use Value for Social Housing (EUV-SH).

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued 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. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

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

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

Impairment

Assets are assessed at each year-end for impairment. Where there is impairment and the amount is estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

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

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

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

Depreciation is calculated on the following bases:

- council dwellings – calculated on a straight-line basis over the useful life of the major components of the property (excluding land value) as estimated by a suitable qualified officer
- other buildings - straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment - straight-line allocation over the useful life of the asset, as advised by a suitably qualified officer
- infrastructure - straight-line allocation over individually assessed life for each asset.

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

Componentisation of an asset will be considered where:

- The carrying value of an asset is greater than £1 million and
- A component is at least 20% of the carrying value of the asset.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-current Assets Held for Sale

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

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to a housing disposal is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are made where an event has taken place that gives the Council a financial obligation that probably requires settlement but where the timing and amount of settlement is uncertain. Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would

otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

RESERVES

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

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

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

VAT

Income and expenditure excludes any amounts related to VAT to the extent that they are recoverable from Her Majesty's Revenue and Customs.



SUPPLEMENTARY ACCOUNTS AND EXPLANATORY NOTES

Housing Revenue Account - Income and Expenditure Statement

The Housing Revenue Account (HRA) Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

	2021/22 £'000	2020/21 £'000
Income		
Gross rent income		
- Dwellings	(11,243)	(10,938)
- Other	(368)	(352)
Charges for services and facilities	(1,235)	(1,186)
Contributions towards expenditure	(54)	(97)
Total income from service	(12,900)	(12,573)
Expenditure		
Repairs and maintenance	3,065	2,362
Supervision and management	3,835	3,440
Rents, rates, taxes and other charges	266	147
Depreciation and impairment of non-current assets (note 7)	(2,383)	3,425
Debt management expenses	30	33
Provision for doubtful debts	(22)	59
Total expenditure on service	4,791	9,466
Net Expenditure or Income of HRA Services as included in the Council's Comprehensive Income and Expenditure Statement	(8,109)	(3,107)
HRA service share of corporate and democratic core	136	158
Net Expenditure for HRA Services	(7,973)	(2,949)
Gain on sale of HRA non-current assets	(521)	(521)
Change in fair value of Investment Properties	(14)	29
Interest payable and similar charges	1,720	1,822
Interest receivable	(119)	(134)
Pension interest cost	264	246
Capital Grants and contributions receivable	(452)	(478)
(Surplus) or Deficit for Year on HRA Services	(7,095)	(1,985)

Movement on the HRA Statement

	2021/22 £'000	2020/21 £'000
Balance on the HRA at the end of previous year	(579)	(798)
(Surplus) or Deficit for year on HRA Income and Expenditure Statement	(7,095)	(1,985)
Remove gain on sale of HRA non-current assets	536	521
Pension reserve contributions	(932)	(621)
Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	(12)	-
Capital expenditure charged to HRA Balances	740	2,767
Transfers to/from Major Repairs Reserve	2,759	2,691
Transfers to/from Capital Adjustment Account	2,849	(2,976)
Adjustments between accounting basis and funding basis under statute	5,940	2,382
Net (increase) or decrease before transfers to or from the reserves	(1,155)	397
Transfer to/(from) reserves	524	(178)
(Increase) or decrease in year on the HRA	(631)	219
Surplus Carried Forward	(1,210)	(579)

The total surplus carried forward excludes balances of:

- Major Repairs Reserve
- Housing Repairs Account
- Leaseholder Repairs Reserve
- Capital Development Fund
- Debt Repayment Fund

These are included within the Movement in Reserves Statement.

Notes to the Housing Revenue Account

Note 1 Housing Stock

The Council's housing stock, including shared ownership properties, was made up as follows:

	31 March 2022	31 March 2021
Houses	774.75	779.25
Flats	1,457.00	1,450.00
Bungalows	166.00	166.00
	2,397.75	2,395.25

During the year 11 homes were sold under the right to buy scheme (6 in 2020/21) and none were sold on the open market (2 in 2020/21), 1 shared-owner property was fully acquired by their owner (1 in 2020/21). The Council bought 2 homes that were 100% in private ownership (7 in private ownership and 3 shared-owner homes in 2020/21). Construction was completed at Rose Court bringing 12 homes into the housing stock.

Note 2 Value of Housing Revenue Account Property

Council dwellings have been valued in their current use with an allowance for occupation by a secure social tenant including the right to buy where applicable. The vacant possession value at 31 March 2022 is £417 million. The difference in valuation is the economic cost to the government of providing council housing at less than open market rents.

The table below details the opening and closing values of the various classes of HRA assets. It also shows the various movements in values resulting from additions, disposals, revaluations, impairments and reclassification of the assets.

Movement in Values 2021/22	Council Dwellings £'000	Other Land and Buildings £'000	Plant and Equipment £'000	Assets Under Construction £'000	Total £'000
Cost or Valuation					
At 1 April 2021	130,217	5,276	124	1,870	137,487
Additions	3,830	-	-	1,329	5,159
Revaluation Increases/(decreases) to RR	-	-	-	-	-
Revaluation Increases/(decreases) to SDPS	2,594	-	-	-	2,594
Derecognition - Disposals	(794)	-	-	-	(794)
Other reclassifications	1,952	9	-	(1,952)	9
At 31 March 2022	137,799	5,285	124	1,247	144,455
Depreciation and Impairment					
At 1 April 2021	2,578	97	42	-	2,717
Depreciation Charge	2,656	97	6	-	2,759
Depreciation written out to RR	-	-	-	-	-
Depreciation written out to SDPS	(2,578)	(97)	-	-	(2,675)
Derecognition - Disposals	(16)	-	-	-	(16)
At 31 March 2022	2,640	97	48	-	2,785
Net Book Value					
At 31 March 2022	135,159	5,188	76	1,247	141,670
At 31 March 2021	127,639	5,179	82	1,870	134,770

Movement in Values 2020/21	Council Dwellings £'000	Other Land and Buildings £'000	Plant and Equipment £'000	Assets Under Construction £'000	Total £'000
Cost or Valuation At 1 April 2020	126,886	5,246	124	1,901	134,157
Additions	4,398	-	-	1,944	6,342
Revaluation Increases/(decreases) to RR	-	-	-	-	-
Revaluation Increases/(decreases) to SDPS	(3,238)	-	-	-	(3,238)
Derecognition - Disposals	(544)	-	-	-	(544)
Other reclassifications	2,715	30	-	(1,975)	770
At 31 March 2021	130,217	5,276	124	1,870	137,487
Depreciation and Impairment At 1 April 2020	2,509	97	36	-	2,642
Depreciation Charge	2,588	97	6	-	2,691
Depreciation written out to RR	-	-	-	-	-
Depreciation written out to SDPS	(2,509)	(97)	-	-	(2,606)
Derecognition – Disposals	(10)	-	-	-	(10)
At 31 March 2021	2,578	97	42	-	2,717
Net Book Value					
At 31 March 2021	127,639	5,179	82	1,870	134,770
At 31 March 2020	124,377	5,149	88	1,901	131,515

RR = Revaluation Reserve
SDPS = Surplus/Deficit on the Provision of Services

Note 3 Major Repairs Reserve

	2021/22 £'000	2020/21 £'000
Balance at 1 April	2,318	2,317
Receipts in year	2,759	2,691
Used in year	(3,084)	(2,690)
Balance at 31 March	1,993	2,318

Note 4 Housing Repairs Account

	2021/22 £'000	2020/21 £'000
Balance at 1 April	1,500	1,500
Contribution from HRA	2,239	832
Other Income	219	215
Expenditure	(3,074)	(2,365)
Transfer to Reserve	616	1,318
Balance at 31 March	1,500	1,500

Note 5 Capital Financing

The financing of capital expenditure on HRA property during the year is shown below. A proportion of this expenditure led to an increase in the value of current housing stock, the remainder increases the stock through acquisition and housing developments that were completed and remain underway.

	Houses and Flats £'000
Section 106 Contributions	25
Capital Receipts	884
Capital Development Fund	740
Major Repairs Reserve	3,083
Revenue Contributions	-
Housing Grants	427
Expenditure in 2021/22	5,159

Note 6 Capital Receipts

Capital receipts from the Right to Buy sales of HRA property in 2021/22 were £1,144,700 (£584,700 in 2020/21).

Note 7 Depreciation and Impairment

		2021/22 £'000	2020/21 £'000
Depreciation	Dwellings	2,656	2,588
	Garages	97	97
	Plant and Equipment	6	6
	Total	2,759	2,691
Amortisation	Intangible Asset	28	5
Revaluation (Gain)/Loss	Dwellings	(5,170)	729
Total Charge		(2,383)	3,425

For 2021/22 the adjustment factor applied to the market value of properties to derive the Existing Use-Social Housing Valuation has remained constant at 33%.

Note 8 Arrears

At 31 March 2022, arrears were 5.46% of the gross income due in the year. 2021/22 was a 52 week rent year (2020/21 was a 52 week rent year). The arrears figures are as follows:

	2021/22 £'000	2020/21 £'000
Arrears as at 31 March	707	711
Gross Income	12,953	12,688
Provision for Uncollectable Rents	581	617
Arrears as a Percentage of Gross Income	5.46%	5.60%

Collection Fund

This statement represents the transactions of the Collection Fund, a statutory fund separate from the General Fund of the Council. The Collection Fund accounts independently for income relating to council tax and non-domestic rates on behalf of those bodies (including the Council's own General Fund) for whom the income has been raised. The costs of administering collection are accounted for in the General Fund.

	Council Tax £'000	Business Rates £'000	2021/22 Total £'000	2020/21 Total £'000
Income				
Council Tax				
Billed to Taxpayers	79,751	-	79,751	75,361
Non-Domestic Rates - Due	-	36,201	36,201	23,149
Transitional Protection Payments	-	(468)	(468)	(1,245)
Total Income	79,751	35,733	115,484	97,265
Expenditure				
Collection Fund Surplus/(Deficit) in Previous Year				
Central Government	-	(9,944)	(9,944)	(1,165)
Fareham Borough Council	69	(7,955)	(7,886)	(979)
Hampshire County Council	539	(1,790)	(1,251)	(573)
Police and Crime Commissioner for Hampshire	89	-	89	(59)
Hampshire Fire and Rescue	29	(199)	(170)	(43)
	726	(19,888)	(19,162)	(2,819)
Precepts, Demands and Shares				
Central Government	-	20,703	20,703	20,483
Fareham Borough Council	7,456	16,562	24,018	23,583
Hampshire County Council	59,156	3,726	62,882	59,716
Police and Crime Commissioner for Hampshire	9,920	-	9,920	9,211
Hampshire Fire and Rescue	3,085	414	3,499	3,418
	76,617	41,405	121,022	116,411
Charges to the Collection Fund				
Cost of Collection Allowance	-	136	136	138
Increase/(Decrease) in Appeals Provision	-	990	990	(660)
Increase/(Decrease) in Bad Debt Provision	151	(36)	115	705
	151	(1,090)	1,241	183
Total Expenditure	80,494	22,607	103,101	113,775
Fund balance brought forward at 1 April	962	(20,439)	(19,477)	(2,967)
Surplus/(Deficit) for the Year	(743)	13,126	12,383	(16,510)
Fund balance carried forward at 31 March	219	(7,313)	(7,094)	(19,477)

NOTES TO THE COLLECTION FUND

Note 1 Council Tax

Council Tax income derives from the charges raised according to the value of residential properties, classified into eight valuation bands estimating 1 April 1991 values for this purpose. Individual charges are calculated by estimating the amount of income required from the Collection Fund by Hampshire County Council, the Police and Crime Commissioner for Hampshire, Hampshire Fire and Rescue Authority and the Council for the forthcoming year and dividing this by the council tax base. The council tax base is the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts 43,804.50 for 2021/22 (43,559 for 2020/21). This basic amount of council tax for a Band D property is multiplied by the proportion specified for the particular band to give an individual amount due.

The basic amount of Council Tax for a Band D property was:

	2021/22 £'000	2020/21 £'000
Fareham Borough Council	170.22	165.22
Police and Crime Commissioner for Hampshire	226.46	211.46
Hampshire Fire and Rescue	70.43	69.06
Hampshire County Council	1,350.45	1,286.28
Total	1,817.56	1,732.02

Note 2 Non-Domestic Rates (NDR)

NDR is organised on a national basis. The Government specifies a rate in the £ (in 2021/22 and 2020/21, 49.9p for small businesses and 51.2p for large) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from the ratepayers in its area. The rateable value at 31 March 2022 was £102,666,408 (£101,503,390 as at 31 March 2021). This rateable value is based on the valuation list effective from 31 March 2022.

Until 2012/13 the proceeds were paid into an NDR pool administered by the Government. The Government re-distributed the sums paid into the pool back to local authorities' General Funds on the basis of a fixed amount per head of population.

In 2013/14 a new system of Retained Business Rates was introduced, changing the way in which this funding stream is received. The Council collects business rates due in the usual way, but instead of paying it all over to the national pool, 50% is paid to Central Government, 9% to Hampshire County Council, 1% to Hampshire Fire and Rescue Authority and 40% is retained by the Council.

At the end of the year the Council compares its 40% retained rates income with the Business Rates Baseline set at the start of the system (based on rates collected up to 2011/12) and the Baseline funding level for the financial year. For 2021/22, the Business Rates Baseline was £17,018,474 the same as 2020/21, and the Baseline funding level was £1,928,612 same as 2020/21.

Note 3 Collection Fund Balance

The Collection Fund balance for 2021/22 was a deficit of £7.1 million (a deficit of £19.5 million in 2020/21) which is included within the Balance Sheet. The amounts in respect of Fareham Borough Council are contained within the reserves section of the Balance Sheet and amounts due to the other major preceptors are shown within creditors.



GLOSSARY OF TERMS

GLOSSARY OF TERMS

Accruals

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

Actuarial Gains and Losses

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arises because events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses), or the actuarial assumptions have changed.

Amortised Cost

The amortised cost of a financial instrument is the amount at which the instrument is measured at initial recognition (usually cost) less any repayments of principal or reduction for impairment, or any adjustment for the difference between the initial amount and the maturity amount. Examples include adjustments for transaction costs or deferred interest payments that are required to be spread over the life of the instrument.

Carrying Amount

The amount at which an asset is recognised after deducting any accumulated depreciation and impairment losses.

Cash and Cash Equivalents

Cash comprises of cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Community Assets

Assets that the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and open spaces.

Contingency

A condition which exists at the balance sheet date, where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

Corporate and Democratic Core

The Corporate and Democratic Core is comprised of Democratic Representation and Management which includes corporate policy making and all other member-based activities and Corporate Management which includes activities and costs that related to the general running of the Council.

Current Service Costs (Pensions)

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

Defined Benefit Scheme

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually the scheme rules define the benefits independently of contributions payable, and the benefits are not directly related to the scheme investments. The scheme may be funded or unfunded.

Depreciation

The systematic allocation of the depreciable amount of an asset over its useful amount.

Depreciated Replacement Cost (DRC)

A method of valuation which provides the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and relevant forms of obsolescence and optimisation.

Discretionary Benefits

Retirement benefits which the employer has no legal, contractual, or constructive obligation to award and which are awarded under the Council's discretionary powers.

Exceptional Items

Material items which derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

Expected rate of return on pensions assets

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the assets held by the scheme.

Fair Value

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measure date

Finance Lease

A lease that transfers substantially all of the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.

Government Grants

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an Council in return for past or future compliance with certain conditions relating to the activities of the Council.

Heritage Assets

A Heritage Asset is an asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

Historical Cost

The carrying amount of an asset as at 1 April 2007 or at the date of acquisition, whichever is the later, and adjusted for subsequent depreciation or impairment (if applicable).

Infrastructure Assets

Non-current assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

Interest Cost (Pensions)

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

Investments (Non Pensions Fund)

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the Council. That is, where the intention is to hold the investment is for the long term, or where the Council's ability to dispose of the investment is restricted. Investments, other than those related to the pension fund, that do not meet the above criteria are classified as current assets.

Investments (Pensions Fund)

The investments of the Pensions Fund will be accounted for in the statements for that Fund. However, authorities participating in the fund are also required to disclose the attributable share of pension scheme assets associated with their underlying obligations.

Investment Properties

Interest in land and/or buildings in respect of which construction work and development have been completed and which are held for their investment potential, any rental income being negotiated at arm's length.

Material

Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.

Net Book Value

The amount at which non-current assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Net Current Replacement Cost

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

Non-Current Assets

Tangible assets that yield benefits to the Council and the services it provides for a period of more than one year.

Non-Operational Asset

Non-current assets held by a Council but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

Operating Leases

A lease other than a finance lease.

Operational Assets

Non-current assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has a statutory or discretionary responsibility.

Past Service Costs

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

Post Balance Sheet Events

Those events, 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.

Prior Year Adjustments

Material adjustments applicable to prior years, arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Projected Unit Method

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings.

Property, Plant and Equipment

Non-current assets 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 during more than one period.

Revenue Expenditure Funded from Capital under Statute (REFCUS)

Expenditure which may properly be deferred, but which does not result in, or remain matched with, tangible assets. Examples are expenditure on renovation grants and assistance to Housing Associations enabling them to provide accommodation.

Related Parties

Related parties include Central Government, elected members of the Council and certain senior officers. For individuals identified as related parties the following are also related parties: members of their close family or of the same household and partnerships, trusts, or other entities in which they have a controlling interest.

Retirement Benefits

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

Scheme Liabilities

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

Useful Life

The period which an asset is expected to be available for use by the Council.



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INDEPENDENT AUDITOR'S REPORT

Auditor's report to follow

Auditor's report to follow

Auditor's report to follow

Auditor's report to follow



CONTACTS

HOW TO CONTACT US

This Statement can be viewed via the Council's website at www.fareham.gov.uk.

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Friday - 8.45am to 4.45pm

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FAREHAM

BOROUGH

COUNCIL

STATEMENTS OF

ACCOUNTS

2021/2022

FAREHAM
BOROUGH COUNCIL