



## RUSHMOOR BOROUGH COUNCIL

### CORPORATE GOVERNANCE, AUDIT AND STANDARDS COMMITTEE

*at the Council Offices, Farnborough on  
Thursday, 21st November, 2024 at 7.00 pm*

**To:**

Cllr A.H. Crawford (Chairman)  
Cllr Bill O'Donovan (Vice-Chairman)

Cllr A. Adeola  
Cllr Gaynor Austin  
Cllr C.W. Card  
Cllr Rhian Jones  
Cllr M.J. Roberts  
Cllr M.D. Smith  
Cllr Sarah Spall  
Cllr P.G. Taylor  
Cllr Jacqui Vosper

**Non-Voting Member:**

Mr. Tom Davies – Independent Member (Audit)

**Standing Deputies:**

Cllr Leola Card, Cllr Lisa Greenway, Cllr Julie Hall, Cllr S.J. Masterson, Cllr T.W. Mitchell, Cllr M.J. Tennant

Enquiries regarding this agenda should be referred to the Committee Administrator,  
Lucy Bingham, Democratic Services, Tel. (01252 398128) or email  
[lucy.bingham@rushmoor.gov.uk](mailto:lucy.bingham@rushmoor.gov.uk).

# **A G E N D A**

**1. MINUTES – (Pages 1 - 4)**

To confirm the Minutes of the Meeting held on 25th September 2024 (copy attached).

**2. EY AUDIT/STATEMENT OF ACCOUNTS UPDATE – (Pages 5 - 368)**

To receive the Executive Head of Finance's Report No. FIN2418 (copy attached) which provides an update on the draft Statements of Account for the financial years 2020/21, 2021/22 and 2022/23 and the supporting disclaimer relating to the backstop issues. Delegation will be sought for the Chairman and Executive Head of Finance to sign off the Statements of Account when finalised.

**3. PROPOSALS FOR INTERNAL AUDIT – (Pages 369 - 380)**

To receive Report No. FIN2420 (copy attached) from the Executive Head of Finance. Representatives from the Southern Internal Audit Partnership (SIAP), will also be in attendance. The Committee are asked to approve a contract for SIAP to take on the day to day internal audit function of the Council, in advance of the Cabinet Meeting on 26th November.

**4. PROPOSALS FOR COUNCIL INSURANCE – (Pages 381 - 394)**

To receive the Executive Head of Finance's Report No. FIN2419 (copy attached) which sets out options for the renewal of the Council's insurance. A representative of London Borough of Sutton Insurance will be in attendance to provide information on the self-insurance model.

**5. TREASURY MANAGEMENT AND NON-TREASURY INVESTMENT OPERATIONS 2024/25 QUARTERLY REPORT – (Pages 395 - 412)**

To consider the Executive Head of Finance's Report No. FIN2417 (copy attached) which sets out Treasury Management activities for 2024/25 Quarter 2 and reports on compliance with Prudential Indicators.

**6. ANNUAL GOVERNANCE STATEMENT UPDATE – (Pages 413 - 416)**

To receive the Audit Manager's Report No. AUD24/08 (copy attached), which details progress towards the implementation of the actions in the Annual Governance Statement (AGS).

**7. INTERNAL AUDIT - OUTSTANDING AUDIT RECOMMENDATIONS UPDATE – (Pages 417 - 422)**

To receive the Audit Manager's Report No. AUD24/09 (copy attached), which provides an update on the 2024/25 Audit Plan.

8. **UPDATE ON GOVERNANCE REVIEW ACTIONS –**

The Committee to receive a verbal update from Executive Director, Ian Harrison, regarding the Governance Review being led by the Centre for Public Scrutiny (CfPS).

**PUBLIC PARTICIPATION AT MEETINGS**

Members of the public may ask to speak at the meeting on any of the items on the agenda by writing to the Committee Administrator at the Council Offices, Farnborough by 5.00 pm two working days prior to the meeting.

-----

This page is intentionally left blank



# CORPORATE GOVERNANCE, AUDIT AND STANDARDS COMMITTEE

Meeting held on Wednesday, 25th September, 2024 at the Council Offices,  
Farnborough at 7.00 pm.

## **Voting Members**

Cllr A.H. Crawford (Chairman)  
Cllr Bill O'Donovan (Vice-Chairman)

Cllr A. Adeola  
Cllr Gaynor Austin  
Cllr C.W. Card  
Cllr Rhian Jones  
Cllr M.J. Roberts  
Cllr M.D. Smith  
Cllr Jacqui Vosper  
\*Cllr Lisa Greenway  
\*Cllr S.J. Masterson

Apologies for absence were submitted on behalf of Cllr Sarah Spall and Cllr P.G. Taylor.

\*Cllrs Lisa Greenway and S.J. Masterson attended the meeting as Standing Deputies.

## **Non-Voting Member**

Mr. Tom Davies (ex officio)

## **14. MINUTES**

The minutes of the meeting held on 31st July 2024 were agreed and signed as a correct record of the proceedings, subject to the acronym on Page 7 of the minutes being written in full as follows, "Public Sector Internal Audit Standards (PSIAS)".

## **15. ANNUAL OMBUDSMAN COMPLAINT REVIEW LETTER 2024**

The Committee considered the Monitoring Officer's Report No. CS240911, which summarised the outcomes and findings of the Annual Review Letter 2023/24 from the Local Government and Social Care Ombudsman (LGSCO).

It was noted that the LGSCO had received three complaints directly from members of the public, of which two were not upheld. One complaint, relating to private renting conditions, was upheld. The LGSCO found no fault in the Council's assessment and actions, however fault was found regarding an email sent to the tenant from the Council, in which they felt the Council had not provided adequate information,

leading to uncertainty. The report showed that the LGSCO had set out actions for the Council to complete, which had been carried out.

During discussions, the Committee noted that 32 complaints had been made in total, of which 82% had been resolved at the first stage and 17% resolved at the second stage. Further to a request, it was agreed that additional information about the nature of complaints would be summarised and included as part of future reporting to the Committee.

**RESOLVED:** That:

- (1) the Committee note the Annual Review Letter;
- (2) the Council would continue to manage any complaints through the current complaints processes; and
- (3) the Council would continue to make use of the LGSCO's review letter to monitor and review the effectiveness of its complaints policy and responses – informing the implementation of any changes as required.

#### 16. **ANNUAL STATEMENT OF ACCOUNTS/EXTERNAL AUDIT OPINION - UPDATE**

The Chairman welcomed Simon Mathers, Director at Ernst and Young (EY), who joined the meeting remotely via Microsoft Teams.

The Committee received an update from the Executive Head of Finance, Peter Vickers, who advised that the Council had been liaising with Mr Mathers in arranging the external audit of the 2023/24 accounts.

Mr Mathers advised that there had been a significant backlog in the delivery of external audits for local Government. It was noted that following the General Election in July 2024, the new Government had agreed legislation to address the delays. This had resulted in all accounts for the Council between 2020/21 and 2022/23 being completed through the process of a disclaimer by 13th December 2024, and the 2023/24 accounts would be audited, in the proposed way as set out in the plan, by 28th February 2025. If audit work on the 2023/24 accounts was not completed in time, the Council would also have to publish these with a disclaimer.

The Committee was advised that the audit for 2023/24 was due to commence on the 30th September 2024 and would take approximately eight weeks. It was confirmed that at the current time, all requests for working papers and the sampling requests had been issued, and that the Council would be responding to requests for information as a priority and in a timely manner to support the completion of the audit. In terms of the assurance that Ernst and Young would be able to give at the end of that process, it was noted that the opinion for 2023/24 would be modified to reflect the position that the previous years' accounts had been published with a disclaimer. EY would be focusing their resources on those aspects of the audit and those areas that were of most value to the Council, to allow the Council to rebuild assurance for subsequent financial years.

**RESOLVED:** That the Annual Statement of Accounts/External Audit Opinion update be noted.

## **17. INTERNAL AUDIT - AUDIT UPDATE**

The Committee received the Audit Manager's Report No. AUD2407, which set out an update on the audits finalised in respect of the 2023/24 audit plan, and progress on the 2024/25 audit plan including a schedule of work to be delivered in Quarter 3.

The Committee noted that the Southern Internal Audit Partnership (SIAP) had been assisting the Council with the delivery of the annual audit plan for 2024/25 and that a more permanent arrangement was being considered via a local authority collaboration agreement. In discussing the approach to agreeing future permanent arrangements, it was proposed that the Committee be consulted for comments prior to the decision.

With reference to paragraph 2.2 of the Report, the Committee was advised of the assurance opinion on each of the completed audits since the previous update in May 2024. During discussion on the previous year, it was noted that overall budget savings had been achieved, and that the Cost Reduction Efficiencies Programme (CREP), and Outcomes Based Budget (OBB) activities had achieved a positive impact on reducing the Council's deficit, with clear objectives set out in the proposal documentation for the programme.

On the payroll audit, the Committee enquired as to the approach to the management and authorisation of overtime. It was advised that the Executive Leadership Team (ELT) had an overview of the position, which they were able to check for disproportionate overtime payments. In addition, the Committee was advised that Service Managers were required to authorise overtime payments in advance.

**RESOLVED:** That the information provided within the Audit Manager's Report No. AUD2407 be noted in relation to the progress of audit work to date towards the 2023/24 audit plan, and the expected deliverables for the next quarter.

## **18. UPDATE ON GOVERNANCE ACTIONS - CIPFA REPORT AND LGA CORPORATE PEER CHALLENGE**

The Committee noted that the findings in the Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Resilience Review Report and the Local Government Association (LGA) Corporate Peer Challenge Feedback Report would be considered at the meeting of the Cabinet on 15th October, when both a Corporate Peer Challenge Action Plan, and a Financial Recovery Plan would be considered for approval. In addition, feedback and recommendations from the Overview and Scrutiny Committee Meeting on 12th September, at which the CIPFA Report was considered, would be reported to the Cabinet.

It was noted that, across the two reports, a number of recommendations related to Governance matters, these included:

- a refresh of the Equality, Diversity and Inclusion objectives,

- a review of the Committee structure, with an aim to conclude this work by the end of the Municipal Year to allow for any amendments to be made to the Constitution,
- a review of the relationship between the Rushmoor Development Partnership (RDP) and Rushmoor Homes Limited (RHL)
- a review of the organisational structure
- a review of Corporate Risk Management

It was advised that reports would be made to the Committee as the work progressed. In response to a question, it was advised that the recommendation to Cabinet on 15th October would be to undertake a review of the committee structure, once endorsed by the Cabinet, further engagement with relevant bodies would be made. There would be no need for the Committee to meet prior to the Cabinet meeting on 15th October.

**RESOLVED:** That the update be noted.

**19. CORPORATE POLICY AND GUIDANCE ON SURVEILLANCE AND THE USE OF THE REGULATION OF INVESTIGATORY POWERS ACT 2000**

The Committee considered the Corporate Manager – Legal Report No. LEG24/02 which set out a review for approval of the Council’s corporate policy on the use of covert investigatory techniques, including surveillance, within and outside the scope of the Regulation of Investigatory Powers Act 2000 (RIPA).

The Committee was advised that much of the surveillance carried out by officers was overt, where officers were transparent in their investigations. Investigations which were deemed to need covert surveillance, needed authorisation from the Magistrates Court, and were carried out by trained and authorised Council officers, in partnership with the Police. It was noted that no covert surveillance had been undertaken by the Council during 2023/24. The Council’s Regulation of Investigatory Powers Act 2000 (RIPA) policy and procedure was up-to-date and complied with current guidance.

**RESOLVED:** That the Corporate Surveillance and RIPA Policy Report No. LEG24/02, be noted.

The meeting closed at 8.35 pm.

CLLR A.H. CRAWFORD (CHAIRMAN)

-----

## Statement of Accounts

### SUMMARY:

This report sets out the latest position on the local audit delay backstop. The purpose of the report is for the committee to consider and approve the outstanding years financial statements – 2020/21, 2021/22 and 2022/23 – in light of the audit backstop position.

### RECOMMENDATIONS:

Members are requested to:

- (i) Delegate the approval of the Statement of Accounts for 2020/21, 2021/22 and 2022/23 to the Chair of Audit Committee and the S151 Officer.
- (ii) Delegate the signing of the Letter of Representation for 2020/21, 2021/22 and 2022/23 to the Chair of Audit Committee and the S151 Officer.
- (iii) Confirms that the accounts have been prepared on a going concern basis.
- (iv) Notes the Auditors Completion Report.
- (v) Notes the Auditors Value for Money Report.

## 1. INTRODUCTION

- 1.1 The Councils Constitution sets out in Part 3, Section 6 (Roles and Responsibilities of Council Decision Making Bodies) that it is the CGAS committees' responsibility to:

### ***"Financial Reporting***

*28. To approve the annual Statement of Accounts and consider whether appropriate accounting policies have been followed and whether any concerns arising from the financial statement or from the audit need to be brought to the attention of the Council.*

*29. To consider the external auditor's report to those charged with governance on any issues arising from the audit of the accounts."*

## 2. PURPOSE

- 2.1 This report sets out the three outstanding years accounts which require approval in line with the statutory Local Government Audit backstop position.

### **Appendix 1 – 2020/21 Statement of Accounts**

### **Appendix 2 - 2021/22 Statement of Accounts**

### **Appendix 3 – 2022/23 Statement of Accounts**

### **Appendix 4 – Draft Letter of Representation**

### **Appendix 5 – External Auditors Completion Report**

### **Appendix 6 – External Auditors Value for Money Report**

## **BACKGROUND**

- 3.1 The Accounts and Audit Regulations 2015 set out the requirements for the production and publication of the annual Statement of Accounts. These Regulations incorporate a statutory requirement for the Statement of Accounts to be approved by a resolution of a Committee of the relevant body by 31 July for the relevant year.
- 3.2 The Local Audit the Accounts and Audit (Amendment) Regulations 2022 introduced a temporary change to the required dates, moving the dates statutory requirement for the Statement of Accounts to be approved by a resolution of a Committee of the relevant body to later in the year for a temporary period. From 2023/24 the publishing date returned to 31 May.
- 3.3 The Chief Finance Officer (Section 151 Officer) retains responsibility for the preparation of the Statement of Accounts and is required to certify that they give a true and fair view of the financial position of the Council. Members' role in approval is to demonstrate their ownership of the Statement of Accounts and their confidence in both the Chief Finance Officer and the process by which the accounting records are maintained and the Statement of Accounts prepared.
- 3.4 As previously discussed with the committee, there are national delays in local government audit, with many councils having a number of years audit not completed by the statutory deadlines.
- 3.5 Statute has now been laid by government to clear the backlog. On 5 September 2024 the government published draft the Accounts and Audit (Amendment) Regulations 2024. These Regulations, which were approved on 30 September 2024, set a publication date for financial statements up to and including 2022/23 of 13 December 2024. Where audit work is not concluded, this will result in either a qualification or disclaimer of opinion.
- 3.6 It will not be possible to complete the external audit for 2020/21, 2021/22 and 2022/23 by the statutory backstop date. The external auditors therefore propose to issue a disclaimer audit opinion.

## **4 STATEMENT OF ACCOUNTS**

- 4.1 The Statement of Accounts for each year are included as separate documents at Appendix 1-3.

- 4.2 The Narrative Reports within each set of Accounts highlights the key issues and shows the headline figures.
- 4.3 The format and content of the accounts is largely prescribed by regulation and the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Local Authority Accounting (the Code). It is a requirement that the accounts are arranged with all core financial statements grouped together followed by all notes to these statements in a separate section.
- 4.4 The unaudited Statements of Accounts for each year are available on the Council's website.
- 4.5 The Audit Completion Report of the Council's accounts by Ernst & Young is included on this agenda.
- 4.6 It is a requirement that the Council issues a Letter of Representation to its external auditors at the conclusion of the audit and is attached at Annexe 4.
- 4.7 Alongside the accounts the Council must publish the Annual Governance Statement which is a statutory document which helps ensure there are the correct controls in place to enable the council to deliver its services and functions and minimise risk to the Council. The Annual Governance Statement is included alongside each set of Accounts.

## **5 GOING CONCERN REPORT**

- 5.1 International Audit Standards require the Audit Committee to provide confirmation that the Statement of Accounts have been prepared on a 'going concern' basis. The going concern concept is one of the core principles underpinning local authority accounting practice and refers to the assumption made when the Accounts are prepared that the organisation will continue to operate for at least 12 months following the accounting period in question, taking into consideration best estimates of future activity and cash flows.
- 5.2 The main issues around the application of the 'going concern' concept are to consider the medium-term financial plans and cash flow forecasts in existence to ensure the continuing operation of the Council. As explained in the Narrative reports to the accounts, the impact of Covid-19 and External economic factors on the Council's finances during the period has been significant. CIPFA issued specific guidance on how local authorities should report their going concern statement in the light of the Covid-19 impact. This guidance confirms that local authorities cannot cease to be a going concern or be liquidated or cease to operate.
- 5.3 Rushmoor's Medium-Term Financial Strategy (MTFS) (2024/2025) was agreed by Council in February 2024. The MTFS forecasts the Council's financial performance and identifies budget pressures for the three years of the plan. This plan demonstrates that the Council faces significant financial pressure. External factors have continued to affect the Council's operations

and financial position directly and indirectly. The Council has approved a Financial Resilience Plan to support the financial recovery of the Council with appropriate project governance to secure delivery. Officers have implemented more robust monitoring arrangements and will be increasing frequency to ensure that the Council has early warning of adverse variations to the forecast so that it can take corrective action.

## **6 CONSULTATION**

- 6.1 Each of the unaudited accounts were available for public inspection for 30 working days following publishing as required in Section 25 of the Local Audit and Accountability Act 2014

## **7 IMPLICATIONS**

### **7.1 Risks**

The preparation of the Statement of Accounts and the audit scrutiny provide reassurance that the accounts give a true and fair view of the financial position of the Council. The process of clearing down the backlog of the Annual Statements means full audit sign off has not been achieved for the three years 2020-2023, therefore risks of the Councils financial accounts not showing a true and fair financial position are increased.

### **7.2 Legal**

The Accounts set out Waverley's financial position at the year-end in a format which is prescribed by Regulations and the Local Government Accounting Code of Practice.

### **7.3 Financial and Resource**

There are no additional resource implications resulting from the prior years Statement of Accounts. The Accounts set out Waverley's financial position at the year-end in a format which is prescribed by Regulations and the Local Government Accounting Code of Practice.

Audited accounts give strong evidence for a financially sound Council and are a key document that helps to demonstrate the Council's accountability for public funds.

The Value for Money report from audit help to demonstrate the Council's key objective of providing good value for money in how the Council's resources have been utilised.

### **7.4 Equalities Impact**

No direct implications.

### **7.5 Other**

Not applicable.

## **8. CONCLUSIONS**

- 8.1 The statutory accounts require approval so the years can be disclaimed by audit. The Committee as 'Those Charged with Governance' are required to



receive the Audit Findings Report and approve for the Chair to sign the letters of representation on behalf of the Council.

**BACKGROUND DOCUMENTS:**

None

**CONTACT DETAILS:**

Report Author: Rosie Plaistowe- Melham – Financial Services Manager  
[Rosie.plaistowe@rushmoor.gov.uk](mailto:Rosie.plaistowe@rushmoor.gov.uk)

Head of Service: Peter Vickers – Executive Head of Finance, S151  
[peter.vickers@rushmoor.gov.uk](mailto:peter.vickers@rushmoor.gov.uk)



## Statement of Accounts and Annual Governance Statement 2020-21

**RUSHMOOR**  
BOROUGH COUNCIL

V4 (11/06/2024)

Narrative Report	1
Authority's Responsibilities	11
Movement in Reserves Statement (MiRS)	12
Comprehensive Income and Expenditure Statement (CIES)	13
Balance Sheet (BS)	14
Cash Flow Statement	15
Notes to the core financial Statements;	
Note 1 - Accounting Policies	16
Note 2 - Accounting Standards Issued, Not Adopted	30
Note 3 - Expenditure and Funding Analysis	30
Note 4 - Expenditure and Income Analysed by Nature	32
Note 5 - Critical Judgements in Applying Accounting Policies	33
Note 6 - Assumptions & Uncertainty	34
Note 7 - Events After the Balance Sheet Date	35
Note 8 - Adj's between Acc & Funding Basis under Regulations	35
Note 9 - Transfers to/from Earmarked Reserves	38
Note 10 - Other Operating Expenditure	39
Note 11 - Financing and Investment Income and Expenditure	39
Note 12 - Taxation and Non-Specific Grant Income	39
Note 13 - Property, Plant and Equipment	40
Note 14 - Investment Properties	41
Note 15 - Intangible Assets	42
Note 16 - Interests in Jointly Controlled Operations	43
Note 17 - Long Term Debtors	45
Note 18 - Financial Instruments	45
Note 19 - Inventory	48
Note 20 - Short Term Debtors	48
Note 21 - Cash and Cash Equivalents	48
Note 22 - Short Term Borrowing	49
Note 23 - Short Term Creditors	49
Note 24 - Provisions	49
Note 25 - Long Term Borrowing	49
Note 26 - Other Long Term Liabilities	49
Note 27 - Unusable Reserves	50
Note 28 - Cash Flow- Adj's to net surplus/deficit	52
Note 29 - Cash Flow- Adj's for PoS investing or financing	53
Note 30 - Cash Flow- Operating Activities	53
Note 31 - Cash Flow- Investing Activities	53
Note 32 - Cash Flow- Financing Activities	53
Note 33 - Recon of Liabilities Arising from Financing Activities	53
Note 34 - Officer Remuneration and Termination Benefits	54
Note 35 - External Audit Costs	55
Note 36 - Grant Income	55
Note 37 - Member's Allowances	56
Note 38 - Related Party Transactions	56
Note 39 - Capital Expenditure and Financing	57
Note 40 - Leases	58
Note 41 - Capital Commitments	60
Note 42 - Defined Benefits Pension Scheme	60
Note 43 - Nature and Extent of Risk Arising from Fin. Instruments	64
Collection Fund (and associated notes)	69
Annual Governance Statement	72

## **Narrative Statement from the Chief Financial Officer (CFO)**

### **ORGANISATIONAL OVERVIEW AND ENVIRONMENT**

#### **1. An introduction to Rushmoor**

The Borough of Rushmoor, with an estimated population of around 94,400, covers an area of 3,905 hectares at the northeast corner of Hampshire, with its eastern boundary with Surrey being formed by the River Blackwater. London is some thirty miles away and the Borough is served by direct road and rail links to the capital and the south coast. Rushmoor includes the towns of Aldershot, with its world-famous military history and Farnborough, long noted as the birthplace of aeronautical research and development and served by Farnborough Airport.

The urban area extends the full length of the Borough from the southern boundary with Farnham to the towns of Frimley and Camberley across the River Blackwater in the north.

The military area and Farnborough Airport occupy the land between Aldershot and Farnborough and to the west of those towns, works continue on Wellesley, a major redevelopment of an area of former Ministry of Defence land north of Aldershot, which will provide an additional 3,850 properties over the next fourteen years.

#### **2. Council services and purpose**

Rushmoor Borough Council (RBC) delivers more than 100 local services to the communities of Aldershot and Farnborough, including core services such as rubbish and recycling collection, street cleaning, planning, environmental health, housing, parks and leisure facilities.

The Council is more complex than ever before and plays an essential role in broad areas like engaging with and where necessary, supporting local communities and business, helping the most vulnerable in society and making sure our Borough continues to develop and thrive economically with an extensive regeneration programme.

#### **3. COVID-19 Pandemic**

The 2020/21 financial year has been an exceptional one for the UK economy, Local Government sector and Rushmoor Borough Council. Facing the first global pandemic in 100 years the Council has had to make appropriate budget plans to manage the economic conditions and uncertainty over future funding.

The Council's Medium-Term Financial Strategy (MTFS) presented to Cabinet on 16 February took into the account the uncertainty surrounding the impact of the COVID-19 pandemic. Due to the Council's reliance on commercial income and fees and charges and consequently its exposure to the economic cycle, the Council has in recent years built up reserves to ensure the Council is financially resilient in a recession. The Council has maintained its 2020/21 General Fund balance at pre-COVID-19 levels.

#### **Financial Impact/Outlook**

The Council set its 2020/21 budget and Medium-Term Financial Strategy (MTFS) in February 2021.

The COVID-19 crisis has meant that the Council has had to review its ways of working and is currently undertaking a Cost Reduction and Efficiency Programme (CREP) to identify changes in working. The continuing economic and funding uncertainty will require the Council to continually review service provision, its delivery models and budget forecast.

The 2020/21 financial year has been an exceptional one for the UK economy, Local Government sector and Rushmoor Borough Council. Facing the first global pandemic in 100 years the Council has had to make appropriate budget plans to manage the economic conditions and uncertainty over future funding.

The Council's Medium-Term Financial Strategy (MTFS) presented to Cabinet on 16 February took into the account the uncertainty surrounding the impact of the COVID-19 pandemic. Due

to the Council's reliance on commercial income and fees and charges and consequently its exposure to the economic cycle, the Council has in recent years built up reserves to ensure the Council is financially resilient in a recession. The Council has maintained its 2020/21 General Fund balance at pre-COVID-19 levels.

Details of the Council's MTFS can be found on the following link:

<https://democracy.rushmoor.gov.uk/ieListDocuments.aspx?CId=138&MIId=802&Ver=4>

#### 4. Resource Allocation

Rushmoor Borough Council manages cash flows of £106m and assets of £260m by:

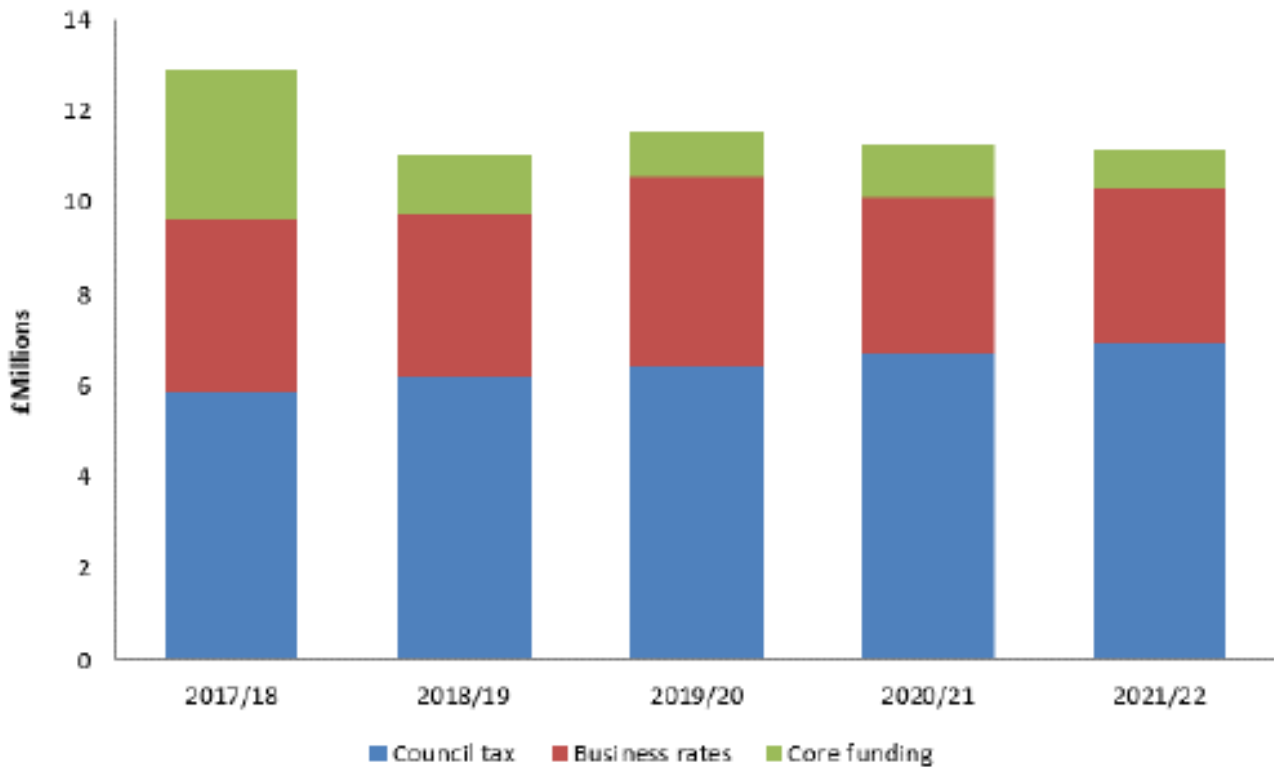
- i. Holding a General fund balance of £2m
- ii. Collecting £51.3m of business rates. 60% of the business rates collected is passed onto central government, Hampshire County Council and Fire and Rescue Authority. The Council retains £20m
- iii. Collecting £55m of Council tax payments. 88% of Council Tax collected is passed onto central government, Hampshire County Council, Fire and Rescue Authority and Police and Crime Commissioner. The Council retains £6.4m
- iv. Managing a £200m+ portfolio of land, building and other assets that generates £6.6m of income.
- v. Managing a £29m portfolio of loans and investments that generates £1.1m of income
- vi. Receiving grants and contribution of £39.6m mainly from central government.

#### Financial performance

#### 5. Core Funding

The Council, in line with other shire districts continues to experience an increasing reduction in core government funding. The Government's planned to phase out non-specific grant funding, instead allowing local authorities to retain a higher proportion of business rates collected locally from 2020/21 financial year. This will not be implemented as originally planned. The Council will continue to work with Government during the next financial year and beyond.

## Core funding trend:



The increase in business rates marginally offsets the reduction in Council Tax. To address future challenges and reinvest in the Borough, Council Tax has increased by 2.45% in 2020/21 from 2019/20 for an equivalent Band D property, raising an additional £314k for the Council.

## 6. Financial position

The Council has maintained a strong financial position against the backdrop of reduced government funding by £284k between 2019/20 and 2020/21.

Liquidity ratio (a measure of the Councils' ability to cover short term obligations) has remained at 0.15 in 2020/21 compared to 0.15 in 2019/20.

## 7. Capital Strategy

The Council has an ambitious five-year capital programme of £174.85m. The Capital Programme for 2020/21 to 2024/25 is detailed with the Council's budget book linked below:

<https://www.rushmoor.gov.uk/CHttpHandler.ashx?id=21652&p=0>

The table below shows the revised capital programme for 2020/21 and the indicative programme for following four year period 2020/21 to 2024/25:

	FIVE YEAR PLAN							Total
	Revised Estimate 2020/21	Outturn 2020/21	Carry forward 2020/21	Estimate 2021/22	Estimate 2022/23	Estimate 2023/24	Estimate 2024/25	
EXPENDITURE	£000	£000	£000	£000	£000	£000	£000	£000
Corporate and Democratic Services	86	11	74	-	-	-	-	85
Customer Experience and Improvement	38	38	-	148	-	-	-	186
Major Projects and Property	21,131	20,572	-	34	36,518	6,062	854	64,088
Operational Services	3,376	1,481	1,858	1,844	1,216	1,216	1,216	8,831
Planning and Economy	-	-	-	-	-	-	-	-
ICE Programme	233	155	78	-	-	-	-	233
<b>Total Expenditure</b>	<b>24,864</b>	<b>22,257</b>	<b>1,976</b>	<b>38,510</b>	<b>7,278</b>	<b>2,070</b>	<b>1,332</b>	<b>73,423</b>
FUNDING								
Grants and other Contributions	4,023	2,244	1,818	10,296	2,281	1,081	1,081	18,801
Developers' Contributions	815	183	150	51	-	-	-	384
Capital Receipts/Borrowing	20,526	19,830	8	28,163	4,997	989	251	54,238
<b>Total Funding</b>	<b>24,864</b>	<b>22,257</b>	<b>1,976</b>	<b>38,510</b>	<b>7,278</b>	<b>2,070</b>	<b>1,332</b>	<b>73,423</b>

## ORGANISATIONAL MODEL

### 8. Political Structure of the Council in the 2020/21 Municipal Year

Rushmoor has 13 wards and the Council consists of 37 elected Members. The political make-up of the Council during 2020/21 was as stated below:

<u>Party</u>	<u>Councillors</u>
Conservative	26
Labour	10
Liberal Democrat	1
Total number of Elected Members	37

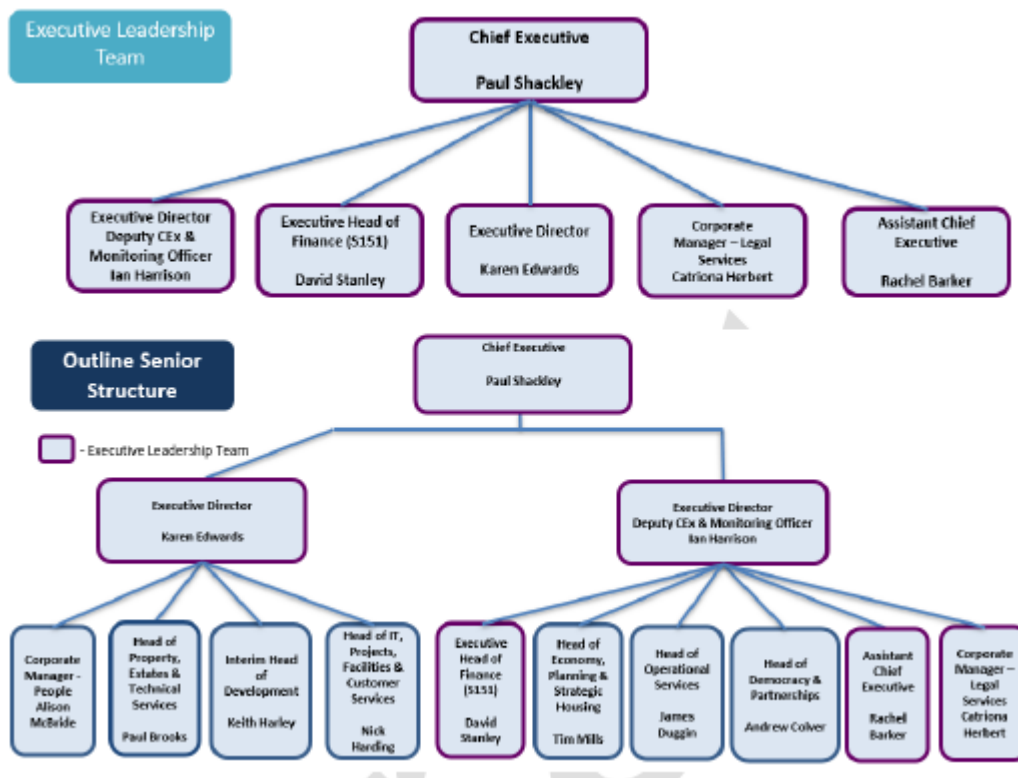
The Council has adopted the Leader and Cabinet model as its political management structure arising from the Local Government and Public Involvement in Health Act 2007. The requirements of the Act are such that the Leader of the Council has responsibility for the appointment of Members of the Cabinet, the allocation of Portfolios and the delegation of Executive Functions.

### 9. Management Structure of the Council

The Council has two senior management boards. Executive Leadership team (ELT), which consists of the Chief Executive, two Executive Directors, Executive Head of Finance, Assistant Chief Executive and Corporate Legal Services Manager. ELT consider and co-ordinates the strategic direction of the Council. The second board is the Corporate Management Team (CMT), consisting of the Chief Executive, two Executive Directors and Heads of Service. The CMT considers and co-ordinates the management and future plans of the Council, providing operational leadership and support to elected Members alongside the delivery of Council services.

The Executive Head of Finance (Chief Financial Officer) and Executive Director of Operations, as Monitoring Officer, are both members of CMT and ELT, ensuring that these key statutory roles have on-going access to the most senior level of the Council.

An outline of the structure is as follows:



## STRATEGY AND RESOURCE ALLOCATION

### 10. The Council Plan – “People, Place, Partnership, Better Public Services”

One of the key strategic documents that frame the actions of the Council is the Council’s Corporate Plan. This document exists to help elected Members, staff and partners work together to deliver the vision for Rushmoor. It sets out our priorities – what we are doing and why.

The Cabinet reviews progress against the Corporate Plan on a quarterly basis. This acts as the key corporate performance monitoring process for the Council. The document combines both informative data about the Rushmoor area and some more specific data about the Council as a whole and about individual services. It is provided to give an enhanced overview to inform Cabinet’s priorities and its monitoring of performance.

The Corporate Plan can be found on the Council's website at:  
<https://www.rushmoor.gov.uk/CHttpHandler.ashx?id=20372&p=0>



## GOVERNANCE

### 11. Governance arrangements

Governance arrangements are outlined within the Annual Governance Statement at the end of this document.

## RISK AND OPPORTUNITIES

### 12. Risks Management

A risk management strategy is in place to evaluate and identify risk. There are clearly defined processes to support robust decision making through the understanding of risk, whether an opportunity or threat exists and the likely impact. The Council believes that its performance monitoring, both financial and non-financial, its governance arrangements and its focus on the sustainability of the organisation, mitigates the risks the Council is facing and it is well placed to respond to the ever-changing environment.

Set out on the following pages are the key risks from the Council's Corporate risk register:

Risk	Impact	Mitigation
Changing external policy context which could arise as a result of levelling up approach, devolution or other unforeseen reasons	Significant fast track change which can have significant impact on services, levels of available resources or the Council's financial position Impact of Government response to Covid-19 creates uncertainty and the long term picture with regard to recovery remains uncertain Reputational risk if the Council is unable to sufficiently adapt to the changing environment	<ul style="list-style-type: none"> <li>Service level risk assessments to consider impacts of potential policy changes on individual Council services</li> <li>Policy and Communications to support ELT and CMT with 'horizon scanning' which will assist the Council in identifying, and where possible, responding to some changes</li> </ul>
Inability to attract infrastructure investment through them public and private sector to support plans.	Failure to secure investment in the area could lead to a decrease in Rushmoor's competitiveness and attractiveness	<ul style="list-style-type: none"> <li>Work with public and private sector infrastructure providers and funders</li> <li>Horizon scanning in relation to levelling up agenda and its implications for Rushmoor</li> </ul>
Decline in the retail sector/town centre uses and subsequent impact on town centres	Economic and social changes have a negative impact on Farnborough and Aldershot town centres This could result in empty retail units, loss of facilities and amenities for residents, and a possible increase in crime and anti-social behaviour A decline in retail will also have an impact on Business Rates income for the council	<ul style="list-style-type: none"> <li>Programmes of town centre regeneration in both Aldershot and Farnborough which gives consideration to future economic and social trends</li> <li>Dedicated resource within the economy team, working with the retail sector and other town centre uses</li> <li>Ensuring that relevant Government support for businesses is distributed as swiftly as possible</li> </ul>
Deteriorating economic conditions	Adverse changes to the economy could result in the loss of major employers within the Borough and/or impacts on particular sectors of the economy. This could result in increasing levels of unemployment and higher deprivation and inequality Changes of this nature have implications for the Council in terms of increased demand for services and adverse financial impact. There is also reputational risk if the Council is not seen to be adequately responding to economic changes or shocks	<ul style="list-style-type: none"> <li>Partnership working with other organisations around support for the economy and local businesses</li> <li>Engagement with Ward Councillors</li> <li>Maintaining an understanding of local economic conditions – tracking economic indicators at a local level</li> <li>Ensuring that key issues/events are escalated to CMT/ELT as appropriate</li> <li>Ensuring that relevant Government support for businesses is distributed as swiftly as possible</li> </ul>
Demographic change	Changes in Rushmoor's demography could impact on services required/expected by residents as well as how they engage with the economy or society more generally Any sudden shifts in demography may not be visible to the Council for a period of time which could result in services not being delivered effectively, efficiently or potentially having a negative result	<ul style="list-style-type: none"> <li>Community those held by engagement work may identify some changes ahead of them being reported in data sets</li> <li>Review and analyse publicly available datasets, alongside those held by partner organisations</li> <li>Work with partners to understand trends that exist at a larger geography and potential implications (e.g. aging populations)</li> </ul>
Education attainment in secondary	Educational attainment at secondary education level continue to present challenges This may impact on deprivation, unemployment etc. Impact on areas' local reputation. This may impact on service demand Covid-19 impact – predicted grades, lost of academic time may exacerbate existing patterns	<ul style="list-style-type: none"> <li>HCC is responsible for education. RBC has a supporting role</li> <li>Priorities set out in the Supporting Communities Action Plan with a focus on increasing aspirations</li> <li>Joint work on supporting families with HCC Children's Services Educational Improvement Group established under the Overview and Scrutiny Committee</li> </ul>
Poor health outcomes within the Borough (e.g. obesity, mental health etc.)	The Borough has areas where the health inequalities and health deprivation which have poorer health outcomes and higher demands associated Additional stress and burden on local services – including partner agencies. Aging population Diabetes, highest smoking rate in Hampshire, high instance of obesity and inactive adults	Supporting Communities Strategy and Action Plan adopted <ul style="list-style-type: none"> <li>Joint working with partners (particularly with the CCG and HCC) with a range of initiatives and plans in place</li> <li>Projects to increase activity and inclusion in the Borough</li> <li>CPE response group established</li> <li>New recovery and service structure to be put in place</li> </ul>
Further waves of Covid-19 and lockdowns	Increase to infection levels (locally or nationally) could lead to a further period of lockdown Implications of this would be far-reaching and could include adverse impact for health, wellbeing and the economy Potential for disruption to Council services due to illness, periods of self-isolation and/or caring responsibilities during a period of lockdown, particularly when schools are closed A cycle of lockdowns and short periods of recovery also have the potential to cause disruption economically, creating uncertainty to businesses and making it challenging to ?	<ul style="list-style-type: none"> <li>Existing control mechanisms are now all understood and utilised and could be redeployed if required</li> <li>Business continuity measures have been tested throughout 2020/21 and enhanced where necessary</li> <li>Recovery Plans in place and could be adopted/revised where required</li> <li>Step4 to be implemented on July 19th. Expected rise in infections but not mirrored by hospitalisation and deaths</li> <li>Continue weekly management Covid-19 meetings to ensure awareness of any changing circumstances</li> </ul>
Financial sustainability of public sector partners	The financial sustainability of a wide group of public sector partners is negatively impacted, resulting in reduces service provision by all parties. In this scenario, the range and quality of services available to residents could be affected. This could have negative repercussions for health, education, social and economic. It is possible that the Council would be expected to meet some of this 'gap' in provision	<ul style="list-style-type: none"> <li>Close partnership working at a senior officer and political level with the Council's public sector partners</li> </ul>

## Strategy and Resource Allocation

## 13. The Council Plan – “People, Place, Partnership, Better Public Services”

One of the key strategic documents that frame the actions of the Council is the Council’s Corporate Plan, this document exists to help elected Members, staff and partners work together to deliver the vision for Rushmoor. It sets out the Council’s priorities - what it is doing and why.

The Cabinet reviews progress against the Corporate Plan on a quarterly basis. This acts as the key corporate performance monitoring process for the Council. The document combines both information data about the Rushmoor area and some more specific data about the Council as a whole and about individual services. It is provided to give an enhanced overview to inform Cabinet’s priorities and it’s monitoring of performance.

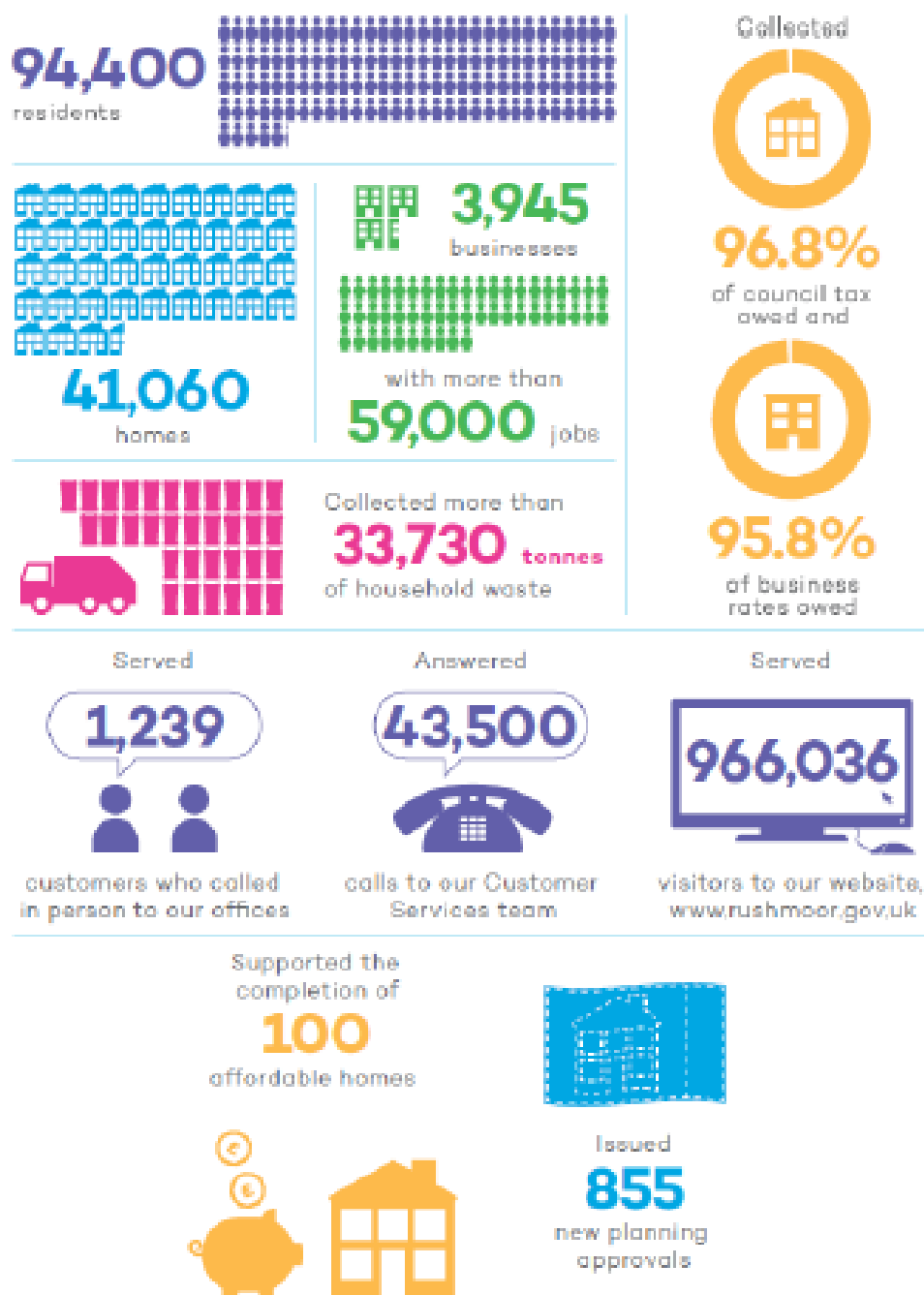


## 14. Non-Financial Performance of the Council

During 2020/21, Rushmoor Borough Council has continued its drive towards a sustainable future, developing plans for a workforce fit for the future, continuing its improvement and efficiency work using System Thinking principles and continuing to deliver high quality services to its residents while seeking to reduce costs. As the financial statements demonstrate, the Council continues to maintain a sound financial position.

The Council has established good financial management processes and procedures and, recognising that it operates in an environment of continuous change, it will pursue its drive for on-going improvement, working collaboratively across the Council, and with partners where appropriate, to deliver effective end-to-end processes.

The graphic below provides some useful quantitative information about the Council:



## BASIS OF PREPARATION AND PRESENTATION

## 15. Explanation of accounting statements

The Statement of Accounts set out the Council's income and expenditure for the year, and its financial position at 31st March 2021.

The format and content of the financial statements is prescribed by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the UK 2020/21, in turn underpinned by International Financial Reporting Standards.

The Core statements are:

- i. The Movement in Reserves Statement is a summary of the changes to the Council's reserves over the financial year. Reserves are divided into "usable", which can be invested in capital projects or service improvements, and "unusable", which must be set aside for specific purposes.
- ii. The Comprehensive Income and Expenditure Statement records all the Council's income and expenditure for the financial year. The upper element of the statement provides an analysis by service area. The lower half of the statement shows corporate transactions and financing.
- iii. The Balance Sheet is a "snap shot" of the Council's assets, liabilities, cash balances and reserves at the end of the financial year.
- iv. The Cash Flow Statement shows the reason for changes in the Council's cash balances during the financial year and whether those changes are due to operating activities, new investment or financing activities.

The supplementary financial statements are:

- i. The Expenditure and Funding Analysis shows the net expenditure that is chargeable to taxation and reconciles it to the Comprehensive Income and Expenditure Statement.
- ii. The Collection Fund Statement is a statutory fund maintained by a Billing Authority summarising local taxes and non-domestic rates collected by the Council, along with redistribution payments to Precepting
- iii. The Independent Auditor's Report provides the auditor's opinion on the financial statements and the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources.
- iv. The Annual Governance Statement sets out the governance structure of the Council and its key internal controls.

## Receipt of further information

Further information about the statements is available from the Executive Head of Finance, Council Offices, Farnborough Road, Farnborough, Hampshire GU14 7JU. The statements are also available on the Council's website – [www.rushmoor.gov.uk](http://www.rushmoor.gov.uk)

## Acknowledgements

The production of the Statement of Accounts would not have been possible without the hard work and dedication of staff across the Council. I would like to thank my colleagues both in Financial Services and from other departments, who have played a role in the preparation of this document.

Peter Vickers  
Executive Head of Finance and Chief Financial Officer

Date:

## Statement of Responsibilities

### The Authority's Responsibilities

The authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Finance Officer (CFO);
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the Statement of Accounts.

### Responsibilities of the Chief Finance Officer

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

In preparing this statement of accounts, the Chief Finance Officer has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the local authority Code.

The Chief Finance 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.

#### Certificate of Executive Head of Finance and Section 151 Officer

I hereby certify that the Statement of Accounts presents a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2021. I confirm that the date of this declaration is the date up to which events have been considered for inclusion within the Council's Statement of Accounts and that events after the Balance Sheet date have been considered to this date and the accounts amended accordingly for such events and adjustments arising from audit. The accounts are therefore authorised for issue.

Peter Vickers, Chief Finance Officer and S.151 Officer

Dated XX XXX 2024

#### Certificate of Approval by Audit and Governance Committee

I confirm that these account statements were approved by the Audit and Governance Committee of Rushmoor Borough Council on XX XXX 2024.

Councillor Crawford, Chairman- Audit & Governance Committee

Dated XX XXX 2024

## Movement in Reserves Statement (MiRS)

This Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the Council's reserves are broken down between gains and losses in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The net Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.

2020/21	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March brought forward	(18,518)	(615)	(123)	(19,256)	(52,267)	(71,523)
(Surplus)/Deficit on Provision of Services	2,669			2,669		2,669
Other Comprehensive I&E					3,362	3,362
<b>Total Comprehensive I&amp;E</b>	<b>2,669</b>			<b>2,669</b>	<b>3,362</b>	<b>6,031</b>
Adjustments between accounting basis & funding basis under regulations (Note 8)	(14,137)	204	(452)	(14,385)	14,385	(0)
<b>(Increase) or Decrease in year</b>	<b>(11,468)</b>	<b>204</b>	<b>(452)</b>	<b>(11,716)</b>	<b>17,747</b>	<b>6,031</b>
<b>Balance at 31 March carried forward</b>	<b>(29,986)</b>	<b>(411)</b>	<b>(575)</b>	<b>(30,972)</b>	<b>(34,520)</b>	<b>(65,492)</b>

### General Fund Balance analysed over;

General Fund	(2,261)
Earmarked Reserves	(27,725)
<b>Total Balance</b>	<b>(29,986)</b>

2019/20	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March brought forward	(14,065)	(776)	(1,461)	(16,302)	(65,195)	(81,497)
(Surplus)/Deficit on Provision of Services	8,081			8,081		8,081
Other Comprehensive I&E					1,893	1,893
<b>Total Comprehensive I&amp;E</b>	<b>8,081</b>	<b>0</b>	<b>0</b>	<b>8,081</b>	<b>1,893</b>	<b>9,974</b>
Adjustments between accounting basis & funding basis under regulations (Note 8)	(12,534)	161	1,338	(11,035)	11,035	0
<b>(Increase) or Decrease in year</b>	<b>(4,453)</b>	<b>161</b>	<b>1,338</b>	<b>(2,954)</b>	<b>12,928</b>	<b>9,974</b>
<b>Balance at 31 March carried forward</b>	<b>(18,518)</b>	<b>(615)</b>	<b>(123)</b>	<b>(19,256)</b>	<b>(52,267)</b>	<b>(71,523)</b>

### General Fund Balance analysed over;

General Fund	(1,559)
Earmarked Reserves	(16,959)
<b>Total Balance</b>	<b>(18,518)</b>

## Comprehensive Income and Expenditure Statement (CIES)

The Comprehensive Income and Expenditure 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 statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2019/2020			2020/2021			
Exp £'000	Income £'000	Net £'000	<div>N o t e</div> CIES	Exp £'000	Income £'000	Net £'000
36,874	(31,642)	5,232	Corporate & Democratic Services	35,130	(30,147)	4,983
323	0	323	Customer Experience & Improvement	(586)	0	(586)
5,199	(7,020)	(1,821)	Major Projects & Property	3,486	(7,969)	(4,483)
15,918	(8,941)	6,977	Operational Services	22,058	(6,727)	15,331
4,485	(1,731)	2,754	Planning & Economy	3,059	(946)	2,113
388	0	388	ICE Programme	585	0	585
63,187	(49,334)	13,853	Cost of Service	63,732	(45,789)	17,943
49	(1,695)	(1,646)	<sup>10</sup> Other Operating Expenditure	2,973	(135)	2,839
13,581	(5,547)	8,034	<sup>11</sup> Financing and Investment I&E	3,842	(3,262)	580
17,255	(29,415)	(12,160)	<sup>12</sup> Taxation & Non-specific Grant Inc.	27,602	(46,294)	(18,692)
94,072	(85,991)	8,081	(Surplus)/Deficit on Prov. of Service	98,149	(95,480)	2,669
		320	<sup>13</sup> (Surp)/Def on revaluation of PPE			(1,491)
		1,573	<sup>42</sup> Remeasure of net def ben liability/(asset)			4,853
		1,893	Other Comprehensive I&E			3,362
		9,974	Total Comprehensive I&E			6,031



## Balance Sheet

The Balance Sheet shows the value as at the balance sheet date of assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital receipts reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2020 £'000		Balance Sheet Note	31 March 2021 £'000
92,871	13	Property, Plant and Equipment	90,649
258	-	Heritage Assets	258
109,745	14	Investment property	125,857
437	15	Intangible Assets	254
19,184	18	Long-Term Investments	21,281
6,999	17	Long-Term Debtors	7,124
<b>229,494</b>		<b>Long Term Assets</b>	<b>245,423</b>
7	19	Inventories	0
5,451	20	Short-Term Debtors	15,694
5,575	21	Cash and Cash Equivalents	5,141
<b>11,033</b>		<b>Current Assets</b>	<b>20,836</b>
(60,000)	22	Short-Term Borrowing	(102,000)
(14,205)	23	Short-Term Creditors	(28,059)
(364)	18	Other Short-Term Liabilities (Leases)	(369)
<b>(74,569)</b>		<b>Current Liabilities</b>	<b>(130,428)</b>
(4,812)	24	Long-Term Provisions (NNDR only)	(4,480)
(30,000)	25	Long-Term Borrowing	0
(54,266)	26	Other Long-Term Liabilities (Pensions & Leases only)	(61,338)
(5,357)	36	Capital Grants Receipts in Advance	(4,521)
<b>(94,435)</b>		<b>Long Term Liabilities</b>	<b>(70,339)</b>
<b>71,523</b>		<b>Net Assets</b>	<b>65,491</b>
(19,256)	MIRS	Usable Reserves	(30,972)
(52,267)	27	Unusable Reserves	(34,519)
<b>(71,523)</b>		<b>Total Reserves</b>	<b>(65,491)</b>

**Peter Vickers**, Chief Finance Officer..... date: .....

## Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents to 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 and 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 flows 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 to the Council).

2019/2020 £'000		Cash Flow Statement	2020/2021 £'000
	Note		
(8,082)	CIES	Net (surplus)/deficit on the provision of services	(2,669)
21,159	28	Adj's to surplus/deficit on the prov. of services for non-cash movements	14,022
(1,608)	29	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	0
<b>11,469</b>		<b>Net Cash flows from operating activities</b>	<b>11,353</b>
(35,488)	31	Net cash flows from investing activities	(21,438)
28,239	32	Net cash flows from financing activities	10,519
<b>4,220</b>		<b>Net (increase) or decrease in cash and cash equivalents</b>	<b>434</b>
1,355		Cash and cash equivalents at the beginning of the reporting period	5,575
<b>5,575</b>		<b>Cash and cash equivalents at the end of the reporting period</b>	<b>5,141</b>

## **Note 1 - Accounting Policies**

### **i. General Principles**

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at the year-end of 31st March 2021. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Council Accounting in the United Kingdom 2020/21 supported by International Financial Reporting Standards (IFRS) and statutory guidance.

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. In accordance with application accounting framework, these accounts are prepared on a going concern basis.

### **ii. Accruals of Expenditure and Income**

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

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

### **iii. Cash and Cash Equivalents**

Cash and cash equivalents includes all bank accounts including overdrafts that are an integral part of the Authority's cash management.

Cash is represented by cash in hand and deposits with financial institutions repayable without any penalty on notice of not more than 24 hours.

Cash equivalents are deposits held with financial institutions that mature in no more than one month or less from the date of acquisition and are readily convertible to known amounts of cash with insignificant risk of change in value.

**iv. Prior Period Adjustments, Changes in Accounting Policies and Estimates & Errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

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.

**v. Charges to Revenue for Non-Current Assets**

Services and support services 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 fixed assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation.

The authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement [equal to either an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance Depreciation, revaluation, Benefit Fund balance [MRP or the statutory repayment of loans fund advances], by way of an adjusting transaction with the capital adjustment account in the Movement in Reserves Statement for the difference between the two.

**vi. Employee Benefits**

Benefits Payable during Employment:

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as 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.

Termination Benefits:

When the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy. These costs are charged on an accruals' basis to the relevant service line in the Comprehensive Income and Expenditure Statement.

Post-employment Benefits:

The Council participates in 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.

### The Local Government Pension Scheme:

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

- The liabilities of the Hampshire County Council pension fund attributable to the authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.1% (based on the indicative rate of return on high quality corporate bond).
- The assets of Hampshire County Council pension fund attributable to the authority are included in the Balance Sheet at their fair value:
  - o quoted securities – current bid price
  - o unquoted securities – professional estimate
  - o unitised securities – current bid price
  - o property – market value.

The liabilities of the Hampshire County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees. The assets of Hampshire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value. 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 – the increase in liabilities arising from current year decisions 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 cost on the net defined benefit liability (asset) - the change during the period in the net defined benefit liability (asset) 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 (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

#### Remeasurements comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – 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 appropriations 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.

### **vii. 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 (for NDR) 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 (CIES) is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the collection fund adjustment account and included as a reconciling item in the Movement in Reserves Statement.

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

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the taxation and non-specific grant income and expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

**viii. Events After the Balance Sheet Date**

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue.

Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events;
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

**ix. Financial Instruments**

Financial Liabilities:

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument, 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. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

The Council borrowed funds for the purposes of capital expenditure in 2020/21, and therefore has a capital financing requirement in excess of zero at 31 March 2021. Other financial liabilities were trade creditors that occur in the normal course of business and a liability arising from an embedded lease in the Council's contract for Waste, Recycling and Grounds Maintenance. The amount presented in the Balance Sheet in respect of the embedded finance lease is the outstanding principal repayable. Interest payable in the year is calculated and charged to the Comprehensive Income and Expenditure Statement. Financial liabilities entered into with a duration of less than 12 months, such as trade creditors, are recognised at their nominal value.

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 cash flow characteristics.

There are three main classes of financial assets measured at:

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

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payment are not solely payment of principle and interest.

### Financial Assets Measured at Amortised Cost:

Financial assets are measured at amortised cost are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument and initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) 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 financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

### Financial Assets Measure at Fair Value through Profit and Loss:

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value.

Fair value gains and losses are recognised 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 Council can access at the measurement data.
- 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 de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES and are balanced by entries in the Pooled Investment Fund Adjustment Account (PIFAA)

IFRS 9 Financial Instruments sets out that investments in equity should be classified as FVPL unless there is an irrevocable election to recognise changes in fair value through other comprehensive income. The Council has not elected equity instrument and therefore all equity investments are recorded as FVPL instruments.

### Expected Credit Loss Model:

The Council recognises expected credit loss on all its financial assets held at amortised cost or FVOCI, 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 Council.



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.

No impairment losses are recognised for pooled funds.

#### **x. Government Grants and Contributions**

Whether paid on account, by instalments or in arrears, government grants and third-party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants 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 in the form of 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 creditors. 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 and expenditure (non-ringfenced 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.

#### **xi. Heritage Assets**

The Council's heritage assets largely comprise items of civic regalia as well as a memorial and statues. They are all held in support of their primary objective of contributing to knowledge and culture and appreciation of the Council's history and local area.

#### **xii. Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (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.

The Council does not have any internally generated intangible assets. Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost.

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. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line 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.

### **xiii. Investment Property**

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arms-length. The 2020/21 external valuation report on all the investment properties and a selection of the other assets was prepared by GSC Harbord MA MRICS IRRV (Hons) RICS Registered Valuer of Wilkes Head and Eve LLP. Properties are not depreciated but are revalued annually according to market conditions at the year-end. 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 relation to 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.

### **xiv. Jointly Controlled Operations and Jointly Controlled Assets**

Jointly controlled operations are arrangements undertaken by the Council in conjunction with other ventures that involve the use of the assets and resources of the ventures rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

**xv. Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

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

**Operating leases**

Rentals paid under operating leases are charged to the comprehensive income and expenditure statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

**Finance Leases**

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

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

## 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 either the Financing and Investment Income line in the CIES or the relevant service line in the net cost of services. 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.

**xvi. 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.

**xvii. 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 (subject to a de-minimis capitalisation threshold of £10,000 for plant vehicles and equipment and £20,000 for land and buildings). 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.

## Measurement:

Assets are initially measured at cost, comprising:

- 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.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

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

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

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the CIES where they arise from the reversal of a loss previously charged to a service. The Revaluation Reserve contains revaluation gains recognised since 1st April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

#### Impairment:

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

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

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

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the CIES, 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 material Property, Plant and Equipment 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:

- dwellings and other buildings – straight-line allocation over the remaining useful life of the property as estimated by the valuer
- vehicles, plant and equipment – straight-line allocation over the remaining useful life of the asset.

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

Componentisation is considered where the carrying value of the asset is greater than £500,000 and the value of the component is at least 20% of the carrying value.

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 fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the CIES. Gains in fair 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.

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 CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CIES 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. Capital receipts are required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

#### **xviii. Provisions and Contingent Liabilities**

##### Provisions:

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service or Other Operating Expenditure line in the CIES 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.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

### 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.

## **xix. 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 CIES. 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, financial instruments, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant notes.

## **xx. Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the CIES 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 then reverses out the amounts charged so that there is no impact on the level of council tax.

**xxi. Value Added Tax (VAT)**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

**xxii. Borrowing Costs Eligible for Capitalisation**

The borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are those borrowing costs that would have been avoided if the expenditure on the qualifying asset (as defined within IAS 23) had not been made. The Council recognises the accounting requirements of IAS 23 and determines the amount of borrowing costs that are eligible for capitalisation by applying a capitalisation rate to the expenditures on the qualifying asset. The capitalisation rate is the total borrowing costs related to the spend on the specific asset based on the average cost of the Council's total debt.

The Council only applies a process of capitalisation of borrowing costs for qualifying assets, in the following circumstances:

- Scheme capital expenditure exceeds £1m,
- Scheme capital expenditure results in an asset or revenue income stream,
- Duration of scheme creation is more than one financial year.



## Note 2 - Accounting Standards Issued, Not Adopted

The Council is required to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued, but has not yet been adopted by the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

For 2020/21 the following accounting standard changes that need to be reported relate to:

- Interest Rate Benchmark Reform amendments to IFRS 9, IAS 39 and IFRS 7 have an impact on hedge accounting if interest rates change. The amendments will not have an impact on the council, as the council's debt is fixed rate and all of the council's investments are in sterling and low risk.
- Interest Rate Benchmark Reform – Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relate to issues that arise if an existing interest rate is replaced by an alternative one. This is unlikely to have an impact as interest rate benchmark reform is rarely applied. In addition, financial instruments are valued in the accounts at amortised cost rather than fair value.

The Council does not presently expect these standards to have a material effect on the presentation of future financial information or transactions.

## Note 3 - Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax and rent payers how the funding available to the Council (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's portfolios. Income and Expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2019/2020			2020/2021			
Net Expenditure Chargeable to the General Fund Balances £'000	Adjustments between Funding and Accounting Basis £'000	Net Expenditure in the CIES £'000		Net Expenditure Chargeable to the General Fund Balances £'000	Adjustments between Funding and Accounting Basis £'000	Net Expenditure in the CIES £'000
5,607	(375)	5,232	Corporate & Democratic Services	4,649	334	4,983
(362)	685	323	Customer Experience & Improvmnt	(1,006)	420	(586)
(4,310)	2,489	(1,821)	Major Projects & Property	(4,628)	145	(4,483)
4,617	2,360	6,977	Operational Services	8,097	7,234	15,331
2,317	437	2,754	Planning & Economy	1,880	233	2,113
381	7	388	ICE Programme	550	35	585
8,250	5,603	13,853	Net Cost of Services	9,542	8,401	17,943
(12,703)	6,931	(5,772)	Total: Other income & Expenditure	(21,009)	5,735	(15,274)
(4,453)	12,534	8,081	(Surplus) or deficit on PoServ's	(11,467)	14,136	2,669
(14,065)			Opening GF Balance	(18,518)		
(4,453)			(Surp)/Deficit on GF Bal for Year	(11,467)		
(18,518)			Closing GF Balance	(29,986)		

For breakdown of GF balance to GF and Earmarked reserves, see MiRS Statement.

## Note to the Expenditure and Funding Analysis

2020/21				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note a)	Net change for the Pensions Adjustments (Note b)	Other Differences (Note c)	Total Adjustments
	£'000	£'000	£'000	£'000
Corporate & Democratic Services	34	276	24	334
Customer Experience & Improvement	188	221	11	420
Major Projects & Property	7	132	6	145
Operational Services	6,684	526	24	7,234
Planning & Economy	1	221	11	233
ICE Programme	-	35	-	35
<b>Net Cost of Services</b>	<b>6,914</b>	<b>1,411</b>	<b>77</b>	<b>8,401</b>
Other I&E from the Expenditure and Funding Analysis	(4,873)	1,177	9,431	5,735
<b>Difference between General Fund surplus or deficit and CIES Surplus or Deficit on the Provision of Services</b>	<b>2,041</b>	<b>2,588</b>	<b>9,508</b>	<b>14,137</b>
2019/20				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note a)	Net change for the Pensions Adjustments (Note b)	Other Differences (Note c)	Total Adjustments
	£'000	£'000	£'000	£'000
Corporate & Democratic Services	30	(404)	(1)	(375)
Customer Experience & Improvement	412	273	-	685
Major Projects & Property	2,357	132	-	2,489
Operational Services	1,809	552	(1)	2,360
Planning & Economy	100	337	-	437
ICE Programme	1	6	-	7
<b>Net Cost of Services</b>	<b>4,709</b>	<b>896</b>	<b>(2)</b>	<b>5,603</b>
Other I&E from the Expenditure and Funding Analysis	2,301	1,136	3,494	6,931
<b>Difference between General Fund surplus or deficit and CIES Surplus or Deficit on the Provision of Services</b>	<b>7,010</b>	<b>2,032</b>	<b>3,492</b>	<b>12,534</b>

a) Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

Financing and investment income and expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivables in the year to those receivables without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

## b) Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.

For Financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the CIES.

## c) Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute: For services this represents the removal of Accumulated Absences.

The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for Council Tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

**Note 4 - Expenditure and Income Analysed by Nature**

This note breaks down the Income and Expenditure as reported in the Comprehensive Income and Expenditure Statement by nature including employees' expenses, Investment income and expenditure and all capital charges adjustments applied in year.

	2019/20 £'000	2020/21 £'000
<b>Expenditure:</b>		
Employee benefits expenses	12,679	14,022
Changes in the fair value of Investment Properties	8,142	1,320
Depreciation, amortisation, impairment etc	6,161	1,187
Expenditure from Council Tax, Non-Domestic Rates	17,255	27,602
Interest payments	954	870
Other services expenses	47,745	51,970
Net Interest on the net defined benefit liability (asset)	1,136	1,177
<b>Total expenditure</b>	<b>94,072</b>	<b>98,149</b>
<b>Income:</b>		
Changes in the fair value of Investment Properties	(3,861)	(297)
Fees, charges and other service income	(15,091)	(13,202)
Government grants and contributions	(37,267)	(51,568)
Income from council tax, non-domestic rates, district rate income	(26,401)	(26,699)
Interest and investment income	(1,686)	(836)
Other Income	(1,685)	(2,878)
<b>Total income</b>	<b>(85,991)</b>	<b>(95,480)</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>8,081</b>	<b>2,669</b>

## Note 5 - Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are provided as follows:

- **Future Funding for Local Government.** There is an element of risk about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision. In addition, as mentioned in the Narrative Statement, the Council has made judgements about the adequacy of its balances and has also put in place processes to achieve savings that will mitigate or counteract any future changes in its levels of funding or other income.
- **Asset Classifications.** The Council has made judgements on whether assets are classified as Investment Property or Property, Plant and Equipment. These judgements are based on an understanding of the main purpose that the Council is holding the asset. If the asset is used in delivering services, or is occupied by third parties who are subsidised by the Council, the asset is deemed to be Property, Plant and Equipment. A non-current asset used solely to earn rentals and/or for capital appreciation is classified as an Investment Property.
- **Property, Plant and Equipment.** Non-current assets are depreciated over their useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to them. If the useful life of a non-current asset is reduced, depreciation increases and the carrying amount of the non-current asset falls. Annual depreciation charge for buildings would increase proportionately for every year that an asset useful life has to be reduced.
- **Lease Classification.** The Council has made judgments on whether its lease arrangements are operating leases or finance leases. These judgements are based on a series of tests to assess whether the risks and rewards of ownership have been transferred from the lessor to the lessee. The accounting treatment for operating and finance leases is significantly different.
- **Contractual Arrangements.** The Council has made judgements on whether its contractual arrangements contain embedded leases i.e. arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment where fulfilment of the arrangement is dependent on the use of specific assets.
- **Potential Liabilities.** The Council has made judgements about the likelihood of potential liabilities and whether a provision should be made. The judgements are based on the degree of certainty and an assessment of the likely impact.
- **Bad or Doubtful Debts.** The Council has made judgements about the level of bad or doubtful debts and the level of provision that it may need to provide for. These judgements are based on historical experience of debtor defaults and current economic conditions.
- **Business Rate Appeals.** The Council has made judgements about the number of successful appeals under the Business Rates Retention Scheme.

All of these judgements are the responsibility of the Chief Financial Officer as set out in the Statement of Responsibilities for the Statement of Accounts.

## Note 6 - Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contain some estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. The assumptions and other sources of estimation uncertainty disclosed below relate to the estimates that require the authority's most difficult, subjective or complex judgements. As the number of variables and assumptions affecting the possible future resolution of the uncertainties increases, those judgements become more subjective and complex. As a result balances cannot be determined with complete certainty, actual results could be different from the assumptions and estimates made.

The items in the Council's Balance Sheet at 31st March 2021 for which there is a risk of adjustment in the forthcoming financial year are provided 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 level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. Assets are valued on a five-year rolling basis. Building indices are not applied to approximate for those assets that are not subject to the revaluation process in the year. COVID-19 had a significant impact on property values worldwide in 2019/20 but the market has sufficiently recovered in 2020/21 that reliable market evidence is available again to base the majority of asset valuations on. For those where sufficient market evidence is still not available, they are subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £20k for every year that useful lives had to be reduced.
Arrears	The NDR arrears balance of £3m at the Balance Sheet date is deemed to be at risk of material adjustment within the next year due to current economic circumstances meaning that businesses are struggling to pay. A review of significant balances suggested that an impairment of doubtful debts of 42% (£1,275k) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate further, for every 1% reduction in collection rates, an extra £254k would be required
Pensions Liability	At 31 March 2021, the net Pension Liability was £59.6m. 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 authority with expert advice about the assumptions to be applied. Brexit and COVID-19 both initially had negative impacts on the UK economy and pension asset values, but the market appears to be recovering and stabilising. However, another serious outbreak of COVID-19 could have a detrimental impact on asset returns, as could an increase in interest rates to curb inflation increases as a result of the recovery. The outcome of pending legal cases may also affect	The effects on the net pensions' liability of changes in individual assumptions can be measured- (the impact of changes in assumptions are outlined in note 37). For example, a 0.1% increase in the discount rate assumption would result in a reduction of £3.24m on the projected service cost. However the assumptions interact in complex ways During 2020/21, the Council's actuaries advised that the net pensions liability for funded LGPS benefits had increased by £7.4m.

## Note 7 - Events After the Balance Sheet Date

The Statement of Accounts were authorised for issue by the Chief Financial Officer on X/X/2024.

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 DATE, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for the following events, which took place after DATE, as they provide information that is relevant to an understanding of the authority's financial position but do not relate to conditions at that date:

- In January 2021, Cabinet took the decision not to re-open Farnborough Leisure Centre due to the significant cost implications on the extension of the leisure contract as a result of the COVID-19 pandemic. Following an interim use as a community testing venue the building became vacant. In June 2021 Cabinet took the decision to demolish the property
- In June 2021 Cabinet took the decision to introduce a separate weekly food waste collection for residents. The disposal of food waste is arranged in partnership with Hampshire County Council, using a fully accredited Anaerobic Digestion (AD) facility
- On 28 October the Council entered into a contract with Hill Construction Limited for the redevelopment of Union Yard, Aldershot, the value of the contract work is £36,633,227.

## Note 8 - Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the authority in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the authority to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

### General Fund balance

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund balance, which is not necessarily in accordance with proper accounting practice. The General Fund balance therefore summarises the resources that the council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the council is required to recover) at the end of the financial year.

## Capital receipts reserve

The capital receipts reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

## Capital grants unapplied

The capital grants unapplied account (reserve) holds the grants and contributions received towards capital projects for which the council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

2020/21	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Movement Unusable Reserves £'000
<b>Adjustments primarily involving the Capital Adjustment Account</b>				
<u>Rev of items dr/cr to the CIES</u>				
Charges for depreciation and impairment of non-current assets (PPE)	(1,003)			1,003
Revaluation gain/loss on PPE	(5,728)			5,728
Movement in FV of Investment Properties	(1,023)			1,023
Amortisation of Intangible assets	(181)			181
Capital grants and contributions applied	2,608		(452)	(2,156)
Revenue expenditure funded from capital under statute	(775)			775
Non-current assets w- off on disposal/sale, part of gain/loss disposal to CIES	(418)			418
<u>Insertion of items not dr/cr to the CIES</u>				
Capital expenditure charged against the General Fund	643			(643)
Statutory provision for the financing of capital investment	1,739			(1,739)
<b>Adjustments primarily involving the Capital Receipts Reserve</b>				
Use of the Capital Receipts Reserve to finance new capital expenditure		204		(204)
<b>Adjustments primarily involving the Pooled Fin Instr Adj Account</b>				
Unrealised Fair Value gains/losses on financial investments	2,097			(2,097)
<b>Adjustments primarily involving the Pensions Reserve</b>				
Reversal of items relating to retirement benefits dr/cr to the CIES	(4,600)			4,600
Employer's pen conts and direct payments to pensioners payable in the year	2,012			(2,012)
<b>Adjustments primarily involving the Collection Fund Adj Account</b>				
Amount by which council tax and non-domestic rating income credited or debited to the CIES is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	(9,431)			9,431
<b>Adjustments primarily involving the Accumulated Absences Account</b>				
Amount by which Officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(77)			77
<b>Total Adjustments</b>	<b>(14,137)</b>	<b>204</b>	<b>(452)</b>	<b>14,385</b>

2019/20	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Movement Unusable Reserves £'000
<b>Adjustments primarily involving the Capital Adjustment Account</b>				
<u>Rev of items dr/cr to the CIES</u>				
Charges for depreciation and impairment of non-current assets (PPE)	(1,876)			1,876
Revaluation gain/loss on PPE	(1,082)			1,082
Movement in FV of Investment Properties	(4,281)			4,281
Amortisation of Intangible assets	(230)			230
Capital grants and contributions applied	1,608		1,338	(2,946)
Revenue expenditure funded from capital under statute	(2,973)			2,973
Non-current assets w- off on disposal/sale, part of gain/loss disposal to CIES	0			0
<u>Insertion of items not dr/cr to the CIES</u>				
Capital expenditure charged against the General Fund	55			(55)
Statutory provision for the financing of capital investment	1,769			(1,769)
<b>Adjustments primarily involving the Capital Receipts Reserve</b>				
Use of the Capital Receipts Reserve to finance new capital expenditure		161		(161)
<b>Adjustments primarily involving the Pooled Fin Instr Adj Account</b>				
Unrealised Fair Value gains/losses on financial investments	(3,128)			3,128
<b>Adjustments primarily involving the Pensions Reserve</b>				
Reversal of items relating to retirement benefits dr/cr to the CIES	(4,542)			4,542
Employer's pen conts and direct payments to pensioners payable in the year	2,510			(2,510)
<b>Adjustments primarily involving the Collection Fund Adj Account</b>				
Amount by which council tax and non-domestic rating income credited or debited to the CIES is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	(366)			366
<b>Adjustments primarily involving the Accumulated Absences Account</b>				
Amount by which Officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	2			(2)
<b>Total Adjustments</b>	<b>(12,534)</b>	<b>161</b>	<b>1,338</b>	<b>11,035</b>



## Note 9 - Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2020/21.

	Bal at 1st April 2019	Transfers out 2019/20	Transfers in 2019/20	Bal at 31 Mar 2020	Transfers out 2020/21	Transfers in 2020/21	Bal at 31st Mar 2021
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
COVID BRR EMR reserve	0	0	0	0	0	(10,812)	(10,812)
Stability & Resilience Reserve	(4,869)	0	(1,001)	(5,870)	1,293		(4,577)
Commuted sums	(3,088)	100	(1,455)	(4,443)	480	(587)	(4,550)
Commercial Reserve	(475)	0	(1,525)	(2,000)	250		(1,750)
Pension Reserve	0	0	0	0		(669)	(669)
Flexible Hou Grant	(398)	51	(163)	(510)	128	(252)	(634)
Mercury abatement	(619)	43	(41)	(617)	251	(42)	(408)
Treasury Earmarked reserves	0	0	0	0	180	(580)	(400)
Affordable Housing Reserve	0	0	(400)	(400)			(400)
Budget carry fws	(318)	318	(301)	(301)	301	(390)	(390)
Regeneration Reserve	0	0	(450)	(450)	93		(357)
Civil parking enforcement surplus	(246)	3	(102)	(345)	71	(7)	(281)
Insurance Reserve	(253)	0	0	(253)			(253)
A331 Air Quality Project	0	0	(256)	(256)	10		(246)
climate emergency reserve	0	0	0	0	11	(250)	(239)
Other Grants (below £45k)	(245)	138	(104)	(211)	48	(62)	(225)
Workforce Reserve	0	0	(200)	(200)			(200)
Service Improvement Fund	(1,001)	872	0	(129)			(129)
Commercial Property Reserve	0	0	0	0		(121)	(121)
Covid Cou. tax hardship	0	0	0	0		(108)	(108)
Feasibility Victoria Road EMR	0	0	0	0	8	(110)	(102)
Cyber security	0	0	0	0		(100)	(100)
TAG env Fund	(97)	0	(13)	(110)	14		(96)
Deprivation reserve	0	0	0	0	6	(100)	(94)
Covid19 track & trace	0	0	0	0		(89)	(89)
Local elections (EMR)	0	0	0	0		(87)	(87)
Control outbreak	0	0	0	0		(85)	(85)
Custom Build Grant	(60)	0	(15)	(75)			(75)
Cohesion/Migration Impact/Gurkha Settle	(75)	5	0	(70)	4		(66)
Emergency assistance grant	0	0	0	0		(64)	(64)
Cultural recovery	0	0	0	0		(47)	(47)
Land Charges	(45)	0	0	(45)			(45)
Ward reserve	0	0	0	0		(26)	(26)
Due Diligence Reserve	0	0	(250)	(250)	250		0
Planning Delivery Fund	(222)	95	0	(127)	127		0
Planning Service Improvement	(53)	53	0	0			0
ICE Programme Reserve	0	321	(618)	(297)	297		0
<b>Total</b>	<b>(12,064)</b>	<b>1,999</b>	<b>(6,894)</b>	<b>(16,959)</b>	<b>3,822</b>	<b>(14,588)</b>	<b>(27,725)</b>

**Note 10 - Other Operating Expenditure**

2019/20 £'000		2020/21 £'000
(10)	Photovoltaic Cells Feed-In Tariff	(15)
0	Gains/losses on disposal of non-current assets	0
(1,636)	Other Corporate Income & Expenditure	2,853
<b>(1,646)</b>	<b>Total Other Operating Expenditure</b>	<b>2,839</b>

**Note 11 - Financing and Investment Income and Expenditure**

2019/20 £'000		2020/21 £'000
953	Interest payable and similar charges	870
1,136	Net interest on the net defined benefit liability (asset)	1,177
(1,686)	Interest receivable and similar income	(836)
4,281	Investment properties changes in their fair value	1,023
3,128	Unrealised Fair Value gains/losses on financial investments	(2,097)
222	Impairment losses (including reversals of impairment losses or impairment gains)	442
<b>8,034</b>	<b>Total</b>	<b>580</b>

**Note 12 - Taxation and Non-Specific Grant Income**

2019/20 £'000		2020/21 £'000
(6,409)	Council tax income	(6,705)
(83)	Collection Fund (Surplus)/Deficit - Council Tax	39
53	Collection Fund (Surplus)/Deficit - NDR	9,662
(3,839)	National non-domestic rates income and expenditure	(3,662)
1,132	Non-Domestic Rates (Safety net)/Levy Payment	1,569
0	Other COVID Related Grants	(5,564)
(2,467)	Non-ringfenced government grants	(12,627)
(547)	Capital grants and contributions	(1,404)
<b>(12,160)</b>	<b>Total</b>	<b>(18,692)</b>

**Note 13 - Property, Plant and Equipment (PPE)**

2020/21	Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant & Equipment £'000
<b>Cost or Valuation</b>						
<b>at 1 April</b>	<b>79,497</b>	<b>8,050</b>	<b>6,819</b>	<b>1,501</b>	<b>391</b>	<b>96,258</b>
Additions	2,092	535	169	17	623	3,436
Reval inc/(dec) in the Revaluation Reserve	1,570	0	0	(79)	0	1,491
Reval inc/(dec) in the Surp/Def on the PoS	(5,723)	0	0	(4)	0	(5,727)
Derecognition/Disposal	(415)	(295)	0	0	0	(711)
Deprec w/back upon reval	(898)	0	0	0	0	(898)
Reclassifications and transfer	(5,324)	0	0	0	5,324	0
<b>at 31 March</b>	<b>70,799</b>	<b>8,290</b>	<b>6,988</b>	<b>1,434</b>	<b>6,338</b>	<b>93,850</b>
<b>Accumulated Depreciation</b>						
<b>at 1 April</b>	<b>(33)</b>	<b>(3,354)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(3,387)</b>
Depreciation charge in year	(321)	(685)	0	0	0	(1,006)
Deprec written out	0	0	0	0	0	0
Deprec w/back upon reval	898	0	0	0	0	898
Derecognition/Disposal	0	295	0	0	0	295
Deprec written out to the Surp/Def on PoS	0	0	0	0	0	0
<b>at 31 March</b>	<b>543</b>	<b>(3,743)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(3,200)</b>
<b>NBV at 31 March 2021</b>	<b>71,342</b>	<b>4,547</b>	<b>6,988</b>	<b>1,434</b>	<b>6,338</b>	<b>90,649</b>
<b>NBV at 31 March 2020</b>	<b>79,460</b>	<b>4,698</b>	<b>6,818</b>	<b>1,504</b>	<b>391</b>	<b>92,871</b>

2019/20	Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant & Equipment £'000
<b>Cost or Valuation</b>						
<b>at 1 April</b>	<b>83,702</b>	<b>8,209</b>	<b>3,894</b>	<b>1,227</b>	<b>10</b>	<b>97,042</b>
Additions	6,640	333	447	9	259	7,688
Reval inc/(dec) in the Revaluation Reserve	(530)	0	0	210	0	(320)
Reval inc/(dec) in the Surp/Def on the PoS	(1,079)	0	0	(4)	0	(1,083)
Derecognition/Disposal	0	(491)	0	0	0	(491)
Deprec w/back upon reval	(6,579)	0	0	0	0	(6,579)
Reclassifications and transfer	(2,661)	0	2,477	62	122	0
<b>at 31 March</b>	<b>79,493</b>	<b>8,051</b>	<b>6,818</b>	<b>1,504</b>	<b>391</b>	<b>96,257</b>
<b>Accumulated Depreciation</b>						
<b>at 1 April</b>	<b>(5,417)</b>	<b>(3,163)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(8,580)</b>
Depreciation charge in year	(1,195)	(681)	0	0	0	(1,876)
Deprec written out	6,579	0	0	0	0	6,579
Deprec w/back upon reval	0	0	0	0	0	0
Derecognition/Disposal	0	491	0	0	0	491
Deprec written out to the Surp/Def on PoS	0	0	0	0	0	0
<b>at 31 March</b>	<b>(33)</b>	<b>(3,353)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(3,386)</b>
<b>NBV at 31 March 2020</b>	<b>79,460</b>	<b>4,698</b>	<b>6,818</b>	<b>1,504</b>	<b>391</b>	<b>92,871</b>
<b>NBV at 31 March 2019</b>	<b>78,285</b>	<b>5,045</b>	<b>3,894</b>	<b>1,227</b>	<b>10</b>	<b>88,461</b>

## Depreciation

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

- Other Land and Buildings 5 to 55 years
- Vehicles, Plant and Equipment 4 to 15 years

## Effects of Changes in Estimates

In 2020/21, the Council made no material changes to its accounting estimates for Property, Plant and Equipment.

## Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value or fair value as appropriate is revalued at least every five years. All valuations were carried out by Wilkes, Head and Eve. Valuations of land and buildings were carried out in accordance with the methodologies and basis for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations concerning vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices, with consideration given for the condition of the asset. The effective date of each revaluation is the date that the revaluation was produced.

## Note 14 - Investment Properties

The following items of income and expenditure have been accounted for in the Major Projects & Property Services section in the Comprehensive Income and Expenditure Statement:

2019/20 £'000	Investment Property Income & Expenditure	2020/21 £'000
(6,114)	Rental income from investment property	(7,000)
1,159	Direct operating expenses from investment property	1,091
<b>(4,955)</b>	<b>Net (gain)/loss</b>	<b>(5,909)</b>

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement. All Investment Properties were re-valued as at 31st March 2021.

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

2019/20 £'000	Investment Property Fair Value Movements in Year	2020/21 £'000
79,915	Opening Balance	109,745
34,112	Additions	17,135
0	Disposals	0
(4,281)	Net gains/(losses) from fair value adjustments taken to the CIES	(1,023)
<b>109,746</b>	<b>Balance at the end of the year</b>	<b>125,857</b>

**Fair Value Hierarchy**

All the Council's investment properties have been value assessed as Level 2 on the fair value hierarchy for valuation purposes.

**Valuation Techniques Used to Determine Level 2 Fair Value for Investment Property**

The fair value of investment property has been measured using a market approach, which takes into account quoted prices for similar assets in active markets, existing lease terms and rentals, research into market evidence including market rentals and yields, the covenant strength for existing tenants, and data and market knowledge gained in managing the Council's Investment Asset portfolio. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised as level 2 on the fair value hierarchy.

In estimating the fair value of the Council's investment properties, the highest and best is used as advised by the valuer. The Council has no investment properties where the fair value measurement has been carried out at Level 1 (Quoted prices in active markets for identical assets) or Level 3 (Significant unobservable inputs).

**Valuation Process for Investment Property**

The Council's investment property has been valued as at 31st March 2021 by the Wilkes, Head & Eve in accordance with the methodologies and basis for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

**Note 15 - Intangible Assets**

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. Intangible assets consist of purchased licenses only. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to the major software suites used by the Council is five years.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £181,000 charged to revenue in 2020/21 was charged directly to service revenue accounts and is therefore included in the cost of services. No items of capitalised software are individually material to the Financial Statements. The movement on Intangible Asset balances during the year is as follows:

2019/20 Intangible Assets £'000	2020/21 £'000
<u>Balance at start of year:</u>	
2,175 Gross carrying amounts	1,838
(1,551) Accumulated amortisation	(1,402)
<b>624 Net carrying amount at start of year</b>	<b>435</b>
57 Additions	0
(378) Disposals	(3)
(229) Amortisation for the period	(181)
378 Rev of past amortisation of disposal	3
(15) Other charges	0
<b>437 Net carrying amount at end of year</b>	<b>254</b>
<u>Comprising:</u>	
1,838 Gross carrying amounts	1,834
(1,401) Accumulated amortisation	(1,580)
<b>437 Total</b>	<b>254</b>

## Note 16 – Interests in Jointly Controlled Operations

### Community Safety Service

On 1 November 2012 the Council entered into a jointly controlled operation with Basingstoke and Deane Borough and Hart District Council to deliver a shared community safety service. Rushmoor Borough Council's element of the costs of this are included in the Operational Services line in the Cost of Services section of the Comprehensive Income and Expenditure Statement

Below is a memorandum account of the financial activity of the service

	RBC 2020/21 £'000	Hart DC 2020/21 £'000	B&D BC 2020/21 £'000	TOTAL 2020/21 £'000
Employee related expenditure	161	143	148	452
Transport related expenditure	4	2	1	7
Supplies and Services	14	1	2	17
Support Services	85	-	-	85
Net project (income)/expenditure	(2)	6	-	4
<b>Net Expenditure</b>	<b>262</b>	<b>152</b>	<b>151</b>	<b>565</b>
<b>Hosting charge</b>	<b>(10)</b>	<b>5</b>	<b>5</b>	<b>-</b>

The following is an extract of the Community Safety Service projects delivered on behalf of the 66 statutory agencies, who work together under Section 17 of the Crime & Disorder Act 1998 (Probation, Police, Clinical Commissioning Groups, Hampshire County Council, the Local Authority and Fire Authority). The credit balance of £4,056 as at 31 March 2021 is held as a creditor on the Council's balance sheet.

The partnership ended on 30 September 2020 which is why there are transfers to Basingstoke and Deane Borough and Hart District Council.

	Bal 31/03/2020	Transfer to Hart DC and B&D BC	2020/21 project exp	Bal 31/03/2021
	£'000	£'000	£'000	£'000
Anti-social Behaviour and Nighttime Economy	1	(1)	0	0
Bike Project	4	(4)	0	0
Education Programme	2	(2)	0	0
LIBOR Fund	3	0	(4)	(1)
Community Development	9	(9)	0	0
Domestic Violence	2	0	0	2
Restorative Justice	14	(6)	(5)	3
Speed watch	0	0	0	0
Other	1	0	(1)	0
<b>Total</b>	<b>36</b>	<b>(22)</b>	<b>(10)</b>	<b>4</b>

### CCTV Service

On 1 May 2013 the Council entered into a jointly controlled operation with Hart District Council to deliver a shared CCTV service.

Rushmoor Borough Council's element of the shared CCTV service costs are shown on the Operational Services line in the Cost of Services section of the Comprehensive Income and Expenditure Statement. Below is a memorandum account of the financial activity of the shared CCTV service from 1 April 2020 to 31 March 2021.

	RBC 2020/21 £'000	Hart DC 2020/21 £'000	TOTAL 2020/21 £'000
Employee related expenditure	134	93	227
Premises related expenditure	3	2	5
Supplies and Services	88	19	107
Support Services	71	0	71
Capital charges	27	0	27
<b>Net expenditure</b>	<b>323</b>	<b>114</b>	<b>437</b>

### Building Control Service

On 2nd July 2015 the Council entered into a jointly controlled operation with Hart District Council to deliver a shared Building Control service.

Rushmoor Borough Council's element of the shared Building Control service costs are included in the Planning and Economy line in the Cost of Services section of the Comprehensive Income and Expenditure Statement. Below is a memorandum account of the financial activity of the shared Building Control service from 1 April 2020 to 31 March 2021.

	RBC 2020/21 £'000	Hart DC 2020/21 £'000	TOTAL 2020/21 £'000
Employee related expenditure	233	266	499
Premises related expenditure	14	14	28
Transport related expenditure	2	3	5
Supplies and Services	7	6	13
Support Services	161	0	161
Capital charges	1	0	1
<b>Expenditure</b>	<b>418</b>	<b>289</b>	<b>707</b>
Hosting charge	(7)	7	0
Fees and charges	(198)	0	(198)
Other income	(23)	0	(23)

As Hart District Council receive their income directly, no figures are shown for their income.

The purpose of the jointly controlled operations is for the councils to work together in a spirit of partnering in connection with their dealings with each other in respect of these services so that, wherever possible the activities of one complement and enhance the activities of the other for the benefit of all residents, businesses and visitors to their respective administrative areas.

There is no requirement for an authority to produce Group Accounts where the authority only has an interest in a jointly controlled operation.

## Note 17 – Long Term Debtors

2019/20 £'000		2020/21 £'000
6,700	Farnborough International Airport Loan	6,700
216	Rushmoor Development Partnerships	348
9	Loan to Subsidiary	8
45	Car Loans	46
29	Rent Free Lease Periods	21
<b>6,999</b>	<b>Total</b>	<b>7,124</b>

## Note 18 - Financial Instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes, benefits and government grants, do not give rise to financial instruments.

### Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council. The financial assets held by the Council during the year are accounted for under the following three classifications:

Amortised cost (where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flows) comprising:



- cash in hand,
- bank current and deposit accounts with Lloyds bank,
- loans to companies,
- certificates of deposit and covered bonds issued by banks and building societies, and
- trade receivables for goods and services provided.

Fair value through profit and loss (all other financial assets) comprising:

- money market funds managed by fund managers,
- pooled bond, equity and property funds managed by fund managers,

Financial assets held at amortised cost are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council.

The financial assets disclosed in the Balance Sheet are analysed across the following categories:

Financial Assets	Non-current				Current				TOTAL	
	Inv		Debtors		Inv&cash		Debtors			
	31-Mar 2020 £'000	31-Mar 2021 £'000	31-Mar 2020 £'000	31-Mar 2021 £'000	31-Mar 2020 £'000	31-Mar 2021 £'000	31-Mar 2020 £'000	31-Mar 2021 £'000	31-Mar 2020 £'000	31-Mar 2021 £'000
<b>Pre IFRS9 Categories</b>										
Fair value through Profit or loss	19,184	21,281							19,184	21,281
Amortised cost					5,575	4,371			5,575	4,371
<b>Total financial assets</b>	<b>19,184</b>	<b>21,281</b>	<b>0</b>	<b>0</b>	<b>5,575</b>	<b>4,371</b>	<b>0</b>	<b>0</b>	<b>24,759</b>	<b>25,652</b>
Non-financial assets;										
Cash at amortised cost									0	0
Trade Debtors *			299	431			3,485	4,266	3,784	4,697
Loan Debtors *			6,700	7,471					6,700	7,471
<b>Total</b>	<b>19,184</b>	<b>21,281</b>	<b>6,999</b>	<b>7,902</b>	<b>5,575</b>	<b>4,371</b>	<b>3,485</b>	<b>4,266</b>	<b>35,243</b>	<b>37,820</b>

\*Debtors due within 1 year excludes £9,808k in respect of Council Tax debtors, HMRC, Non-Domestic Rates and Housing Benefit subsidy payments, from the total of £15,695k reported on the Balance Sheet, as these are statutory levies not falling within the definition of financial instruments. £504k is also excluded in respect of Payments in Advance and £237k in respect of Housing Benefit Subsidy.

## Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.

The majority of the Council's financial liabilities held during the year are measured at amortised cost and comprised:

- long-term loans from the Local Enterprise Partnership,
- short-term loans from other local authorities,
- lease payables detailed in note 40, and
- trade payables for goods and services received.

The financial liabilities disclosed in the Balance Sheet are analysed across the following categories:

Financial Liabilities	Non-current				Current				TOTAL	
	Borrow&lease		Creditors		Borrow&lease		Creditors			
	31-Mar 2020 £'000	31-Mar 2021 £'000	31-Mar 2020 £'000	31-Mar 2021 £'000	31-Mar 2020 £'000	31-Mar 2021 £'000	31-Mar 2020 £'000	31-Mar 2021 £'000	31-Mar 2020 £'000	31-Mar 2021 £'000
<b>Amortised cost</b>										
Borrowings at amortised cost	(30,000)				(60,000)	(102,000)			(90,000)	(102,000)
Finance Lease Liabilities at amortised cost	(2,105)	(1,736)					(364)	(369)	(2,469)	(2,105)
<b>Total financial liabilities</b>	<b>(32,105)</b>	<b>(1,736)</b>	<b>0</b>	<b>0</b>	<b>(60,000)</b>	<b>(102,000)</b>	<b>(364)</b>	<b>(369)</b>	<b>(92,469)</b>	<b>(104,105)</b>
Non-financial liability (creditors) *							(7,411)	(18,571)	(7,411)	(18,571)
<b>Total</b>	<b>(32,105)</b>	<b>(1,736)</b>	<b>0</b>	<b>0</b>	<b>(60,000)</b>	<b>(102,000)</b>	<b>(7,775)</b>	<b>(18,940)</b>	<b>(99,880)</b>	<b>(122,676)</b>

\*Creditors due within 1 year excludes £2,459k from the total of £28,059k reported on the Balance Sheet, in respect of Council Tax creditors and payments for Non-Domestic Rates. £1,386k is also excluded in respect of Income in Advance and £7,33k in relation to Revenue Grants Receipts in Advance as these do not meet the definition of a financial liability as they relate to non-exchange transactions.

## Gains and Losses

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

	Fin Liab Amort cost £'000	Fin Asset Amort cost £'000	Fin Asset FV PL £'000	2020/21 Total £'000	2019/20 Total £'000
Interest expense	870			870	(954)
<b>Interest paid and similar charges</b>	<b>870</b>	<b>0</b>	<b>0</b>	<b>870</b>	<b>(954)</b>
Interest revenue		107	(943)	(836)	1,686
<b>Interest receivable and similar income</b>	<b>0</b>	<b>107</b>	<b>(943)</b>	<b>(836)</b>	<b>1,686</b>
Losses from changes in fair value (Unrealised)			32	32	(3,128)
Gains from changes in fair value (Unrealised)			(2,130)	(2,130)	-
Fee income/(expense)		68		68	(47)
<b>Other investment income</b>	<b>0</b>	<b>68</b>	<b>(2,098)</b>	<b>(2,030)</b>	<b>(3,175)</b>
<b>Net impact on Surplus/Deficit on Provision of Services</b>	<b>807</b>	<b>175</b>	<b>(3,041)</b>	<b>(1,996)</b>	<b>(2,443)</b>

## Fair value

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, including bonds, shares in money market funds and other pooled funds, the fair value is taken from the market price.

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2021, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans
- The fair value of all financial liabilities is equal to the carrying value reported in the balance sheet
- The fair value for all financial assets is equal to the carrying value reported in the balance sheet

Fair values are assessed against the following 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
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness.

All financial assets and liabilities apart from long term loans (assessed as a level 2) are assessed as being level 1 using an unadjusted quoted price in active markets.

## Note 19 – Inventory

2019/20 £'000		2020/21 £'000
7	Memorial vaults	0
0	Bar stock	0
0	Fuel stock	0
<b>7</b>	<b>Total</b>	<b>0</b>

## Note 20 – Short Term Debtors

2019/20 £'000		2020/21 £'000
2,085	Trade Receivables	1,711
596	Payments in advance	504
2,770	Other Receivables	13,480
<b>5,451</b>	<b>Total</b>	<b>15,694</b>

## Note 21 - Cash and Cash Equivalents

2019/20 £'000		2020/21 £'000
4	Cash and Bank balances held by the Council	387
5,571	Short Term Deposits / Cash Equivalents	4,755
<b>5,575</b>	<b>Total</b>	<b>5,141</b>

**Note 22 – Short Term Borrowing**

2019/20 £'000		2020/21 £'000
(60,000)	Borrowing from LA's	(102,000)
<b>(60,000)</b>	<b>Total</b>	<b>(102,000)</b>

**Note 23 – Short Term Creditors**

2019/20 £'000		2020/21 £'000
(8,959)	Trade payables	(82)
(2,348)	Receipts in advance	(8,005)
(2,898)	Other payables	(19,972)
<b>(14,205)</b>	<b>Total</b>	<b>(28,059)</b>

The Council are the Local Trusted Organisation for the Prospect Estate Big Local Partnership. As at 31 March 2021, the Council held £102,287 for this purpose in the "Other payables" line of the creditors analysis (£48,352 at 31st March 2020).

**Note 24 – Long Term Provisions**

2019/20 £'000		2020/21 £'000
(4,407)	Opening Balance	(4,812)
(1,932)	Increase in provision during year	(163)
1,527	Utilised during year	495
<b>(4,812)</b>	<b>Closing Balance</b>	<b>(4,480)</b>

The Council had long-term provision in respect of Business Rate appeals only.

**Note 25 – Long Term Borrowing**

2019/20 £'000		2020/21 £'000
(30,000)	Borrowing from LA's	0
<b>(30,000)</b>	<b>Total</b>	<b>0</b>

**Note 26 – Other Long Term Liabilities**

2019/20 £'000		2020/21 £'000
(52,161)	Pensions Liability	(59,602)
(2,105)	Finance Leases Liability	(1,736)
<b>(54,266)</b>	<b>Total</b>	<b>(61,338)</b>

## Note 27 - Unusable Reserves

2019/20 £'000		2020/21 £'000
(45,526)	Revaluation Reserve	(47,015)
(62,651)	Capital Adjustment Account	(58,267)
2,706	Pooled Investment Funds Adjustment Account	609
52,161	Pension Reserve	59,602
890	Collection Fund Adjustment Account	10,321
155	Accumulated Absences Account	231
<b>(52,265)</b>	<b>Total</b>	<b>(34,519)</b>

### 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:

- revalued 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 1st 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.

2019/20 £'000		2020/21 £'000
<b>(46,535)</b>	<b>Balance 1 April</b>	<b>(45,525)</b>
(15,687)	Upward revaluation of assets	(13,808)
16,007	Downward reval of assets and impairment losses not charged to the Sur/Def on PoS	11,420
<b>320</b>	<b>Movement in year</b>	<b>(2,388)</b>
689	Difference between fair value depreciation and historical cost depreciation	898
0	Accumulated gains on assets sold or scrapped	0
0	Other amounts written off to the Capital Adjustment Account	0
<b>689</b>	<b>Amount written off to the Capital Adjustment Account</b>	<b>898</b>
<b>(45,526)</b>	<b>Balance 31 March</b>	<b>(47,015)</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. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Property and gains accumulated on Property, Plant and Equipment before 1st April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 8 provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

2019/20 £'000		2020/21 £'000
<b>(67,475)</b>	<b>Balance 1 April</b>	<b>(62,653)</b>
688	Amount written out of the Revaluation Reserve	0
	<u>Reversal of Items relating to capital expenditure dr/cr to the CIES</u>	
1,187	Charges for depreciation and impairment of non-current assets (PPE)	1,003
1,082	Net revaluation gains/losses on non-current assets (PPE)	6,625
230	Amortisation of intangible assets	181
2,973	Revenue expenditure funded from capital under statute	775
0	Amounts of non-current assets w/off on disposal/sale as part of the gain/loss on disposal to CIES	418
<b>5,472</b>	<b>Net of above transactions</b>	<b>9,003</b>
(688)	Adjusting Amounts written out of the Revaluation Reserve	(898)
<b>4,784</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>8,105</b>
(161)	Use of Capital Receipts Reserve to finance new capital expenditure	(204)
(2,945)	Capital Grants and Contributions credited to the CIES that have been applied to capital financing	(2,156)
(359)	Statutory provision for the financing of capital investment charged against the General Fund balances	(643)
(1,464)	Capital expenditure charged against the General Fund balances	(1,739)
<b>(4,929)</b>	<b>Net of above transactions</b>	<b>(4,742)</b>
<b>(4,281)</b>	<b>Movements in the market value of Investment Properties dr/cr to the CIES</b>	<b>1,023</b>
<b>(62,651)</b>	<b>Balance 31 March</b>	<b>(58,267)</b>

### Pooled Investment Funds Adjustment Account

2019/20 £'000		2020/21 £'000
<b>(422)</b>	<b>Balance 1 April</b>	<b>2,706</b>
-	Upward revaluation of investments charged to the Surplus/(Deficit) on the Provision of Services	(2,130)
3,128	Downward revaluation of investments charged to the Surplus/(Deficit) on the Provision of Services	32
<b>2,706</b>	<b>Balance 31 March</b>	<b>609</b>

### 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 accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. 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.

2019/20 £'000		2020/21 £'000
<b>48,556</b>	<b>Balance 1 April</b>	<b>52,161</b>
1,573	Remeasurements of the net defined benefit (liability)/asset	4,853
4,542	Reversal of items relating to retirement benefits dr/cr to Surp/Def on PoS in the CIES	4,600
(2,510)	Employer's pensions contributions and direct payments to pensioners payable in the year	(2,012)
<b>52,161</b>	<b>Balance 31 March</b>	<b>59,602</b>

## Collection Fund Adjustment Account

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

Information for the Collection Fund Adjustment Account is shown below:

2019/20 £'000		2020/21 £'000
<b>524</b>	<b>Balance 1 April</b>	<b>890</b>
366	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	9,431
<b>890</b>	<b>Balance 31 March</b>	<b>10,321</b>

## Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned, but not taken, in the year e.g. annual leave entitlement carried forward at 31st March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the account.

2019/20 £'000		2020/21 £'000
<b>157</b>	<b>Balance 1 April</b>	<b>155</b>
(157)	Settlement or cancellation of accrual made at the end of the preceding year	(155)
155	Amounts accrued at the end of the current year	231
<b>(2)</b>	<b>Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirements</b>	<b>77</b>
<b>155</b>	<b>Balance 31 March</b>	<b>231</b>

## Note 28 - Cash Flow Statement – Adjustments to net surplus/deficit

2019/20 £'000		2020/21 £'000
1,877	Depreciation of tangible	1,006
230	Amortisation of intangible	181
1,820	Impairment and downward valuations	6,625
555	Increase/decrease in provision for doubtful debts	(1,008)
0	Increase/decrease in interest creditors	(114)
2,099	Increase/decrease in creditors	7,002
(1)	Increase/decrease in interest debtors	(718)
8,995	Increase/decrease in debtors	(858)
(7)	Increase/decrease in inventories	7
2,032	Movement in pension liability	2,588
16	Carrying amount of non-current assets & non-current assets held for sale, sold or derecognised	415
4,281	Other non-cash items charged to the net surplus or deficit on the provision of services	(1,105)
<b>21,159</b>	<b>Total</b>	<b>14,022</b>

## Note 29 - Cash Flow Statement – Adj's for items in net surp/def on PoS that are investing or financing activities

2019/20 £'000	2020/21 £'000
0 Proceeds from sale of Property, Plant and Equipment, Investment Property and Intangible Assets	0
(1,608) Capital Grants credited to the surplus/deficit on the provision of services	0
<b>(1,608) Total</b>	<b>0</b>

## Note 30 - Cash Flow Statement – Operating Activities

2019/20 £'000	2020/21 £'000
1,104 Interest received	976
(304) Interest paid	(955)
<b>800 Total</b>	<b>21</b>

## Note 31 - Cash Flow Statement - Investing Activities

2019/20 £'000	2020/21 £'000
(41,858) Purchase of property, plant and equipment, investment property and intangible assets	(20,571)
(1,377) Other payments for investing activities	(32)
0 Purchase of short-term and long-term investments	0
4,450 Proceeds from short-term and long-term investments	0
3,297 Other receipts from investing activities	(835)
<b>(35,488) Net cash flows from investing activities</b>	<b>(21,438)</b>

## Note 32 - Cash Flow Statement - Financing Activities

2019/20 £'000	2020/21 £'000
163,500 Cash receipts of short and long-term borrowing	79,320
(359) Cash payments for the reduction of outstanding liabilities relating to finance leases	(364)
(134,714) Repayments of short- and long-term borrowing	(67,000)
(187) Other payments for financing activities	(1,437)
<b>28,240 Net cash flows from financing activities</b>	<b>10,519</b>

## Note 33 - Reconciliation of liabilities arising from Financing Activities

	1st Apr'20 £'000	Fin cash flows £'000	Non-cash changes £'000	31st Mar'21 £'000
Long Term Borrowing	30,000	0	(30,000)	0
Short Term Borrowing	60,000	12,000	30,000	102,000
Lease Liabilities	2,469	0	(359)	2,110
<b>Total Liabilities from Financing Activities</b>	<b>92,469</b>	<b>12,000</b>	<b>(359)</b>	<b>104,110</b>



## Note 34 - Officers' Remuneration and Termination Benefits

The remuneration paid to the Council's senior employees is as follows:

	2019/20	2020/21
50,000 to £54,999	8	21
£55,000 to £59,999	8	5
£60,000 to £64,999	6	8
£65,000 to £69,999	2	3
£70,000 to £74,999	2	6
£75,000 to £79,999	1	0
£80,000 to £84,999	0	0
£85,000 to £89,999	1	0
£90,000 to £94,999 ...	2	2
£125,000 to £129,999 ...	0	1
£135,000 to £139,999	1	0
<b>Total</b>	<b>31</b>	<b>46</b>

The rate of pension contribution to the Hampshire Pension Fund is 18.2%. The number of employees whose remuneration (including taxable benefits, but excluding employers' pension contributions) was £50,000 or more, in bands of £5,000, is shown below. Data shown includes senior employees.

### Senior Officer Remuneration

		Salary, Fees and Allowances £	Expenses Allowances £	Compensation for Loss of Office £	Pension Contribution £	Total £
<b>Chief Executive</b>	<b>2020/21</b>	125,117	-	-	22,771	147,888
	<b>2019/20</b>	135,375	-	-	30,201	165,576
<b>Executive Director</b>	<b>2020/21</b>	92,103	349	-	16,826	109,278
	<b>2019/20</b>	91,493	349	-	22,361	114,203
<b>Executive Director</b>	<b>2020/21</b>	91,559	349	-	16,727	108,635
	<b>2019/20</b>	88,598	349	-	21,805	110,752
<b>Head of Fin. Services (CFO)</b>	<b>2020/21</b>	74,241	-	-	13,512	87,753
	<b>2019/20</b>	72,712	-	-	18,018	90,730

### Exit Packages

Exit package cost band (including special payments)	Number of comp redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	19/20	20/21	19/20	20/21	19/20	20/21	19/20	20/21
£0-£20,000	1	0	2	3	3	3	£20,712	£52,904
£20,001-£40,000	0	1	2	1	2	2	£63,702	£59,647
£40,000-£60,000	0	0	0	0	0	0	£0	£0
£60,001-£80,000	0	0	0	1	0	1	£0	£67,664
£80,001-£100,000	0	0	0	0	0	0	£0	£0
£100,001-£150,000	0	0	0	0	0	0	£0	£0
£150,001-£200,000	0	0	0	0	0	0	£0	£0
<b>Total</b>	<b>1</b>	<b>1</b>	<b>4</b>	<b>5</b>	<b>5</b>	<b>6</b>	<b>£84,414</b>	<b>£180,215</b>

**Note 35 - External Audit Costs**

2019/20 £'000		2020/21 £'000
38	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor	(24)
10	Fees payable to external auditors for the certification of grant claims & returns	10
(4)	Refund of fee payable to external auditors	0
<b>44</b>	<b>Total</b>	<b>(14)</b>

**Note 36 - Grant Income**

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement- Taxation and Non-specific Grant Income:

2019/20 £'000		2020/21 £'000
(1,010)	New Homes Bonus Grant	(1,169)
(1,229)	S.31 grants paid to compensate loss of nndr income	(11,314)
(547)	Capital Grants and Contributions	(1,404)
(228)	New Burdens Grant	(144)
-	Other Covid-19 related Grants	(5,564)
<b>(3,014)</b>	<b>Total</b>	<b>(19,595)</b>

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement- Net Cost of Services:

2019/20 £'000		2020/21 £'000
(287)	DLUHC- Flexible homelessness grant	(388)
(78)	DLUHC- Localising Ctax admin subsidy	(78)
(14)	DLUHC- Other & Covid related grants	(506)
(30,276)	DWP- HB subsidy	(28,271)
(276)	DWP- HB admin subsidy	(300)
(213)	DWP- Disc Hou payments	(292)
(79)	DWP- Other	(33)
(15)	Cabinet Office	(6)
(1,649)	Developers Contributions	(186)
(1,061)	HCC- Better Care Fund	(1,203)
-	HCC- Other & Covid related grants	(500)
(258)	DEFRA	0
(37)	Contributions for other projects	(28)
-	Other covid related grants	(177)
(10)	Support thru Big Local (Local Trust for the Big Lottery Fund)	(5)
<b>(34,253)</b>	<b>Total</b>	<b>(31,973)</b>

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 could require the monies to be returned to the giver. The balances at year-end are shown in the table below:

**Capital Grant Receipts in Advance- Non-current Liabilities**

2019/20 £'000		2020/21 £'000
(5,357)	Developers' Contributions	(4,521)
(39)	Creditor- armed forces community covenant	(32)
<b>(5,396)</b>	<b>Total</b>	<b>(4,553)</b>

**Note 37 - Members' Allowances**

In 2020/21 a total of £319,746 was paid out in members' allowances (2019/20 £318,736).

**Note 38 - Related Parties**

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. During 2020-21, the Council provided financial assistance to 87 organisations by way of direct grant payments (£605,107), awards of rent relief (£400,2997), awards of business rates relief (£788,525) and free parking permits (£69,582).

Within the Business Rates Retention Scheme, rate relief has been awarded to charitable and not-for-profit organisations. The cost of the rate relief is shared between central government, Rushmoor Borough Council and Hampshire County Council (including Fire Authority) in the following proportions 50:40:10. The Council did not provide material financial assistance to any organisation, being more than 50% of their funding, on terms that gave the Council effective control over their operations. However, of the voluntary organisations that the Council provided financial assistance to, significant financial assistance was given to the following organisations:

	2020/21 £
Rushmoor Citizens Advice	536,421
Places for People Leisure Ltd	286,976
Airbus Defence and Space Limited	119,296
Step-by-Step	92,296
Farnborough & Cove War Memorial Trust	90,634
Rushmoor Voluntary Services	75,880
British Heart Foundation	57,274
Farnborough Football Club	51,364
Basingstoke Canal Management Committee	42,246
Dial-a-Ride	31,594
Aldershot Military Museum	31,612
Aldershot Town and District Football in the Community Trust	30,277
Farnborough Air Sciences Museum	28,160

## **Central Government**

Central Government has effective control over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority 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). Details of funding transactions with government departments in the form of grants and contributions are set out in Note 36.

## **Members**

Members of the council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2020/21 is shown in Note 37.

During 2020/21 no works or services were commissioned from companies in which members had an interest.

Financial assistance totalling £2,550,263 was awarded to voluntary organisations in which 21 members and 2 ex-members had an interest. These financial awards were made with proper consideration of declarations of interest and the relevant members did not take part in any discussion or decision relating to the grants.

Details of all these transactions are recorded in the Statement of Accounts working papers and the Register of Members interest, open to public inspection.

## **Entities Controlled or Significantly Influenced by the Council**

The Council controls Rushmoor Homes Ltd (RHL) through its ownership of 100% of the shares in the company. The company is currently in development and will assist to develop new homes to meet the Council's regeneration priorities and desire to improve the availability of quality housing within the Borough. The first full year of operation will be 2020/21. The council owns 100 shares in RHL.

The Council holds a 50% stake in Rushmoor Development Partnership (RDP). The partnership is currently in development with the objective to redevelop sites in Farnborough and Aldershot. The 2020/21 was the first full year of operation for the partnership. During 2020/21 the Council invested £132,000 in set up of the partnership.

## **Note 39 - Capital Expenditure and Financing**

As at 31st March 2021 use of borrowing for capital expenditure resulted in the Council incurring a capital financing requirement of £119.5m. Total capital expenditure in 2020/21 was £29.1m, of which £0.8m was revenue expenditure funded from capital under statute. An amount of £0.2m was drawn from available capital receipts and government grants and contributions amounted to £2.2m. A summary of this expenditure and how it was financed is shown below.

2019/20 £'000		2020/21 £'000
<b>60,847</b>	<b>Opening Capital Financing Requirement</b>	<b>102,054</b>
	<u>Capital Investment:</u>	
1,324	Loans to external bodies	911
7,330	Property Plant and Equipment	3,436
34,112	Investment Properties	17,135
57	Intangible Assets	0
2,973	Rev. Exp. Funded from Capital Under Statute	775
<b>45,796</b>	<b>Total Capital Investment</b>	<b>22,257</b>
	<u>Sources of Finance:</u>	
(178)	Capital receipts	(204)
(2,946)	Government Grants and other contributions	(2,156)
(55)	Direct revenue contributions	(643)
(1,410)	Minimum revenue provision	(1,739)
<b>(4,589)</b>	<b>Total Sources of Finance applied</b>	<b>(4,742)</b>
<b>102,054</b>	<b>Closing Capital Financing Requirement</b>	<b>119,570</b>

Explanation of movements in year;

2019/20 £'000		2020/21 £'000
41,567	Increase in underlying need to borrow (unsupported by government financial assistance)	17,782
(359)	Assets acquired under finance leases	(266)
<b>41,208</b>	<b>Inc/(dec) in Capital Financing Requirement</b>	<b>17,516</b>

## Note 40 - Leases

### Council as Lessee

#### Operating Leases

The Council has various operating leases related to property, vehicle and equipment. The future minimum lease payments due under non-cancellable leases in future years are:

2019/20 £'000		2020/21 £'000
(36)	Not later than 1 year	(85)
(196)	Later than 1 but no later than 5 years	(124)
0	Later than 5 years	0
<b>(232)</b>	<b>Total</b>	<b>(209)</b>

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

2019/20 £'000		2020/21 £'000
(55)	Minimum lease payments	(50)
<b>(55)</b>	<b>Total</b>	<b>(50)</b>

## Finance Leases

The Council has identified an embedded finance lease under IFRIC 4 for the refuse and grounds maintenance vehicles. These assets are shown as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

2019/20 £'000		2020/21 £'000
2,674	Vehicles, Plant & Equipment	2,303
<b>2,674</b>	<b>Total</b>	<b>2,303</b>

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the vehicles acquired by the Council and the financial cost that will be payable by the Council in future years while the liability remains outstanding. Minimum lease payments are made up of the following amounts:

2019/20 £'000		2020/21 £'000
	Finance lease liabilities (net present value of min. lease payments):	
(364)	current	(369)
(2,105)	non-current	(1,736)
(101)	Finance costs payable in future years	(73)
<b>(2,570)</b>	<b>Total</b>	<b>(2,178)</b>

The minimum lease payments will be payable over the following periods and Finance lease liability over the following periods;

	Minimum Lease Payments		Finance Lease Liabilities	
	2019/20 £'000	2020/21 £'000	2019/20 £'000	2020/21 £'000
Not later than 1 year	(392)	(392)	(364)	(369)
Later than 1 but no later than 5 years	(1,423)	(1,354)	(1,357)	(1,306)
Later than 5 years	(755)	(432)	(748)	(430)
<b>Total</b>	<b>(2,570)</b>	<b>(2,178)</b>	<b>(2,469)</b>	<b>(2,105)</b>

## Council as Lessor

### Operating Leases

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

- Returns from investment property and the provision of community services, such as sports facilities, tourism services and community centres
- Economic development purposes to provide suitable affordable accommodation for local businesses

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

2019/20 £'000		2020/21 £'000
(6,631)	Not later than 1 year	(8,232)
(23,572)	Later than 1 but no later than 5 years	(27,976)
(97,645)	Later than 5 years	(100,520)
<b>(127,848)</b>	<b>Total</b>	<b>(136,728)</b>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2020/21, contingent rents of £14,763.42p, were receivable by the Council (£24,704.72p in 2019/20).

### **Finance Leases**

The Council has no currently determined finance leases as lessor.

### **Note 41 – Capital Commitments**

The Council has no material capital commitments as at 31st March 2021.

### **Note 42 - Defined Benefit Pension Scheme**

#### **Participation in Pension Schemes**

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

The Council participates in two post-employment schemes:

- The Local Government Pension Scheme, administered locally by Hampshire County Council. This is a funded defined benefit plan with benefits earned up to 31 March 2014 being linked to final salary. Benefits after 31st March 2014 are based on a Career Average Revalued Earnings scheme. The funded nature of the scheme requires employers and its employees to pay contributions into the Fund, calculated at a level intended to balance the pension liabilities with investment assets.
- Arrangements for the award of discretionary post retirement benefits upon early retirement. 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.

#### **Transactions relating to post-employment benefits**

The cost of retirement benefits are recognised in the cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	LGPS		Disc Benefits	
	2019/20 £'000	2020/21 £'000	2019/20 £'000	2020/21 £'000
Cost of services:				
Service cost comprising:				
* current service costs	3,330	3,380	0	0
* past service costs	80	40	0	0
Financing and Investment income and exp:				
* net interest expense	1,040	1,090	90	90
<b>Total post emp benefit charged to the surplus/deficit on PoS</b>	<b>4,450</b>	<b>4,510</b>	<b>90</b>	<b>90</b>
Other post emp benefits charge to the CIES				
<b>Remeas'ment of the net defined benefit liability comprising:</b>				
* Return on plan assets (exc amount inc the net interest exp.)	5,910	(21,060)	0	0
* Actuarial gain/loss arising on changes in financial assumptions	(3,530)	27,320	(40)	290
* Actuarial gain/loss arising on changes in demographic assump.	(3,620)	0	(70)	0
* Actuarial (gains) and losses arising from liability experience	2,950	(1,640)	(30)	(50)
<b>Total post emp benefit charged to the CIES</b>	<b>6,160</b>	<b>9,130</b>	<b>(50)</b>	<b>330</b>
<u>Movement in Reserves Statement</u>				
* Rev of net charges made to sur/def on PoS for post emp ben.	(4,450)	(4,510)	(90)	(90)
Actual amount charged to GF for pensions in year:				
* Employer's contributions payable to scheme	2,240	1,750		
* Retirement benefits payable to pensioners			270	260

### Impact on the Council's cash flows

The objectives of the scheme are to keep the employers' contribution at as constant a rate as possible. The scheme's actuary assessed the scheme to be fully funded. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2024.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework to establish new career average revalued earnings schemes to pay pension and other benefits to certain public servants.

### Pensions 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:

	LGPS		Disc Benefits	
	2019/20 £'000	2020/21 £'000	2019/20 £'000	2020/21 £'000
Fair value of plan assets	93,770	114,600	0	0
Present value of the defined benefit obligation	(142,120)	(170,340)	(3,810)	(3,870)
<b>Net liability arising from the defined benefit obligation</b>	<b>(48,350)</b>	<b>(55,740)</b>	<b>(3,810)</b>	<b>(3,870)</b>

### Changes to the fair value of assets;

The remeasurement gain on the net defined benefit liability is comprised of:



- Return on plan assets – a measure of return (income from dividends, interest etc, and gains on invested sums) on the investment assets held by the scheme for the year
- Actuarial gains and losses – arise where actual events have not coincided with actuarial assumptions made for the last valuation.

	LGPS		Disc Benefits	
	2019/20 £'000	2020/21 £'000	2019/20 £'000	2020/21 £'000
<b>Opening fair value of scheme assets</b>	97,920	<b>93,770</b>	0	<b>0</b>
Interest income	2,340	2,130	0	0
Remeasurement gain/(loss) on assets	(5,910)	21,060	0	0
Contribution from employer	2,240	1,750	270	260
Contribution from employee's into scheme	640	680	0	0
Net Benefits paid	(3,470)	(4,780)	(270)	(260)
<b>Closing fair value of scheme assets</b>	<b>93,760</b>	<b>114,610</b>	<b>0</b>	<b>0</b>

### Reconciliation of present value of the scheme liabilities (Defined Benefit Oblig.);

	LGPS		Disc Benefits	
	2019/20 £'000	2020/21 £'000	2019/20 £'000	2020/21 £'000
<b>Opening balance at 1st April</b>	142,350	<b>142,120</b>	4,130	<b>3,810</b>
Current service costs	3,330	3,380	0	0
Interest income	3,380	3,220	90	90
Contributions by scheme participants	640	680	0	0
Remeasurement gain/(loss):				
* Actuarial gain/loss arising on changes in financial assumptions	(3,530)	27,320	(40)	290
* Actuarial gain/loss arising on changes in demographic assum.	(3,620)	0	(70)	0
* Actuarial (gains) and losses arising from liability experience	2,960	(1,640)	(30)	(50)
Net Benefits paid	(3,470)	(4,780)	(270)	(260)
Past service costs	80	40	0	0
<b>Closing balance at 31st March</b>	<b>142,120</b>	<b>170,340</b>	<b>3,810</b>	<b>3,880</b>

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Aon Hewitt Ltd, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31st March 2019.

The principal assumptions used by the actuary have been:

#### Financial Assumptions

	LGPS		Disc Benefits	
	2019/20 %	2020/21 &	2019/20 %	2020/21 %
Discount	2.3%	2.1%	2.3%	2.1%
Rate of inflation (CPI)	2.0%	2.7%	2.0%	2.7%
Rate of increase to pensions in payment	2.0%	2.7%	2.0%	2.7%
Pension accounts revaluation rate	2.0%	2.7%		
Salary increases	3.0%	3.7%		

## Mortality assumption

The mortality assumptions are based on actual mortality experience of members within the Fund based on analysis carried out as part of the 2019 Actuarial Valuation and allow for expected future mortality improvements. Sample life expectancies at age 65 in normal health resulting from these mortality assumptions are shown below.

	LGPS		Disc Benefits	
	2019/20 %	2020/21 &	2019/20 %	2020/21 %
Longevity at 65 for current pensioners:				
Men	23.0 yrs	23.1 yrs	23.0 yrs	23.1 yrs
Women	25.5 yrs	25.6 yrs	25.5 yrs	25.5 yrs
Longevity at 65 for future pensioners:				
Men	24.7 yrs	24.8 yrs		
Women	27.2 yrs	27.3 yrs		

At this accounting date, the assumed rates of future mortality have been increased to reflect a slightly more negative outlook as a result of the COVID-19 pandemic.

## Pension assets

The Discretionary Benefits arrangements have no assets to cover its liabilities.

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	19/20 Total %	20/21 Total %
Equities	52.7	57.0
Property	7.3	6.1
Government Bonds	21.8	17.3
Corporate Bonds	0.0	0.0
Multi Asset Credit	0.0	0.0
Cash	2.0	1.4
Other Assets	16.2	18.2
<b>Totals</b>	<b>100.0</b>	<b>100.00</b>

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions outlined above.

## Sensitivity Analysis

Impact on the present value of the funded defined benefit obligation in the Scheme	Increase in assumption £m	Base £m	Decrease in assumption £m
Rate of inflation (adjustment to discount rate +0.1% or -0.1% pa)	(167.101)	170.337	(173.744)
Rate of increase in salaries (increase or decrease by 0.1% pa)	170.678	170.337	(169.996)
Rate of increase to pensions in payment and rate of revaluation of pension accounts (increase or decrease by 0.1% pa)	173.403	170.337	(167.441)
Post retirement mortality assumption (increase or decrease by 0.1% pa)	176.469	170.337	(164.375)

### **Note 43 – Nature and Extent of Risks arising from Financial Instruments**

The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2017.

In line with the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Investment Strategy in compliance with the Ministry for Housing, Communities and Local Government Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

The main risks covered are:

- Credit Risk: The possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the Council.
- Liquidity Risk: The possibility that the Council might not have the cash available to make contracted payments on time.
- Market Risk: The possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices.

#### **Credit Risk**

#### **Treasury Instruments**

The Council's credit risk management practices are set out in paragraph 6.11 of the 2020/21 Annual Treasury Management Investment Strategy. With particular regard to determining whether the credit risk of financial instruments has increased significantly since initial recognition.

Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies and adjusted for current and forecast economic conditions. A two-year delay in cash flows is assumed to arise in the event of default. Investments are determined to have suffered a significant increase in credit risk where they have been downgraded by three or more credit rating notches or equivalent since initial recognition, unless they retain an investment grade credit rating. They are determined to be credit-impaired when awarded a "D" credit rating or equivalent. As at 31 March 2021, £0 (2020: £0) of loss allowances related to treasury investments.

#### **Trade and Lease Receivables and Contract Assets**

The following analysis summarises the Council's trade and lease receivables, by due date. Only those receivables meeting the definition of a financial asset are included.

2019/20 £'000		2020/21 £'000
5,515	Neither past due or impaired	6,229
362	Less than two months	951
158	Two to six months	243
825	Six months to one year	1,110
-	More than one year	-
<b>6,860</b>	<b>Total Receivables</b>	<b>8,533</b>

Loss allowances on trade and lease receivables and contract assets have been calculated by reference to the Council's historic experience of default and adjusted for current and forecast economic conditions. Receivables are determined to have suffered a significant increase in credit risk where they are 30 or more days past due and they are determined to be credit-impaired where they are 90 or more days past due.

Receivables are written off to the Surplus or Deficit on the Provision of Services when the debtor are formally insolvent, but steps are still taken to collect sums owing. The amount written off but still subject to enforcement action as at 31st March 2021 is £25,000 (2020: £25,000).

### Loans, Financial Guarantees and Loan Commitments

In furtherance of the Council's service objectives, it has lent money to Farnborough International. It has also committed to lend money to Farnborough International should it be requested to do so at market rates of interest.

The amounts recognised on the balance sheet, and the Council's total exposure to credit risk from these instruments are:

	19/20 £'000	Risk exposure £'000	20/21 £'000	Risk exposure £'000
Company Loan – Loans at market rate	6,700	-	7,471	-
Company Loan – Loan commitment at market rate	-	-	-	-
<b>Total</b>	<b>6,700</b>	<b>-</b>	<b>7,471</b>	<b>-</b>

The Council manages the credit risk inherent in its loans for service purposes and loan commitments in line with its published Investment Strategy.

Loss allowances on loans for service purposes, financial guarantees and loan commitments have been calculated by reference to historic default data published by credit rating agencies and adjusted for current and forecast economic conditions. They are determined to have suffered a significant increase in credit risk where they are 30 or more days past due and they are determined to be credit-impaired where they are 90 or more days past due. Loans are written off to the Surplus or Deficit on the Provision of Services when they are two years past due, but steps are still taken to collect sums owing.

### Liquidity Risk

The Council manages its liquidity position through risk management procedures as referred to above, including the setting and approval of prudential indicators and the approval of the Annual Treasury Management Strategy as well as through cash flow management procedures. This seeks to ensure that cash is available as needed.

In the event of an unexpected cash requirement, the Council has ready access to borrowings from the money markets to cover any day-to-day cash flow need. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies re raised to cover annual expenditure.

There is no perceived risk that the Council will be unable to raise finance to meet its commitments.

### Refinancing and Maturity Risk

The Council maintains a significant investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to the maturing of longer- term financial assets. The approved limits placed on investments of greater than one year in duration, are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks, and the central treasury team address the operational risks within the approved parameters.

This includes monitoring the maturity profile of investments to ensure liquidity is available for the Council's day to day cash flow needs and the spread of longer term investments provide stability of maturities and returns in relation to the longer-term cash flow needs.

The Council has ready access to borrowing at favourable rates from the Public Works Loan Board 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 its financial assets and analysis of financial liabilities is as follows:

2019/20 £'000	Maturity Analysis of Financial Assets	2020/21 £'000
9,515	Less than one year	8,637
28	Between one and two years	27
21	Between two and three years	18
26,134	More than three years	29,138
<b>35,698</b>	<b>Total</b>	<b>37,820</b>

2019/20 £'000	Analysis of Financial Liabilities	2020/21 £'000
67,775	Less than one year	120,940
30,369	Between one and two years	369
369	Between two and three years	369
1,367	More than three years	998
<b>99,880</b>	<b>Total</b>	<b>122,676</b>

### Market Risks

#### Interest rate risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense will rise
- borrowings at fixed rates – the fair value of the liabilities will fall
- investments at variable rates – the interest income will rise
- investments at fixed rates – the fair value of the assets will fall.

Investments measured at amortised cost and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure Statement. However, 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 measured at fair value will be reflected in Other Comprehensive Income or the Surplus or Deficit on the Provision of Services as appropriate.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy and Capital Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From the strategy, a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The treasury team will monitor the market and forecast interest rates within the year to adjust exposures appropriately. For instance, in periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long-term returns. At 31 March 2021, £78.2m (2020: (£80.7m)) of net principal borrowed (i.e. borrowing net of investments) was exposed to fixed rates.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget during the year. This allows any adverse changes to be accommodated.

At 31st March 2021, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

Analysis of Financial Liabilities	2020/21 £'000
Increase interest receivable on variable rate investments	139
Impact on surplus/deficit on the provision of service	139

The impact of a 1% fall in interest rates would be to push interest rates below zero and therefore would mean no interest would be receivable in the year.

## Price Risk

The market prices of the Council's fixed rate bond investments and its units in pooled bond funds are governed by prevailing interest rates and the price risk associated with these instruments is managed alongside interest rate risk.

The Council's investment in a pooled property fund is subject to the risk of falling commercial property prices. This risk is limited by the Council's maximum exposure to property investments of £5m. A 5% fall in commercial property prices at 31st March 2021 would result in a £296k (2020: £460k) charge to Other Comprehensive Income and Expenditure which is then transferred to the Pooled Investment Funds Adjustment Account, when not elected.

The Council's investment in a pooled equity funds is subject to the risk of falling share prices. This risk is limited by the Council's maximum exposure to equity investments of £5m. A 5% fall in share prices at 31st March 2021 would result in a £303k (2020 £244k) charge to the Surplus or Deficit on the Provision of Services which is then transferred to the Pooled Investment Funds Adjustment Account, when not elected.

## Collection Fund

The Collection Fund (England) is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and business rates.

31 March 2020			31 March 2021			
Council Tax £'000	NDR £'000	Total £'000	Collection Fund	Council Tax £'000	NDR £'000	Total £'000
			<b>INCOME:</b>			
(54,710)		(54,710)	Council Tax Receivable	(57,434)		(57,434)
	(51,264)	(51,264)	Business Rates Receivable		(25,450)	(25,450)
<b>(54,710)</b>	<b>(51,264)</b>	<b>(105,974)</b>	<b>Total amounts to be credited</b>	<b>(57,434)</b>	<b>(25,450)</b>	<b>(82,884)</b>
			<b>EXPENDITURE:</b>			
			<b>Apportionment of Prev. Year Sur/Def:</b>			
	374	374	Central Government		(463)	(463)
607	67	674	Hampshire County Council	609	(83)	526
100	299	399	Rushmoor Borough Council	99	(370)	(271)
99		99	Police and Crime Comm. Hampshire	100		100
33	7	41	Hampshire Fire and Rescue	33	(9)	23
			<b>Precepts, demands and shares:</b>			
	24,886	24,886	Central Government		24,993	24,993
38,779	4,479	43,258	Hampshire County Council	41,181	4,498	45,679
6,409	19,909	26,318	Rushmoor Borough Council	6,705	19,994	26,699
6,316		6,316	Police and Crime Comm. Hampshire	6,770		6,770
2,123	498	2,621	Hampshire Fire and Rescue	2,211	500	2,711
			<b>Charges to Collection Fund:</b>			
		0	Write-offs of uncollectable amounts			0
341	489	830	Inc/(dec) in allowance for impairment	811	332	1,143
	1,011	1,011	Inc/(dec) in allowance for appeals		(828)	(828)
	124	124	Charge to General Fund for allowable collection costs for non-domestic rates		122	122
<b>54,807</b>	<b>52,143</b>	<b>106,950</b>	<b>Total amounts to be debited</b>	<b>58,519</b>	<b>48,685</b>	<b>107,204</b>
<b>97</b>	<b>879</b>	<b>976</b>	<b>(Surplus)/Deficit arising in year</b>	<b>1,085</b>	<b>23,235</b>	<b>24,320</b>
<b>(2,013)</b>	<b>1,913</b>	<b>(100)</b>	<b>(Surplus)/Deficit b/f at 1 April</b>	<b>(1,916)</b>	<b>2,792</b>	<b>876</b>
<b>(1,916)</b>	<b>2,792</b>	<b>876</b>	<b>(Surplus)/Deficit c/f at 31 March</b>	<b>(831)</b>	<b>26,027</b>	<b>25,196</b>
			<b>Allocated to;</b>			
	1,399	1,399	Central Government		13,014	13,014
(1,387)	252	(1,135)	Hampshire County Council	(604)	2,342	1,738
(227)	1,113	886	Rushmoor Borough Council	(93)	10,411	10,318
(227)		(227)	Police and Crime Comm. Hampshire	(103)		(103)
(75)	28	(47)	Hampshire Fire and Rescue	(31)	260	229
<b>(1,916)</b>	<b>2,792</b>	<b>876</b>	<b>Total</b>	<b>(831)</b>	<b>26,027</b>	<b>25,196</b>



## Notes to the Collection Fund

### 1. Council Tax Base

Council Tax derives from charges raised according to the value of residential properties which have been classified into 8 valuation bands estimating 1st April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Hampshire County Council, Police and Crime Commissioner, Fire and Rescue Authority and the Council for the forthcoming year and dividing this by the Council Tax base (the total number of properties in each band adjusted to convert the number to a Band D equivalent and adjusted for discounts: (32,018 for 2020/21). This basic amount of Council Tax for a Band D property (£1,861.76 for 2020/21) is multiplied by an appropriate ratio to produce the amount due for the bands A to H. Council Tax bills are based on the following dwellings and proportions.

	Discounted Equivalent Dwelling	Weighting	Band D Equivalent
Valuation Band A	840	6/9	560
Valuation Band B	6,238	7/9	4,852
Valuation Band C	12,623	8/9	11,220
Valuation Band D	7,144	9/9	7,144
Valuation Band E	3,618	11/9	4,422
Valuation Band F	1,102	13/9	1,592
Valuation Band G	282	15/9	470
Valuation Band H	9	18/9	18
Valuation Band O (Army)	1,740	-	1,740
<b>Total Band D Equivalents</b>			<b>32,018</b>

### 2. Income from Non-Domestic Rates

The Council collects non-domestic rates for its area, which are based on local rateable values multiplied by a uniform rate specified by the government. In 2013/14 the administration of NDR changed following the introduction of the business rates retention scheme, so instead of paying the NDR to the pool the local authority retains a share of the total collectable rates due. For Rushmoor this is 40%, Hampshire County Council 9%, Hampshire Fire and Rescue Authority 1% and the Government 50%.

The rateable value of properties at 31st March 2021 is £119,381,739 and the national non-domestic multiplier was 51.2p. This gives a potential business yield of £61.1 million. The actual business rates collectable for 2020/21 after reliefs is £25.5 million. In addition, there is an adjustment to the business rates income for the provision on appeals to the collection fund.

#### Business Rates Revaluation 2017

At revaluation, the Valuation Office Agency (VOA) adjusts the rateable value of business properties to reflect changes in the property market. The most recent revaluation came into effect in England and Wales on 1st April 2017, based on rateable values from 1st April 2015.

Across England as a whole, the revaluation was expected to lead to an 11% increase in the rateable value of the average non-domestic property, with changes unevenly distributed across the country.

The business rates multiplier was adjusted so that revaluation would be revenue neutral, after accounting for a forecast of the cost of appeals against the new values.

A complex package of reliefs was introduced to phase in the biggest increase in bills to ratepayers resulting from the revaluation.

The impact of revaluation on the amount of business rates retained by individual councils has been offset by changes to the redistributive "tariffs" and "top-ups" between councils, with the aim of leaving underlying budgets unaffected by revaluation.

### 3. Provision for Council Tax and NDR Bad or Doubtful Debts and NDR provision for valuation appeals

	2019/20	2020/21
<b>Council Tax</b>		
Provision at 1 <sup>st</sup> April	(1,529)	(1,731)
Provisions made in year	(341)	(811)
Written off in year	139	195
<b>Provision at 31<sup>st</sup> March</b>	<b>(1,731)</b>	<b>(2,347)</b>
<b>NNDR</b>		
Provision at 1 <sup>st</sup> April	(504)	(986)
Provisions made in year	(489)	(331)
Written off in year	7	42
<b>Provision at 31<sup>st</sup> March</b>	<b>(986)</b>	<b>(1,275)</b>
<b>NNDR Valuation Appeals</b>		
Provision at 1 <sup>st</sup> April	(11,015)	(12,026)
Provisions made in year	(1,011)	0
Written off in year	0	826
<b>Provision at 31<sup>st</sup> March</b>	<b>(12,026)</b>	<b>(11,200)</b>

Provisions for bad or doubtful debts are assessed annually and charged to the collection fund.

## Annual Governance Statement 2020/21

### Scope of Responsibility

Rushmoor Borough Council (RBC) is responsible for ensuring its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, which include arrangements for the management of risk, whilst facilitating the effective exercise of its functions.

RBC has approved and adopted a local code of corporate governance, which is consistent with the seven core principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) Framework 'Delivering good governance in Local Government'. A copy of RBC's adopted Code is on the Council's website <https://www.rushmoor.gov.uk/CHttpHandler.ashx?id=18384&p=0>

The Annual Governance Statement (AGS) 2020/21 states how the Council has complied with the Code and also meets the requirements of the Accounts and Audit Regulations 2015, regulation 6 (1b), which requires all relevant authorities to prepare an Annual Governance Statement. It is subject to detailed review by the Licensing, Audit and General Purposes Committee and approval in advance of them agreeing the Statement of Accounts, in which the AGS is referred to.

### What is Governance

Governance is about how the Council ensures that it is doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner. Good governance leads to effective:

- leadership and management;
- performance and risk management;
- stewardship of public money; and
- public engagement and outcomes for our citizens and service users.

### The purpose of the Governance Framework

The Governance framework comprises the systems, processes, culture and values by which the authority is directed and controlled. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process, designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised and to manage them efficiently, effectively and economically.

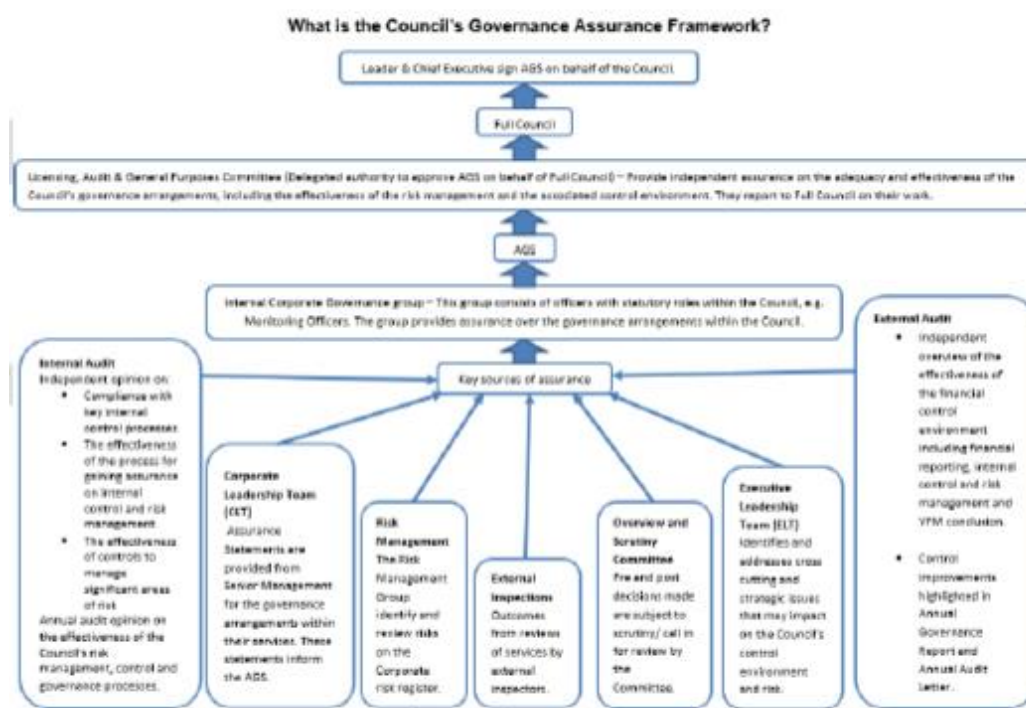
## What is the Annual Governance Statement (AGS)?

The Council is required by the Accounts and Audit Regulations 2015 to prepare and publish an Annual Governance Statement, to report publicly on the extent to which we comply with our own local Code of Corporate Governance, including how we have monitored the effectiveness of our arrangements in year and on any planned changes to our governance arrangements in the coming year. In this document the Council:

- acknowledges its responsibility for ensuring that there is a sound system of governance.
- summarises the key elements of the governance framework and the roles of those responsible for the development and maintenance of the governance environment.
- describes how the Council has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period;
- provides details of how the Council has responded to any issue(s) identified in last year's governance statement; and
- reports on any key governance matters identified from this review and provides a commitment to addressing them.

The Council's Governance Assurance Framework, which underpins the AGS, has been in place at the Council for the year ended 31 March 2021 and up to the date of approval of the AGS and Statement of Accounts.

## What is the Council's Governance Assurance Framework



## How does the Council Monitor and evaluate the effectiveness of its governance arrangements?

The Council annually reviews the effectiveness of its governance arrangements. The key sources of assurance that informs this review are:

- The work of the Licensing, Audit and General Purposes Committee\*, Members and Senior Officers of the Council who have responsibility for good governance.
- A statement of assurance is obtained from Heads of Service to confirm the governance arrangements in place within their service.
- The Audit Manager's update reports on the internal audit activity, which provides an independent assurance that key risks are being adequately controlled and provides an opinion on the effectiveness of these arrangements.
- Half yearly updates to the Licensing, Audit and General Purposes Committee monitoring the work carried out towards the Governance actions identified in the previous year's AGS.
- Any comments made by External Audit or other external reviews.
- Internal Corporate Governance Group provides assurance over the governance arrangements within the Council.

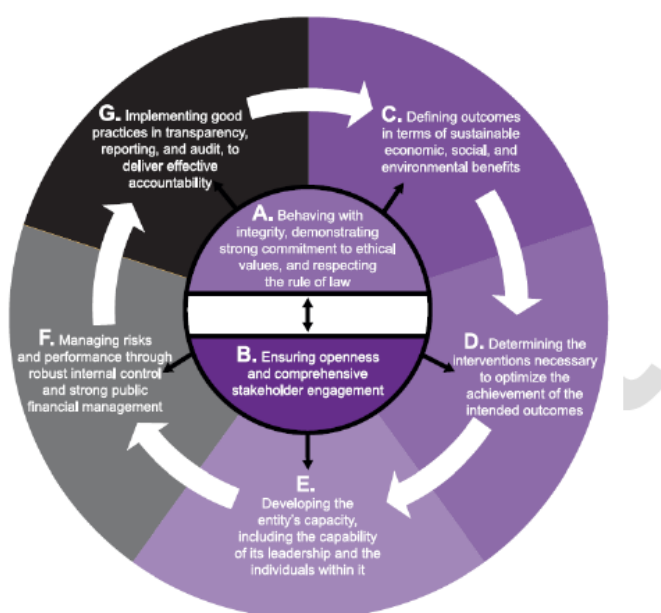
\* The terms of reference for the Licensing, Audit and General Purposes committee were reviewed towards the end of the 2020/21 civic year. Recognising the need to ensure robust, clear and strong Corporate Governance the focus of the committee was reviewed.

Central to this review was a change in the title of the committee and its focus on Corporate Governance. Additional training has been arranged for members of this committee and during 2020/21 an Independent Member will be appointed to the committee.

Corporate Governance, Audit and Standards Committee (CGAS) replaced the Licensing, Audit and General Purposes Committee (LAGP) in May 2021. The AGS for 2020/21 has been prepared with references to LAGP as this was the appropriate committee during the AGS period.

### What are the key elements of RBC's Governance Framework?

The Council aims to achieve good standards of governance by adhering to the seven core principles, detailed below, which form the basis of the Council's code of Corporate Governance.



**Impact of Covid-19 pandemic on the Council****Priorities**

The Council adhered and responded at pace to government guidance in response to the pandemic. Priorities were changed to focus on the need to distribute emergency funding and to support essential services. Business as usual was changed to accommodate this - key processes and functions maintained, with demand led services under the most pressure. Covid-19 and the subsequent recovery does present a number of risks to the delivery of the Council's Business Plan, Regeneration Programme and key procurement activity. Inevitably, there will be a requirement to review priorities and work programmes to ensure adequate risk mitigation is in place, with the Council's Corporate Risk Register being reviewed by Heads of Service.

**Move to home working**

The Council brought forward its mobile working project from the ICE Programme to enable a substantial move from a small number of home workers to majority of the Council's workforce. There was a significant impact on the IT department in order to acquire, build and distribute additional laptops within a short period of time.

Furthermore, there was a significant shift for technology required to enable secure virtual meetings to be carried out. A review of the risks and mitigations required was carried out in order to identify the most appropriate platform solution for the Council to use. The platform determined was Microsoft Teams which has been deployed across the Council.

The risk around information security increased with this move and required effective arrangements and mitigation measures to ensure the security of data and processes. Staff were made aware of the information security requirement with awareness raised of the potential increase in phishing emails to obtain log on credentials.

The move to home working was challenging for many people and as such the Council, through its HR team, put in place a range of initiatives to support individuals and teams.

A new way of working programme was established and builds upon the changes outlined above. This programme enables a new norm can be established as the working environment and service delivery impact from Covid unwinds leading to more modern and efficient ways of working that embraces new technologies. Different approaches to leadership and management are required and the Council's adopted Workforce Strategy reflects this approach.

**Committee meetings**

The Local Authorities & Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020, allowed authorities to conduct meetings and take decisions in ways other than face to face, so that decisions can still be made. As a result, virtual council and committee meetings were instigated to ensure transparency, maintain good governance and maintain principles of openness and accountability. Furthermore, this also allowed access to the public and press via live streaming. The Council developed a set of standard protocols for virtual meetings, in order to facilitate full Member engagement and public participation where appropriate. These protocols were communicated to all Members.

### Temporary delegation arrangements for decision making

To enable executive decisions to be taken during this challenging period, Cabinet agreed to authorise the Chief Executive, in consultation with the Leader of the Council, to make Cabinet decisions in accordance with the following conditions.

- The provision of new and amended services as a result of Covid-19
- Changes in services which could have financial implication of up to the threshold that would make the decision 'key'
- Changes in existing service provision that would have an impact on the Borough and are not currently delegated to an individual portfolio holder or officer
- Those items set out in the powers and duties of the Cabinet
- The list of the decisions taken will be submitted to a formal meeting of the Cabinet in due course.

The process that will be followed for these decisions are as follows:

- A Head of Service, in conjunction with the appropriate portfolio holder, will develop proposals requiring an executive decision on which they will consult the Monitoring Officer and the Head of Finance (Section 151 Officer)
- The proposals are circulated to other Members of the Cabinet and the Council for comment (the period of comment is likely to be short, probably 1-2 days)
- The Chief Executive, in consultation with the Leader of the Council, will make a decision on the proposal, taking account of any comments made by other Members
- A short form decision sheet will be prepared and distributed to all Members of the Council and placed on the Council's website within a table established to include all decisions taken under this process.

These delegations were used under careful consideration and wherever possible, reports will be held over until a formal meeting can take place, but given the rapidly changing situation during the pandemic, it was essential that a process to make decisions at pace was in place.

### Financial implications

Covid-19 and the subsequent recovery does pose a significant risk to the Council's finances. Over the immediate short-term, the Council experienced a reduction in income from Council Tax, Business Rates and Fees and Charges. Additional expenditure was incurred, particularly around the Council's role in supporting the welfare of vulnerable individuals and IT costs associated with enabling Council staff to work remotely.

Initially, it was difficult to quantify the impact on the Council's finances given the uncertainty around how long restrictions would remain in place and how recovery from Covid may fundamentally change some of the Council services. Initial work was focussed on high-risk income and expenditure budgets, Council Tax and Business Rates, and cash flow forecasting. The Council provided financial management information to the Ministry of Housing, Communities and Local Government (MHCLG) during the year and monitored budgets closely. Further restrictions in place from December 2020 to March 2021 will have had a further impact on the Council Finances.

The Government provided Councils with a number of funding streams to help mitigate the financial impact from Covid. Funding was provided directly to the Council in the form of grant funding and compensation for income loss from sales, fees and charges. The Council also

received a number of funding streams that it was required to use to support businesses that were required to close or were subject to financial pressure because of the pandemic. These included a number of Business Rates Grants schemes with the Council being required to design and approve local schemes to support businesses.

Un-ringfenced grant and compensation funding received from the Government included:

- Covid-19 Emergency Funding: £1.479m
- Covid-19 Income Loss Compensation: £1.008m

Funding in relation to Business support (grant schemes and compensation for additional business rates reliefs) was received during the year.

- Section 31 Grant (compensation for additional business rates reliefs): £11.3m
- Additional Restrictions Grant: £1.519m
- Local Authority Discretionary Grant Fund: £0.805m
- Local Restrictions Grant (Open): £0.196m
- Covid-19 Reopening High Streets: £83k

Funding was also provided to the Council from the Department for Business, Energy and Industrial Strategy (BEIS) on an agency basis (i.e. the Council was required to pass the funding through based on specific criteria). Approximately £14.8m was administered to businesses across a number of different grant schemes between April and September 2020.

Support for vulnerable individuals and families was provided through the Council Tax Hardship Scheme. The Council received £542k of funding which was used to support Council Tax Support scheme recipients. In addition, the Council received £214k from the Government in support of the Test and Trace scheme.

Funding was also provided from Hampshire County Council to support local schemes in relation to Control Outbreak, managing clinically vulnerable individuals and Test centres. This funding offset costs incurred by the Council supporting communities:

- Control Outbreak Management Fund (COMF): £124k
- Covid-19 Clinically Extremely Vulnerable: £95k
- Covid-19 Emergency Assistance Grant: £81k
- Covid-19 Test Centre: £166k

At the time of writing, the Council had yet to finalise the outturn position for 2020/21 but it was anticipated that there would be a negative impact on the Council's revenue budget as a result of the pandemic. It is worth noting that the Council does have balances and reserves available to help mitigate the likely outturn position and some of the financial risks and pressures outlined. However, it is expected the Council will need to review the 2020/21 budget and Medium-Term Financial Strategy over the course of the financial year to ensure the Council remains financially resilient.

Councils are required by law to have balanced budgets. If a way in which to finance expenditure cannot be identified then it is the statutory responsibility of the Section 151 officer to, as a last resort, issue a section 114 notice. This notice prohibits all new



expenditure, with the exception of safeguarding vulnerable people and statutory services. Due to the current financial challenges, as a result of the Covid-19 pandemic, CIPFA agreed with MHCLG to temporary modifications to the existing guidance around issuing section 114 notices, in order to create an opportunity, within existing statutory limits, to enable an exploration of what further options and/or financial assistance may be available.

Therefore, should this be considered by the Council's Section 151 Officer, the following process would be carried out in line with CIPFA's current guidelines:

- At the earliest opportunity the Head of Finance (Section 151 Officer) will make informal confidential contact with MHCLG to advise of financial concerns and a possible forthcoming section 114 notice.
- The Head of Finance (Section 151 Officer) will communicate the potential unbalanced budget position, due to Covid-19, to MHCLG at the same time as providing a potential Section 114 report to Cabinet and the Council's external auditors (Ernst and Young).

A number of Council services that were reliant on income from sales or fee income were adversely impacted by the restrictions in place during the coronavirus pandemic. The Council reviewed opportunities for staff to be redeployed to areas that were supporting the Council's frontline services to the community. Whilst the Council was able to redeploy a number of staff over the course of the year, the Council did make use of the Government's furlough scheme with around £100k of funding received during 2020/21.

Procurement Policy Notes were issued by the Cabinet Office and provided guidance on best practice for public sector procurement, with a focus on Covid-19 issues. These notes covered a number of issues including:

- Public procurement regulations
- Guidance for public bodies on payment of their suppliers to ensure service continuity during and after the current coronavirus, COVID-19, outbreak
- Use of procurement cards to support cash flow for suppliers
- Guidance for public bodies on viability and sustainability of contracts including working in partnership to plan an eventual exit from any relief and transition to a new, sustainable, operating model taking into account strategic and reprioritisation needs.

The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 amended the accounting timetable, extending the deadline for the draft accounts to 31 August 2020 and the final audited accounts to 30 November 2020.

### Service reviews

Since the lockdown the Council has had to take urgent decisions related to its way of working and direct service provision. Most facilities that provide the opportunity for public gatherings or encourage non-essential travel have been closed, either by direction from the Government or because the Council has interpreted that it is the right thing to do, in accordance with the Government's guidelines. The key changes are:

- Farnborough and Aldershot Leisure Centres and associated facilities were closed at various points during the year in accordance with Government guidelines associated with the national and local restrictions in place during 2020/21. Limited reopening was possible during the year with Covid-secure measures in place.
- In February 2020 Cabinet and Council considered the future opening of Farnborough Leisure Centre. Indicative costs from the operator, Places Leisure, indicated that the additional cost in 2020/21 would be in the range of £0.550m to £2m per annum depending on the operating conditions and speed of recovery. Members considered these additional costs against a challenging financial position over the medium term and took into account representations made by local residents. The Council reluctantly agreed to bring forward the closure of Farnborough Leisure Centre, which facilitates an earlier regeneration programme in the Civic Quarter. Leisure facilities in Aldershot including the Lido continue to operate.
- Preparatory work necessary to enable the Aldershot Lido to start its season at the end of May 2020 was not possible. An extended period of lockdown or social distancing meant the Lido would not open until the 2021 season.
- Princes Hall Theatre was closed throughout the year given the national and local restrictions and the need to adhere to reduced capacity due to social distancing arrangements. The Council did utilise the site as part of its response to the coronavirus pandemic and included the provision of the Food Hub and as a walk-in vaccination centre.
- Refuse, recycling, bulky waste and garden waste collection arrangements were changed over the initial lockdown period from April 2020 to July 2020. Refuse and recycling collections were moved to an alternating cycle with residents receiving a refuse collection one week and a recycling collection the next. Flats remained with weekly refuse collections. Garden and Bulky waste collections were suspended for an initial period but resumed relatively swiftly.
- Playgrounds and skate parks were closed during parts of the year owing to national and local restrictions and also for a period in early 2021 given the local infection rates.
- Council run car parks remained open, but cash machines have been emptied and no charges were levied between April 2020 and July 2020. Charging resumed in August 2020.
- The Council suspended the weekly Car Boot sale service and also operated a limited markets service whilst national restrictions and social distancing measures were in place during the year.
- The Council Offices were closed to the public in both the national and local restriction periods. During these times a small number of core staff were on site carrying out essential work that cannot be delivered from home. The Council offices did reopen to the public during the year as restrictions were lifted with the Council operating a Covid-secure environment and where possible on an appointment-only basis.
- Council run public conveniences were closed during national and local restriction periods
- The Crematorium continued to operate during 2020/21. However, restrictions to the number of mourners to facilitate social distancing have been introduced. Access to the grounds was prevented for a period of time but they were reopened with social distancing measures being put in place.

The Health Protection (Coronavirus, Restrictions) (England) Regulations 2020, dealt with the closure of certain premises and venues. The proper designations are in force for environmental officers to enforce and the Secretary of State designated councils as prosecuting authorities for offences arising. The Council worked to support businesses in explaining the restrictions and investigated breaches taking appropriate action where necessary.

During the crisis the Council worked hard in its community response and was able to facilitate support to the community and voluntary sectors. The Council was very successful with partners on developing its community interventions to support vulnerable people. This support is continuing during 2020/21 as part of the Council's plan to assist communities in recovering from the pandemic.

### Restore, Release and Rejuvenate

In order to begin to address the recovery phase the Council adopted a structure based on 'Restore, Release and Rejuvenate' and identifying eight strategic objectives covering the main priority areas for the Council. The actions and objectives listed below were identified in the first quarter of 2020/21 and have now been absorbed into service delivery plans and are now considered as 'business as usual'. They are outlined below for information.

- To facilitate improved capacity in the voluntary sector and support the most vulnerable
- To support the local economy and housing market in achieving restoration and growth and support new businesses
- To communicate, engage with and reassure the public whilst supporting Members in their community leadership role
- To restore existing services and review resources to redirect to priority areas
- To put in place a Covid secure working environment in council buildings and through the ICE programme establish a new and modern way of working that will enhance provision, reduce costs and offer a choice of working arrangements and patterns
- To ensure a sustainable financial position with particular emphasis on commercial income levels, the delivery of planned savings and the reduction of operational costs
- To engage Members in the 3R's to establish policy direction and a set of priority objectives
- To establish an enhanced and appropriately resourced policy, risk and response function

The Council will have an important role in the recovery effort and will need to provide support and resources in a number of areas. To assist with the recovery, specific workstreams were established, led by a designated member of Senior Management. The focus will be to carry out an impact assessment along with an associated plan, which will be reviewed by the cross-party Task and Finish Group and Cabinet. The recovery workstreams are:

- Community protection and assistance
- Economy, regeneration and housing
- Communication and engagement
- Recovery and review of services
- New ways of working

- Finance and commercial
- Democracy and governance
- Policy, risk and response

The recovery effort is likely to last longer than typical for emergencies of this nature being unlike anything experienced before. This focus could take up to 2 years and will require a new mind set and a review of priorities and actions that could see some delayed, parked or cancelled. This will be made more difficult by an environment that will likely see reduced income (from fees, charges, commercial sources and the impact of a recession albeit potentially short), increased expenditure and increased demands and expectations from the local community.

In order to provide better alignment of resources to priorities over this period a number of key areas require further attention and consideration as far as council services are concerned:

- Executive Leadership Team
- Policy, Risk & Communications
- Financial & Cost Management
- ICE Programme – the New Norm

Therefore, in order to support the above areas of concern a new role of Assistant Chief Executive was created. This role provides further support at a senior level in relation to the areas of:

- Policy
- Strategy
- Risk (Becoming the Senior Risk Officer (SRO))
- Emergency Planning and Business Continuity
- Covid-19 Recovery
- Performance

## Summary

The Council's strong collaborative approach has been effective at achieving a unified response, working with key partners in the voluntary and community sectors.

The Council will need to work with its key partners to develop and support the local economic and community infrastructure in the future. All of the challenges will require a new way of working and thinking. The pandemic has created a step change in how businesses and public bodies operate.

The Council will look to learn the lessons of Covid-19, build on the successes and ensure that it is fit for purpose for what may be a very different landscape in the future.

The response to the crisis has added assurance to the effectiveness of the Council's business continuity plans and governance arrangements. The Council also faces a number of significant

changes that will require ongoing consideration and action as appropriate in 2020/21 and the medium term, to ensure good governance is maintained.

The following pages provide a summary of actions and behaviours taken by the Council in relation to each of these seven core principles and associated sub principles.

### PRINCIPLE A

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

Sub principle	Demonstrated by;
Behaving With Integrity	<ul style="list-style-type: none"> <li>• A code of conduct is in place for both Councillors and staff, both are contained within the Council's constitution. The codes outline the ethical standards and behaviours to be adopted and observed by elected Members and officers to ensure that Council business is conducted with fairness and integrity. There are processes in place to ensure that Members and Officers are adequately trained in matters relating to the Constitution.</li> <li>• A Member Constitution review group are in place to assist with the bedding in of the Constitution.</li> <li>• The Council also has in place various policies, procedures and guidance including HR policies, Anti-fraud, Acceptable Use of IT, Declarations of Interest, and Gifts and Hospitality, which are regularly reviewed. All colleagues are made aware of any new policies or changes and training is provided as necessary.</li> <li>• Specific legal and regulatory requirements and/or Standards and Codes of Practice are maintained by staff for Membership of relevant professional bodies, including continuing professional development.</li> <li>• Where necessary the Council collaborates with other professionals for advice and guidance. For example, the Council has recently enlisted the assistance of Freeths for legal advice in establishing a Housing Company.</li> <li>• A register of Member interests is published on the Council's website to ensure that any conflicts of interests are open and transparent. Furthermore, these are reviewed by the Corporate Governance Group on an ad hoc basis.</li> <li>• The Corporate Leadership Team has responsibility to ensure that decisions are made properly and that these are monitored by the Governance Group and Deputy Monitoring Officers.</li> </ul>
Demonstrating strong commitment to ethical values	<ul style="list-style-type: none"> <li>• The Council has established a Governance Group, which includes the Monitoring Officer, Deputy Monitoring Officers, the Chief Financial Officer and the Audit Manager, to ensure that the Council works within its rules and that the necessary governance provisions are followed, and associated guidance, advice and training is provided.</li> <li>• The Council has adopted a Behaviours Framework which sets out the attitudes and behaviours expected from staff. The framework sets out seven behaviours; Customer First, excellence in service delivery, productive and efficient, commercial, modernisation, leadership and invest in people.</li> <li>• Rigorous procurement processes are followed to ensure high quality suppliers are selected and value for money is obtained.</li> <li>• The Member Development Group maintains a programme for Member training and development and the Council has secured the Charter for Member Development, managed by South-East Employers. Re-accreditation was achieved in March 2020. Furthermore, specific training has been provided by South-East Employers to the Overview and Scrutiny Committee on effective scrutiny.</li> </ul>
Respecting The rule of law	<ul style="list-style-type: none"> <li>• The Constitution sets out responsibilities within the Council. This is maintained by the Head of Democracy, Strategy and Partnerships in conjunction with the Governance Group, to ensure that the Council's legal requirements are met, and the provisions are up to date. A full review of the Constitution was carried out in 2019/20 with support from a cross party Member Constitution Review Group. This was formally adopted by the Council in June 2020</li> <li>• The Council has appointed the following officers as required: <ul style="list-style-type: none"> <li>- <b>The Head of Paid Service</b> (Chief Executive) – Overall accountability for the governance arrangements operating within the Council</li> <li>- <b>The Monitoring Officer</b> – Ensures decisions taken are within the law and the Council complies with the provisions of its Constitution.</li> <li>- <b>The Chief Financial Officer</b> – Principal finance adviser to the Council and is responsible for the proper administration of the Council's financial affairs and internal control environment.</li> </ul> </li> <li>• The Council's in-house legal service identifies and advises the Council on key elements of the law and their application.</li> <li>• The Council ensures compliance with the mandatory elements of the Local Government Transparency Code.</li> <li>• The Corporate Health and Safety team collate breaches and liaise with appropriate partner organisations and authorities e.g. HSE</li> </ul>

**PRINCIPLE B****Ensuring openness and comprehensive stakeholder engagement**

<b>Sub principle</b>	<b>Demonstrated by;</b>
Openness	<ul style="list-style-type: none"> <li>• The Council's policies and governance framework are published on the Council's website – this includes:               <ul style="list-style-type: none"> <li>– The Constitution</li> <li>– Agenda and reports for all meetings within the Council's decision-making framework</li> <li>– Cabinet work programme</li> <li>– Annual budget</li> <li>– Pay Policy and Gender Pay Gap Statements</li> <li>– Record of Executive Decisions</li> <li>– Information required under the Transparency Code</li> </ul> </li> <li>• The Council regularly carry out consultations on major policy initiatives which is conducted in an open way with all consultations available on the Council's website.</li> <li>• Equality position statement reinforces how we will publish information to demonstrate compliance with the equality duty.</li> <li>• The Council has an up to date Freedom of Information Act 2000 publication scheme in place on its website with links to information and guidance for stakeholders</li> </ul>
Engaging comprehensively with institutional stakeholders	<ul style="list-style-type: none"> <li>• The Rushmoor Strategic Partnership has been reviewed and a Rushmoor Partners Network established, which in future will focus on projects and consider multi-agency issues.</li> <li>• A statement of community involvement is published on the Council's website.</li> <li>• Formal and informal consultation is carried out with Members (e.g. Budget Strategy Working Group)</li> <li>• As part of delivering regeneration projects and better use of assets there are regular interactions with organisations such as Homes England, Hampshire County Council etc.</li> <li>• The Council adopted the Local Plan 2014-2032 on 21 February 2019, which involved participation from numerous stakeholders. Details are published on the Council's website.</li> <li>• Local Enterprise Partnership (LEP) (Enterprise M3) – The Council has established good relationships and partnership arrangements as part of the involvement with the LEP.</li> <li>• We have in place a relationship management approach and system. Social media is used to communicate and receive comments and increase levels of engagement through visits, meetings and working through partners.</li> <li>• The Council supports the Prospect Estate Big Local (PEBL)</li> </ul>
Engaging with individual citizens and service users effectively	<ul style="list-style-type: none"> <li>• The Council has invested in a range of traditional, digital and social media channels to enable regular contact, engagement and consultation with its key stakeholder groups, including customer feedback surveys, workshops, consultation items on the Council's website and regular citizen consultation on both Borough-wide and place specific issues.</li> <li>• We have effective arrangements in place to communicate and consult with relevant key stakeholders where appropriate and to fully consider/ use their feedback and/or complaints to help inform decisions. Furthermore, following a Peer Review the Council has established a process for undertaking regular citizen consultation on both Borough-wide and place specific issues.</li> <li>• The Council has a corporate modernisation programme (ICE) in place and consultation with Members, Officers, Key stakeholders and the public is ongoing to assist and shape this programme delivery and underpin the principle of a 'one-Council' approach.</li> <li>• Examples of significant consultation exercises carried out during 2020/21 included:               <ul style="list-style-type: none"> <li>- Local Council Tax Scheme – annual consultation process</li> <li>- Code of Conduct for Members</li> <li>- Covid-19 Wellbeing consultation open to all residents</li> </ul> </li> <li>• A scheme is in place within the Council's Constitution to have public participation at Member meetings, although this was subject to change as a result of Covid-19. Therefore, meetings of the Council and its Committees are open to members of the public to attend, with agendas and minutes being publicly available on the Council's website.</li> </ul>

## PRINCIPLE C

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

Sub principle	Demonstrated by;
Defining outcomes	<ul style="list-style-type: none"> <li>• The Council's plan has been developed with a 10 year 'vision' and a 3-year rolling business plan with objectives to assist with the achievement of the vision. The plan is shown on the council's website along with the monitoring of the actions towards the plan.</li> <li>• A People Strategy is being developed for the organisation which identifies the objectives and priorities linked to the priorities within the Council plan.</li> <li>• Following comprehensive resident and stakeholder consultation, the Council developed its priorities and measures of success with Members in a range of ways including discussions with individual portfolio holders, the Cabinet and the Policy and Project Advisory Board.</li> <li>• The size of the Council's workbook may need to be reviewed over the coming year in order to review priorities, due to the impact of Covid-19 pandemic, which has resulted in the Council spending an amount of time carrying out work which had not been planned.</li> <li>• Service business plans have been developed and cover:               <ul style="list-style-type: none"> <li>- Linking actions to priorities</li> <li>- Identification of outcomes</li> <li>- Performance indicators</li> </ul> </li> <li>• Risks and expected service changes</li> </ul>
Sustainable economic, social and environmental benefits	<ul style="list-style-type: none"> <li>• The Council's reports to Cabinet require the consideration of business, Strategic, Economic, Legal, Financial and Equalities impact of the decisions being made. All reports requiring executive decisions (except those exempt) are accessible via the Council's website. (<a href="https://www.rushmoor.gov.uk/article/1701/Records-of-executive-decisions">https://www.rushmoor.gov.uk/article/1701/Records-of-executive-decisions</a>)</li> <li>• A PESTLE analysis was carried out in order to contribute to the 10-year Council vision and rolling 3-year plan. This looks at how external moves will impact on the Council's plans and objectives. The Council's Policy and Performance team monitors place and organisational data to support the work.</li> <li>• Risk registers are regularly updated with links to the Corporate Risk Register.</li> <li>• The Council has adopted and implemented the Local Plan 2014-2032 (adopted 21 February 2019). Details are published on the Council's website. Consultation was undertaken, and a proactive role was undertaken to engage as many residents and stakeholders as possible. Feedback from the consultation informed the submission of the Local Plan. Social, environmental and economic evidence was obtained to inform the development of the Local plan</li> <li>• In November 2019, members of the council's Cabinet approved the council's Climate Change Action Plan 2020-2030 There are more than 90 actions in the plan, which will be updated every year and includes plans to               <ul style="list-style-type: none"> <li>- increase recycling and reduce waste, including by introducing a weekly food waste collection service in 2020/21, ahead of the anticipated national introduction in 2023</li> <li>- To look at how we make sure Aldershot and Farnborough town centre regeneration schemes include measures like energy efficient buildings, energy generation, and green transport</li> <li>- To involve local people in our efforts, including through things like community gardens and helping people get more involved in their local neighbourhoods</li> <li>- make our own buildings more energy efficient, moving to green energy where possible, and to look at how our staff can work differently to reduce our impact on the environment</li> </ul> </li> </ul>

**PRINCIPLE D**

**Determining the interventions necessary to optimise the achievement of the intended outcomes**

<b>Sub principle</b>	<b>Demonstrated by;</b>
Determining interventions	<ul style="list-style-type: none"> <li>• Arrangements are in place to ensure all options are considered before decisions are taken and service changes implemented. External / independent expertise is often used if the decision is of a complex technical nature. An example of this being the use of external experts when making a decision on establishing a housing company.</li> <li>• Consideration of alternative courses of action for all decision making.</li> <li>• The Corporate Governance Group has been established to consider legal/constitutional issues associated with decision making.</li> </ul>
Planning Interventions	At service level, priorities and objectives are encouraged to be SMART and these are underpinned by plans and, for major projects, there is significant emphasis on effective project management. The Council is investing in additional project management resources to ensure this.
Optimising achievement of intended outcomes	<ul style="list-style-type: none"> <li>• Arrangements are in place to monitor operational and financial plans, priorities, KPI's, quality and targets and to report on progress, e.g. quarterly monitoring, budget monitoring.</li> <li>• The Council has several key partnerships with other local authorities and stakeholders in order to optimise the achievement of the Council's corporate plan.</li> <li>• The Council has in place more significant arrangements for project development, both internally and through the Member decision making structure. This has been achieved through the revised Member structure to include the following:               <ul style="list-style-type: none"> <li>- Licensing, Audit and General Purposes Committee, with specific roles to ensure effective governance</li> <li>- The Property Investment Advisory Group (PIAG), provides early consideration of projects prior to submission to the Cabinet. For example, Establishment of the Housing Company, re-letting of the leisure contract and the Council's ICE Modernisation programme. This group is supported by LSHIM who provide detailed assessments of acquisition, disposal, and asset performance.</li> <li>- The Overview and Scrutiny Committee is undertaking both pre- and post-decision scrutiny on a range of issues and projects.</li> </ul> </li> </ul>

**PRINCIPLE E**

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

<b>Sub principle</b>	<b>Demonstrated by;</b>
Developing the entity's capacity	<ul style="list-style-type: none"> <li>• A follow-up visit from the peer challenge team was undertaken in September 2019 review the progress made towards the recommendations of the previous visit in December 2017. In particular, the team looked at the areas of strategic planning and partnerships, scrutiny, financial strategy and transformation and change management. The recommendations from the review and follow-up have now been fully implemented. More details can be found on the Council's website (Peer Challenges).</li> <li>• The council asked the Local Government Association (LGA) to carry out an equality peer challenge based on the Equality Framework for Local Government which was undertaken in January 2021. The main findings and recommendations from this review can be found on the Council's website (2021 Equality Peer Challenge Report)</li> <li>• The Council, where possible, collaborates with other authorities to share information and best practice, e.g. Hampshire &amp; Isle of Wight Chief Executive group and subsequent groups.</li> <li>• Service reviews are being carried out by the newly constituted corporate leadership team, to ensure that services are best placed to meet the overall objectives of the Council.</li> </ul>



Developing the capability of entity's leadership and other individuals	<ul style="list-style-type: none"> <li>• Arrangements are in place to ensure staff have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and are able to update their knowledge on a continuing basis e.g. CPD through attendance at seminars/conferences, training courses etc.</li> <li>• Development reviews are carried out annually. Within these reviews, training needs are identified and communicated to HR in order to ensure individuals are provided with the training they require for their role and identify any Council wide training which may be required.</li> <li>• The Council has engaged in 'learning at work week', which has been carried out virtually during the Covid-19 pandemic and will be carried out again later in the year.</li> <li>• The Council has adopted a Behaviours Framework, which sets out the attitudes and behaviours expected from staff. The framework sets out seven behaviours; Customer First, excellence in service delivery, productive and efficient, commercial, modernisation, leadership and invest in people.</li> <li>• The Council is providing leadership programmes and apprenticeship leadership programmes to support the continued professional development of staff.</li> <li>• The Council has introduced an Employee Assistance Programme to support health and wellbeing. Training courses are also offered for example a recent mental health awareness course through the Council's Occupational Health provider. Wellbeing weeks have also been introduced encouraging staff to participate. This has also been carried out 'virtually' during the current Covid-19 pandemic.</li> <li>• Yammer has been introduced to promote staff working and includes learning and development elements.</li> <li>• The Council's constitution defines the statutory and distinctive roles of the Leader and other Councillors and sets out to who decision making powers are delegated to.</li> <li>• The Member Development Group maintains a programme for Member training and development and the Council has secured the Charter for Member Development, managed by South East Employers. Re-accreditation was achieved in March 2020. Furthermore, specific training has been provided by South East Employers to the Overview and Scrutiny Committee on effective scrutiny.</li> </ul>
--	--

### PRINCIPLE F

**Managing risks and performance through robust internal control and strong public financial management**

Sub principle	Demonstrated by;
Managing risk	<ul style="list-style-type: none"> <li>• Risk management arrangements were reviewed in 2019/20 with a new process being put in place. The Corporate Management Team reviews the risk registers on a bi-monthly basis. Service risk registers feed into the Corporate risk register. Furthermore, risks are considered within activities and decision-making reports taken to Cabinet.</li> <li>• Internal audit provides a risk-based audit plan and reports on the effectiveness of risk management to the Licensing, Audit &amp; General Purposes Committee.</li> <li>• In recent years pressure has been placed on the County Council, and some of this pressure has flowed through to Districts. This poses some risks at a social level and within the budgets for the Council.</li> </ul>
Managing Performance	<ul style="list-style-type: none"> <li>• Effective performance, financial and risk management arrangements are an integral part of all business activities, examples include: <ul style="list-style-type: none"> <li>- Option appraisals/ risk assessment</li> <li>- Day to day business / performance / service business planning arrangements/ quarterly reporting</li> <li>- Projects and programme management</li> <li>- Contractual and third-party arrangements (including shared risks)</li> <li>- Business continuity plans are in place, tested and communicated to staff as necessary</li> </ul> </li> <li>• The creation and publication of the Council's 3-year business plan. The plan is published on the council's website along with the monitoring of the actions.</li> <li>• The Council has in place an Overview and Scrutiny Committee to encourage debate on policies, objectives and outcomes before, during and after decisions are made. They also review the quarterly monitoring of the Council plan</li> </ul>
Robust internal control	<ul style="list-style-type: none"> <li>• Internal Audit provide an annual opinion on the effectiveness of the Council internal control environment. This is based on the outcome from audit reviews carried out within the year. Details of this are reported to the Licensing, Audit &amp; General Purposes Committee for review.</li> <li>• The Council has a Corporate Investigations Team who investigate potential fraud, corruption and maladministration and provide effective counter fraud arrangements within the Council</li> </ul>
Managing data	<ul style="list-style-type: none"> <li>• Effective arrangements are in place for the safe collection, storage, use and sharing of data with other bodies, including processes to safeguard personal data in line with GDPR requirements.</li> <li>• An information Governance Officer is in place and has recently introduced an Information Security policy.</li> <li>• Effective arrangements are in place for the disposal, storage of legacy IT equipment: All hard disk-based systems are erased to HMG Infosec Standard 5 prior to disposal using accredited partners. IT equipment is stored in a locked storeroom when not in use\awaiting disposal.</li> <li>• IT Security: IT follows End User Device (EUD) guidance issued by National Cyber Security Centre when implementing security solutions and endpoint operating systems. Council IT infrastructure is audited</li> </ul>

	annually, and results passed to NCSC for review and further guidance on actions to take to maintain compliance (including annual Public Services Network assessment). A bid is currently being made to NCSC for funding to support user training relating to cyber security.
Strong public financial management	<ul style="list-style-type: none"> <li>• There are effective mechanisms in place for financial planning, budgetary control and reporting, including the management of financial risk</li> <li>• External Audit review and report on the Council's financial statements providing an opinion on the accounts.</li> <li>• <b>CIPFA</b> Financial Management Code compliance during 2020/21</li> </ul>

**PRINCIPLE G**  
**Implementing good practices in transparency, reporting, and audit to deliver effective accountability**

Sub principle	Demonstrated by;
Implementing good practice in transparency	<ul style="list-style-type: none"> <li>• Agendas and minutes of Committee meetings are publicly available on the Council's website.</li> <li>• An Overview and Scrutiny Committee is in place to monitor and review performance, review and/or scrutinise decisions proposed to be made, review policy and strategy with a view to securing continuous improvement.</li> <li>• The Council ensures compliance with the mandatory elements of the Local Government Transparency Code</li> <li>• On the Council's website there is a Freedom of Information Act page to enable members of the public to have access to all recorded information held by the Council.</li> <li>• Committee meetings are, where possible, are open to the public for contribution and attendance.</li> <li>• Decisions are recorded and published on the Council's website.</li> </ul>
Implementing good practice in reporting	<ul style="list-style-type: none"> <li>• The Annual Statement of Accounts is published on the Council's website to give clear information on the income and expenditure of the Council.</li> <li>• The Council publishes an Annual Governance Statement in order to report how we have monitored the effectiveness of our governance arrangements in the year and any planned changes in the coming year.</li> <li>• The Licensing, Audit and General Purposes Committee review and approve the Annual Statement of Accounts and the Annual Governance Statement.</li> <li>• Performance is reported quarterly on a range of indicators, comparing some items with other Local Authorities and public sector bodies. A new performance management framework has been established for use by both Members and Officers. Performance progress is regularly reported on and communicated at Cabinet</li> <li>• Reporting arrangements for RDP/Hosing Company have been put in place. Regular update seminar through the Policy and Projects Advisory Board, formal presentation to all Members at the point of submission of a planning application. Formal monitoring reports will be provided every six months to the Council's shareholder and the Chief Executive. The Chief Executive will enable consideration of these reports by the Council's Overview and Scrutiny Committee on progress and the Licensing Audit and General Purposes Committee on any governance matters.</li> </ul>
Assurance and effective accountability	<ul style="list-style-type: none"> <li>• The terms of reference and working arrangements of the Licensing, Audit and General Purposes Committee have been revised to ensure greater focus on ensuring transparency and effective audit of processes.</li> <li>• There are arrangements in place for ensuring all agreed actions from peer reviews, internal audit, external audit, or other inspectorate work are implemented by Management. Actions from the Peer Review were embedded into business as usual and monitored by the Executive Leadership Team and the Head of Democracy, Strategy and Partnerships.</li> <li>• Risk based internal auditing provides ongoing assurance that the key risks are being managed.</li> <li>• A fundamental review and update of the Constitution has been carried out in 2019/20 and formally adopted by Council in June 2020.</li> </ul>

### How has the Council Addressed the governance improvements actions from 2020/21?

The Annual Governance Statement 2020/21 contained the following key improvement actions. Details of the issues and how they have been addressed during the year are detailed below. Please note that where actions are ongoing these have been carried forward into the 2022/23 Action plan.

<b>Governance issue</b>	<b>Action</b>	<b>Current Status</b>
Due to the Covid-19 pandemic the number of staff working from home remotely has substantially increased therefore increasing the information risk exposure this creates for the Council.	The increase in information risk exposure due to home working will be reviewed by the Information Governance Group. The information governance policy has been implemented and mandatory online training will be put in place.	<b>Implemented</b> <b>October 2020 update to LA&amp;GP</b> <i>The Information Governance Officer has updated the Information Security Policy and guidance to staff on working from home is available on the Intranet. Mandatory annual training is in place to mitigate the risk as well as regular messaging to staff and managers. As we move forward to full adoption of the Office 365 suite and the systems upgrades through the ICE project information security will be strengthened</i>
Concerns have been raised regarding the Council's systems and procedures for recording and monitoring commercial property (rental) income	Timetable for implementation of Property System and review of the Finance system processes (Sales Ledger) will need to be agreed.	<b>Carried forward</b> <b>February 2021 update to LA&amp;GP</b> Improved reporting through Integra Sales Ledger module with changes made to the way data on properties/debtors are held to improve monitoring. Regular reviews of debt taking place. Implementation of Property Management System (PMS) due in 2020/21. <b>Revised implementation date December 2021</b>
The Council faces a number of significant changes that will require consideration and action as appropriate in 20/21. Covid -19	An ongoing assessment of the impact of the Covid-19 pandemic on council services and council systems will be needed to ensure good governance. This is being approached by the following workstreams, which are led by a member of Senior Management: The streams will assess the risks and develop tactical plans. Updates on the work being carried out by these workstreams will be regularly provided to the Member Task and Finish group and ELT/Gold group. Furthermore, Cabinet has approved the creation of the Assistant Chief Executive role to provide support at a senior level in relation to: <ul style="list-style-type: none"> <li>• Policy</li> <li>• Strategy</li> <li>• Risk (Becoming the Senior Risk Officer (SRO))</li> <li>• Emergency Planning and Business Continuity</li> <li>• Covid-19 Recovery</li> <li>• Performance</li> </ul>	<b>Implemented</b>
Continue to act commercially in a more uncertain economic environment which will require revised assessment analysis appraisal to be carried out for the risk and return	Consideration will be given by the Finance and Commercial Recovery workstream to ensure there is synergy between the commercial way forward and the objectives of the recovery workstream.	<b>Carried Forward</b> <b>February 2021 update to LA&amp;GP</b> Action being incorporated into the updated Savings Programme As set out in the Revenue Budget, Capital Programme and Council Tax Level 2020/21 report to Cabinet in February 2021 (FIN2106): 5.7 The Council is developing a revised approach to its Savings Programme that seeks to address the funding gap identified in the MTFS. The programme will include a revised process for how savings are identified, evaluated and approved, with clearer reporting and monitoring and governance arrangements. This new approach will be approved during March 2021, to then be implemented to cover the new MTFS period <b>Revised Implementation Date February 2022</b>
External Audit have yet to provide an opinion for the 2018/19 accounts.	The Executive Head of Finance will ensure that the necessary information is provided to the external auditors to enable them to finalise their opinion on the 18/19 accounts.	<b>Complete</b> Audit opinion issued 23 November 2020

EU General Data Protection Regulation ( <i>b/f from previous year</i> )	Ensure that the necessary resulting changes for the GDPR are finalised and embedded within a broader information governance framework following the review of the effectiveness of the current arrangements the Council has implemented.	<b>Carried Forward</b>
Implementing a Capital Strategy to comply with the revised Prudential Code and the Treasury Management Code of Practice ( <i>b/f from previous year</i> )	Capital Strategy was approved by Council in February 2019 and will be reviewed on an annual basis. Finalise development of the Asset Management Strategy which supports the approved annual Capital Strategy. Development of formalised reporting criteria (financial and non-financial measures) in relation to the Council's Investment Property portfolio.	Council approved the 2020/21 Capital Strategy at their meeting in February 2020. The Capital Strategy will be reviewed during the Autumn. <b>(Implemented)</b> <b>Carried Forward</b> Due to changes in the PWLB lending rules (November 2020) the Council will need to revise its Investment Strategy with a focus on Regeneration. This will be completed during Q3 2021. Revised implementation date: December 2021
Workforce/ people strategy	Develop and adopt a longer-term workforce/ people strategy	<b>Implemented</b> The people strategy went to Cabinet on the 19th January 2021 and was approved. Year 1 actions have been detailed within the strategy for implementation.
Relationship Management and economic engagement plan	Develop relationship management approach and processes and economic engagement plan.	<b>Carried Forward</b> Visits continue to be carried out in order to populate the data into the Relationship Management system. However, this will take time to carry out in full. The outline of the Economic engagement plan has been developed however it has not yet been fully developed. As part of the service changes an Economy and Growth Manager will be recruited and it will be within their remit to bring forward the plan and implement it. <b>Revised implementation date: July 2021</b>
Procurement Strategy	Revision and adoption of the procurement strategy	<b>Implemented August 2020</b>
Financial Regulations	Revision and adoption of the financial regulations	<b>Implemented June 2020</b>
Review of the entire constitution	The entire constitution will be reviewed and updated to ensure that it remains relevant.	<b>Implemented June 2020</b>
Housing Company Governance	The governance arrangements in place around the Housing Company needs to be formally agreed.	The governance around the housing company has been written into the updated Constitution. A report on the housing company went to Cabinet on the 4th February which detailed the governance arrangements in place. The report was considered by Council on 20th Feb 20. <b>(Implemented)</b>

### Governance issues identified for 2020/21

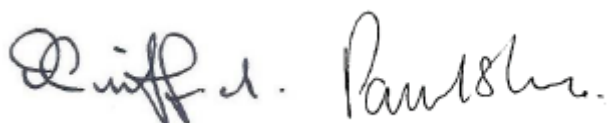
The review of the effectiveness of the Council's governance framework has identified the following actions that will need to be addressed during 2020/21, excluding the actions carried forward from 2019/20 as detailed above. The progress against these actions will be reviewed by the Corporate Governance Group and regularly reported to the Corporate Governance, Audit and Standards Committee.

Governance issue	Action	Target Date	Lead Officer
The Council faces a significant funding gap over the Medium-Term Financial Strategy period.	The Council is working on a Cost Reduction and Efficiencies Programme (CREP) to identify cost reductions and additional income for the new MTFS period. A detailed design for the programme was agreed by Cabinet in March 2021 with significant work undertaken by Heads of Service and Service Managers to identify opportunities and lines of enquiry that will be validated and considered by members during 2021-22. The Assistant Chief Executive (as project sponsor) and the Executive Head of Finance (as Section 151 Officer) will provide support to the programme to enable members to consider options to close the funding gap.	December 2021	Rachel Barker, Assistant Chief Executive David Stanley, Executive Head of Finance
Compliance with the CIPFA Financial Management Code	The Executive Head of Finance will undertake an assessment of the Council's compliance with the CIPFA Financial Management Code during Q3 2021 and prepare an Action Plan on matters or areas for improvement. These will be included in subsequent reports to the Corporate Governance, Audit and Standards committee as part of the update on the Annual Governance Statement Action Plan.	March 2022	David Stanley, Executive Head of Finance
External Audit have yet to provide an opinion for the 2019/20 accounts.	The Executive Head of Finance will ensure that the necessary information is provided to the external auditors to enable them to finalise their opinion on the 2019/20 accounts.	November 2021	David Stanley, Executive Head of Finance

## Certification

To the best of our knowledge, the governance arrangements, as defined above and within the Council's Code of Corporate Governance, have been effectively operating during the year with the exception of those areas highlighted on page 19 above. We propose over the coming year to take steps to address the above matters identified above to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation during the year and as part of our next annual review.

Signed:



**David Clifford**  
Leader of the Council

**Paul Shackley**  
Chief Executive

Date: Originally agreed September 2021 and updated March 2022

## Glossary

### Accounting Period

The period of time covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

### Accounting Policies

The specific principles, bases, conventions, rules and practices applied by the Council in preparing and presenting financial statements.

### Accruals

Sums included in the financial statements to recognise income or expenditure earned or incurred in the financial year, but for which actual payment had not been received or made as at 31 March.

### Accrued Interest

Interest accumulated but not yet received or paid.

### Actuarial

The appraisal of economic and demographic factors in order to estimate future pension liabilities.

### Actuarial Gains and Losses

For a defined benefit pension scheme, the changes in actuarial surpluses or deficits that arise because:

- Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- The actuarial assumptions have changed

### Agency Services

Services which are performed by or for other councils or bodies, where the council/body responsible for the service reimburses the council carrying out the work for the costs incurred.

### Amortisation

The apportionment (charging or writing off) of the cost of an intangible asset as an operational cost over the asset's estimated useful life.

### Amortised Cost

The amount at which a financial asset or financial liability is measured at initial recognition, less principal repayments and plus or minus any unamortised original premium or discount.

### Asset

An item having value to the Council in monetary terms. Assets are categorised as either current or non-current

- A current asset will be consumed or cease to have material value within the next financial year (e.g. cash);
- A non-current asset provides benefits to the Council and to the services it provides for a period of more than one year and may be tangible e.g. the Civic Centre, or intangible, e.g. computer software licence.

### Audit of Accounts

An independent examination of the Council's financial affairs.

### Authority/Local Authority

A Local Authority is an administrative body in local government, also referred to in the Statement of Accounts as a Council.

### Balance Sheet

A statement of the recorded assets, liabilities and other balances at the end of the accounting period.

**Billing Authority**

A local authority responsible for collecting the council tax and non-domestic rates in areas where there is a two-tier system of county and district councils.

**Borrowing**

Using cash provided by another party to pay for expenditure, on the basis of an agreement to repay the cash at a future point, usually incurring additional interest charges over and above the original amount.

**Budget**

The forecast of net revenue and capital expenditure over the accounting period.

**Capital Expenditure**

Expenditure on the acquisition of a fixed asset, which will be used in providing services beyond the current accounting period, or expenditure which adds to and not merely maintains the value of an existing fixed asset.

**Capital Financing**

Funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue contributions, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

**Capital Grants**

Grants received towards capital expenditure.

**Capital Programme**

The capital schemes the Council intends to carry out over a specific period of time.

**Capital Receipt**

The proceeds from the disposal of land or other fixed assets. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the government but they cannot be used to finance revenue expenditure.

**Collection Fund**

A separate fund that records the income and expenditure relating to Council Tax and non-domestic rates.

**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.

**Componentisation**

Component parts of a major asset may not have the same useful lives (i.e. they wear out or depreciate at different rates); therefore those components with a value that is significant in relation to the total value of the asset shall be depreciated separately. The purpose is to ensure that the depreciation charged in the Income & Expenditure Statement properly reflects the consumption of economic benefit.

**Comprehensive Income and Expenditure Statement (CIES)**

The account of the Council that reports the net cost for the year of the functions for which it is responsible and demonstrates how that cost has been financed from precepts, grants and other income.

**Consistency**

The concept that the accounting treatment of like items within an accounting period and from one period to the next are the same.

**Contingent Asset**

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control.

**Contingent Liability**

A contingent liability is either:

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control; or
- A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

**Corporate and Democratic Core**

The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The costs of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is, therefore, no logical basis for apportioning these costs to services.

**Council Tax**

A local tax on domestic property set by local authorities in order to meet their budget requirement.

**Council Tax Base**

The total number of properties within the local authority area expressed in terms of band D equivalents, incorporating discounts, deductions and exemptions.

**CIPFA**

The Chartered Institute of Public Finance and Accountancy.

**Current Assets**

Assets which may change in value on a day-to-day basis

**Current Service Cost (Pensions)**

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

**Defined Benefit Pension Scheme**

Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

**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 all physical deterioration and all relevant forms of obsolescence. It is used for specialist assets where no market exists.

**Depreciation**

The measure of the cost of wearing out, consumption or other reduction in the useful economic life of the Council's fixed assets during the accounting period, whether from use, the passage of time or obsolescence through technical or other changes.

**Direct Revenue Contributions**

Capital expenditure funded from revenue budgets. Also known as Revenue Contributions to Capital Outlay (RCCO).

**Discretionary Benefits (pensions)**

Retirement benefits, which the employer has no legal, contractual or constructive obligation to award and are awarded under the Council's discretionary powers such as the Local Government (Discretionary Payments) Regulations 1996.

**Doubtful Debt (also known as bad debt)**

A debt that the Council may not be able to recover. A provision is made in the accounts for doubtful debts each year based on the value and age of debts outstanding.



**Earmarked Reserves**

Reserves which are held by a Council for specified purposes.

**Events after the Balance Sheet date**

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

**Exceptional Items**

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

**Existing use Value (EUV)**

The amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction in its existing use; it is used for most PPE assets with a variation required for council dwellings.

**Expected Return on Pension Assets**

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

**Fair Value**

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction.

**Finance Lease**

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

**Financial Asset**

Any asset that is cash, a contractual right to receive cash or another financial asset from another party, or an equity instrument issued by another party, examples include bank deposits, bonds and stocks.

**Financial Instrument**

A financial asset that is tradable, for example, bank deposits and investments.

**Financial Liability**

An obligation to deliver cash or another financial asset.

**Funded Benefits**

The funded benefits are those payable by the Fund in accordance with The Local Government Pension Scheme Regulations 2013 (as amended and The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)

**General Fund**

The main revenue fund from which the Cost of Services is met.

**Going Concern**

The concept that the Statement of Accounts is prepared on the assumption that the Council will continue in operational existence for the foreseeable future.

**Government Grants**

Grants made by the government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Council. These grants may be specific to a particular scheme or may support the revenue spend of the Council in general.

**Held for Sale**

Asset held for sale are those assets where it is probable that the carrying value will be recovered principally through a sale transaction rather than through continuing use.

**Heritage Assets**

Assets that are held and maintained by an entity principally for their contribution to knowledge and culture. The key feature of heritage assets is that they have cultural, environmental or historical associations that make their preservation for future generations important.

**Highest & Best Use**

The highest and best use of the asset provides the maximum value to market participants through its use, taking into account the use of the asset that is physically possible, legally permissible and financially feasible.

**Historic Cost**

The amount originally paid for a fixed asset.

**Housing Capital Receipts Pool**

A proportion of receipts relating to housing disposal is payable to the Government in accordance with statutory requirements. This is known as housing capital receipts pooling.

**Housing Revenue Account (HRA)**

A separate account to the General Fund, which includes the income and expenditure arising from the provision of housing accommodation by the Council.

**IFRS**

International Financial Reporting Standards (IFRS) a global language for business affairs so that accounts are understandable and comparable across international boundaries.

**Impairment**

A reduction in the value of a fixed asset to below its recoverable amount, the higher of the asset's fair value less costs to sell and its value in use.

**Infrastructure Assets**

Fixed assets belonging to the Council that cannot be transferred or sold, on which expenditure is only recoverable by the continued use of the asset created. Examples are footpaths and coast protection defences.

**Intangible Assets**

An intangible (non-physical) item may be defined as an asset when access to the future economic benefits it represents is controlled by the reporting entity. This Council's intangible assets comprise computer software licences.

**Interest Cost (Pensions)**

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

**Investment Property**

Interests in land and/or buildings which are held solely to earn rentals or for capital appreciation or both. Investment Properties are valued at highest and best use and must be revalued every year.

**Investments (Pension Fund)**

The investments of the Pension Fund will be accounted for in the statements of that fund. However, authorities are also required to disclose, as part of the disclosure requirements relating to retirement benefits, the attributable share of the pension scheme assets associated with their underlying obligations.

**Joint Ventures**

An entity established with contractual or binding arrangements whereby two or more parties are committed to undertake an activity that is subject to their joint control, with strategic, financial and operating decisions relating to the activity requiring the unanimous consent of the parties sharing the control.

**Lease**

A contract for the hire of a specific asset. The lessor owns the asset but conveys the right to use the asset to the lessee for an agreed period of time in return for the payment of specified rentals. Leases may be either operating leases or finance leases.

**Liability**

A liability is where the Council owes payment to an individual or another organisation.

- A current liability is an amount which will become payable or could be called in within the next accounting period, e.g. creditors or cash overdrawn.
- A deferred liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

**Liquid Investment**

Current asset investments that are readily disposable by the Council without disrupting its business and are either:

- Readily convertible to known amounts of cash at or close to the carrying amount; or
- Traded in an active market.

**Major Repairs Reserve**

All local housing authorities are required to operate this reserve which is used to fund either capital expenditure relating to HRA dwellings or the repayment of housing debt.

**Market Participants**

Buyers and sellers in the principal (or most advantageous) market for an asset or liability. The principal market is that with the greatest volume and level of activity, whilst the most advantageous is the market that maximises the amount that would be received to sell the asset or paid to transfer the liability after taking into account transport and transaction cost.

**Market Value**

The amount at which a property would be exchanged between knowledgeable and willing parties in an arm's-length transaction.

**Materiality**

The concept that the Statement of Accounts should include all amounts which, if omitted, or misstated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

**MHCLG**

Ministry of Housing, Communities and Local Government, the main Government department dealing with local government, housing and community issues.

**Minimum Revenue Provision (MRP)**

The minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Council.

**Net Book Value**

The amount at which fixed assets are included in the Balance Sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation.

**Non-Domestic Rates (NDR)**

The Non-Domestic Rate is a levy on businesses, based on a national rate in the pound set by central government and multiplied by the assessed rateable value of the premises they occupy. In England it is collected by the Council on behalf of itself, central government and major preceptors.

**Non-Operational Assets**

Fixed assets held by the Council but not directly occupied, used or consumed in the delivery of services. Examples are investment properties, assets under construction or assets surplus to requirements pending sale or redevelopment.

**Observable Inputs**

Are those that are developed using market data, such as publicly available information about actual events or transactions, and that reflect the assumption that market participants would use when pricing the asset or liability.

**Operating Lease**

A lease where the ownership of the fixed asset remains with the lessor.

**Operational Assets**

Fixed assets held and occupied, used or consumed by the Council in the pursuit of its strategy and in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

**Orderly Transaction**

A transaction that assumes exposure to the market for a period before the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets or liabilities; it is not a forced transaction.

**Payables (also known as Creditors)**

Financial liabilities arising from a contractual obligation to pay cash in the future for goods or services or other benefits that have been received or supplied and have been invoiced or formally agreed with the supplier. They are only recognised when the goods or services are delivered or received by the Council.

**Past Service Cost (Pensions)**

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

**Pension Scheme Liabilities**

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

**Precept**

The levy made by precepting authorities by billing authorities, requiring the latter to collect income from Council Tax on their behalf.

**Precepting Authority**

An authority that sets a precept to be collected by a billing authority (Arun) through the Council Tax bill. West Sussex County Council and Sussex Police & Crime Commissioner are known as major precepting authorities. Parish/Town Councils are known as local precepting authorities.

**Prepayment**

An adjustment made in the financial statements for goods or services already paid which relate to the next financial year.

**Prior Year Adjustment**

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

**Property, Plant & Equipment (PPE)**

Tangible assets (i.e. assets with physical substance) that are held for use by the Council for the supply of services, for rental to others or for administrative purposes that are expected to be used for at least part of the succeeding financial year. These may be operational or non-operational.

**Provision**

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

**Public Works Loan Board (PWLB)**

A Central Government Agency, which provides loans for one year and above to authorities at interest rates only slightly higher than those at which the government can borrow itself.

**Rateable Value**

The annual assumed rental of a hereditament, which is used for NNDR purposes.

**Receivables (also known as Debtors)**

Financial assets not traded in an active market with fixed or determinable payments that are contractual rights to receive cash or cash equivalents. They are only recognised when goods or services have been transferred to the service recipient before the customer pays consideration or before payment is due.

**Related Parties**

There is a detailed definition of related parties in FRS 8. For the Council's purposes related parties are deemed to include the Council's members, the Chief Executive, its Directors and their close family and household members.

**Related Party Transactions**

The Statement of Recommended Practice requires the disclosure of any material transactions between the Council and related parties to ensure that stakeholders are aware when these transactions occur and the amount and implications of such.

**Remuneration**

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits. Received other than in cash. Pension contributions payable by the employer are excluded.

**Reserves**

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council. Some capital reserves such as the fixed asset restatement account cannot be used to meet current expenditure.

**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.

**Revenue Expenditure**

The day-to-day expenses of providing services.

**Revenue Expenditure Funded from Capital under Statute (REFCUS)**

Expenditure which ordinarily would be revenue but is statutorily defined as capital. Examples of REFCUS include grants of a capital nature such as disabled facility grants.

**Support Services Costs/Charges**

Expenditure on administrative and professional services and office accommodation, which is recharged to service users on a specified basis.

**Tangible Fixed Asset**

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

**Useful Economic Life (UEL)**

The period over which the Council will derive benefits from the use of a fixed asset.

**Unobservable Inputs**

Are inputs for which market data is not available and that are developed using the best information available to the Council about the assumptions that market participants would use when pricing the asset or liability.

**Unusable Reserve**

Those reserves that the Council may not use to fund the services it provides. This includes the Revaluation Reserve that holds the unrealised gains and losses on Property Plant and Equipment.

**Usable Reserve**

Those reserves that the Council may use to fund the services it provides, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use e.g. the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt.



## Statement of Accounts and Annual Governance Statement 2021 to 2022

**RUSHMOOR**  
BOROUGH COUNCIL

V2 (14/06/2024)

Narrative Report	1
Authority's Responsibilities	8
Movement in Reserves Statement (MiRS)	9
Comprehensive Income and Expenditure Statement (CIES)	10
Balance Sheet (BS)	11
Cash Flow Statement	12
Notes to the core financial Statements;	
Note 1 - Accounting Policies	13
Note 2 - Accounting Standards Issued, Not Adopted	27
Note 3 - Expenditure and Funding Analysis	27
Note 4 - Expenditure and Income Analysed by Nature	29
Note 5 - Critical Judgements in Applying Accounting Policies	30
Note 6 - Assumptions & Uncertainty	31
Note 7 - Events After the Balance Sheet Date	32
Note 8 - Adj's between Acc & Funding Basis under Regulations	32
Note 9 - Transfers to/from Earmarked Reserves	35
Note 10 - Other Operating Expenditure	36
Note 11 - Financing and Investment Income and Expenditure	36
Note 12 - Taxation and Non-Specific Grant Income	36
Note 13 - Property, Plant and Equipment	37
Note 14 - Investment Properties	38
Note 15 - Intangible Assets	39
Note 16 - Interests in Jointly Controlled Operations	40
Note 17 - Long Term Debtors	41
Note 18 - Financial Instruments	41
Note 19 - Inventory	44
Note 20 - Short Term Debtors	44
Note 21 - Cash and Cash Equivalents	45
Note 22 - Short Term Borrowing	45
Note 23 - Short Term Creditors	45
Note 24 - Provisions	45
Note 25 - Long Term Borrowing	45
Note 26 - Other Long Term Liabilities	45
Note 27 - Unusable Reserves	46
Note 28 - Cash Flow- Adj's to net surplus/deficit	48
Note 29 - Cash Flow- Adj's for PoS investing or financing	49
Note 30 - Cash Flow- Operating Activities	49
Note 31 - Cash Flow- Investing Activities	49
Note 32 - Cash Flow- Financing Activities	49
Note 33 - Recon of Liabilities Arising from Financing Activities	49
Note 34 - Officer Remuneration and Termination Benefits	50
Note 35 - External Audit Costs	51
Note 36 - Grant Income	51
Note 37 - Member's Allowances	52
Note 38 - Related Party Transactions	52
Note 39 - Capital Expenditure and Financing	53
Note 40 - Leases	54
Note 41 - Capital Commitments	56
Note 42 - Defined Benefits Pension Scheme	56
Note 43 - Nature and Extent of Risk Arising from Fin. Instruments	60
Collection Fund (and associated notes)	64
Annual Governance Statement	67



## **Narrative Statement from the Chief Financial Officer (CFO)**

### **ORGANISATIONAL OVERVIEW AND ENVIRONMENT**

#### **1. An introduction to Rushmoor**

The Borough of Rushmoor, with an estimated population of around 94,400, covers an area of 3,905 hectares at the northeast corner of Hampshire, with its eastern boundary with Surrey being formed by the River Blackwater. London is some thirty miles away and the Borough is served by direct road and rail links to the capital and the south coast. Rushmoor includes the towns of Aldershot, with its world-famous military history and Farnborough, long noted as the birthplace of aeronautical research and development and served by Farnborough Airport.

The urban area extends the full length of the Borough from the southern boundary with Farnham to the towns of Frimley and Camberley across the River Blackwater in the north.

The military area and Farnborough Airport occupy the land between Aldershot and Farnborough and to the west of those towns, works continue on Wellesley, a major redevelopment of an area of former Ministry of Defence land north of Aldershot, which will provide an additional 3,850 properties over the next fourteen years.

#### **2. Council services and purpose**

Rushmoor Borough Council (RBC) delivers more than 100 local services to the communities of Aldershot and Farnborough, including core services such as rubbish and recycling collection, street cleaning, planning, environmental health, housing, parks and leisure facilities.

The Council is more complex than ever before and plays an essential role in broad areas like engaging with and where necessary, supporting local communities and business, helping the most vulnerable in society and making sure our Borough continues to develop and thrive economically with an extensive regeneration programme.

#### **3. COVID-19 Pandemic**

The 2021/22 financial year has been an exceptional one for the UK economy, Local Government sector and Rushmoor Borough Council. Facing the first global pandemic in 100 years the Council has had to make appropriate budget plans to manage the economic conditions and uncertainty over future funding.

The Council's Medium-Term Financial Strategy (MTFS) presented to Cabinet on 16 February 2021 took into the account the uncertainty surrounding the impact of the COVID-19 pandemic. Due to the Council's reliance on commercial income and fees and charges and consequently its exposure to the economic cycle, the Council has in recent years built up reserves to ensure the Council is financially resilient in a recession. The Council has maintained its 2021/22 General Fund balance at pre-COVID-19 levels.

#### **Financial Impact/Outlook**

The Council set its 2021/22 budget and Medium-Term Financial Strategy (MTFS) in February 2021.

The COVID-19 crisis and subsequent recovery phase meant that the Council has had to review its ways of working and has a New Ways of Working workstream as part of the wider Savings and Transformation Programme (STP, formerly Cost Reduction and Efficiencies Programme (CREP)) to identify changes in working. The continuing economic and funding uncertainty over the medium-term will require the Council to continually review service provision, its delivery models and budget forecast.

Details of the Council's MTFS can be found on the following link:

<https://democracy.rushmoor.gov.uk/documents/s10903/Annex%203%20-%20Council%20Budget%20Report%20v2.pdf>

The 2021/22 financial year saw a strong recovery from the Covid pandemic but also an emergence of significant pressures on local authority budgets due to the challenging external economic environment.

The Council's Medium-Term Financial Strategy (MTFS) presented to Cabinet on 16 February 2021 took into the account the uncertainty surrounding the recovery from the COVID-19 pandemic. Due to the Council's reliance on commercial income and fees and charges and consequently its exposure to the economic cycle, the Council has in recent years built up reserves to ensure the Council is financially resilient in a recession. The Council has maintained its 2021/22 General Fund balance at pre-COVID-19 levels.

#### 4. Resource Allocation

Rushmoor Borough Council manages cash flows of £89m and assets of £262m by:

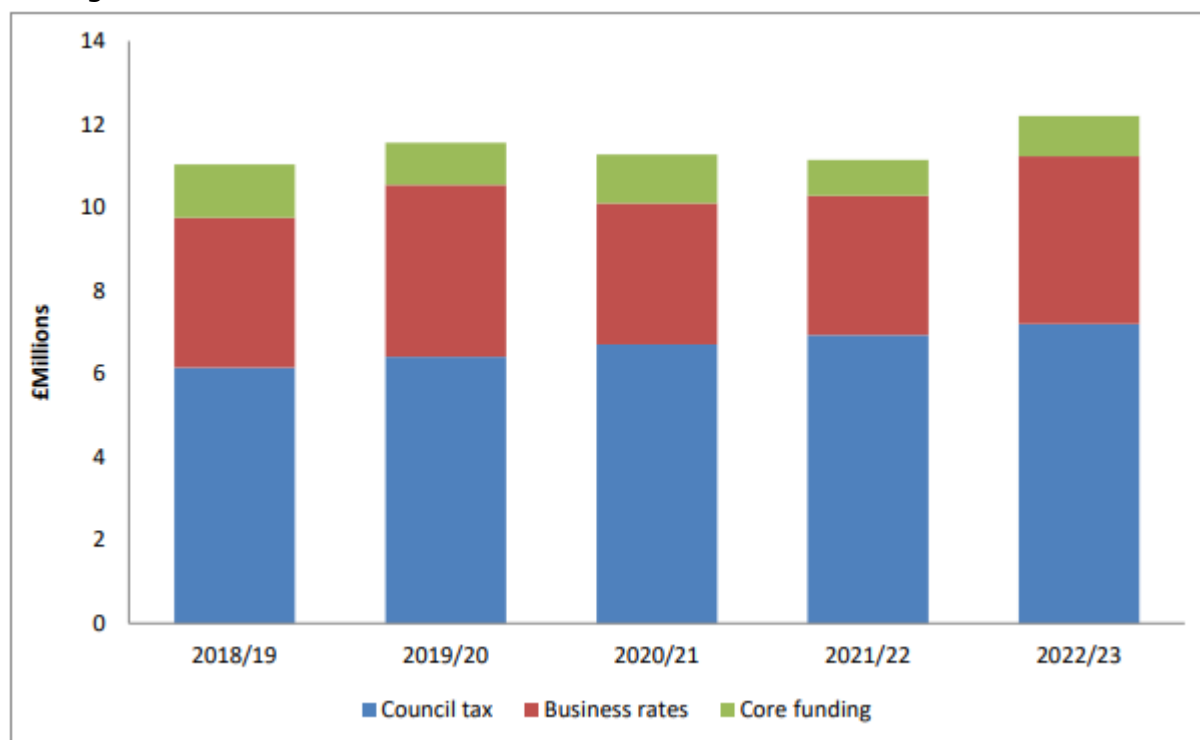
- i. Holding a General fund balance of £2m
- ii. Collecting £40m of business rates. 60% of the business rates collected is passed onto central government, Hampshire County Council and Fire and Rescue Authority. The Council retains £13.6m
- iii. Collecting £60m of Council tax payments. 88% of Council Tax collected is passed onto central government, Hampshire County Council, Fire and Rescue Authority and Police and Crime Commissioner. The Council retains £6.9m
- iv. Managing a £127m+ portfolio of land, building and other assets that generates £8m of income.
- v. Managing a £25m portfolio of loans and investments that generates £1m of income
- vi. Receiving grants and contribution of £43m mainly from central government.

#### Financial performance

#### 5. Core Funding

The Council, in line with other shire districts continues to experience an increasing reduction in core government funding. The Government's planned to phase out non-specific grant funding, instead allowing local authorities to retain a higher proportion of business rates collected locally from 2021/22 financial year. This will not be implemented as originally planned. The Council will continue to work with Government during the next financial year and beyond.

## Core funding trend:



The increase in business rates marginally offsets the reduction in Council Tax. To address future challenges and reinvest in the Borough, Council Tax has increased by 2.38% (£5) from 2021/22 for an equivalent Band D property, raising an additional £223k for the Council.

## 6. Financial position

The Council has maintained a resilient financial position against the backdrop of reduced government funding and the impact of continued changes to the cash profile of Business Rates. Although the headline reduction in Earmarked Reserves is a reduction of £5.054m, the level of earmarked reserves increased by £1.211m when the COVID BRR Earmarked Reserve is excluded.

## 7. Capital Strategy

The Council has an ambitious five-year capital programme of £84.7m.

The table below shows the revised capital programme for 2021/22 and the indicative programme for following four year period 2022/23 to 2025/26:

	FIVE YEAR PLAN							Total
	Revised Estimate 2021/22 £000	Outturn 2021/22 £000	Carry forward 2021/22 £000	Estimate 2022/23 £000	Estimate 2023/24 £000	Estimate 2024/25 £000	Estimate 2025/26 £000	
<b>EXPENDITURE</b>								
Corporate and Democratic Services	74	-	-	-	-	-	-	-
Customer Experience and Improvement	148	67	-	305	200	365	85	1,022
Major Projects and Property	27,066	7,254	1,106	34,403	29,852	2,129	-	74,744
Operational Services	3,813	1,718	1,258	2,301	1,216	1,216	1,216	8,925
Planning and Economy	-	-	-	-	-	-	-	-
ICE Programme	-	-	-	-	-	-	-	-
<b>Total Expenditure</b>	<b>31,101</b>	<b>9,039</b>	<b>2,363</b>	<b>37,009</b>	<b>31,268</b>	<b>3,710</b>	<b>1,301</b>	<b>84,690</b>
<b>FUNDING</b>								
Grants and other Contributions	4,457	5,643	-	8,581	1,081	1,081	1,081	17,467
Developers' Contributions	52	-	-	-	-	-	-	-
Capital Receipts/Borrowing	26,592	3,396	2,363	28,428	30,187	2,629	220	67,223
<b>Total Funding</b>	<b>31,101</b>	<b>9,039</b>	<b>2,363</b>	<b>37,009</b>	<b>31,268</b>	<b>3,710</b>	<b>1,301</b>	<b>84,690</b>

## ORGANISATIONAL MODEL

### 8. Political Structure of the Council in the 2021/22 Municipal Year

Rushmoor has 13 wards and the Council consists of 39 elected Members. The political make-up of the Council during 2021/22 was as stated below:

<u>Party</u>	<u>Councillors</u>
Conservative	28
Labour	11
Liberal Democrat	1
Total number of Elected Members	39

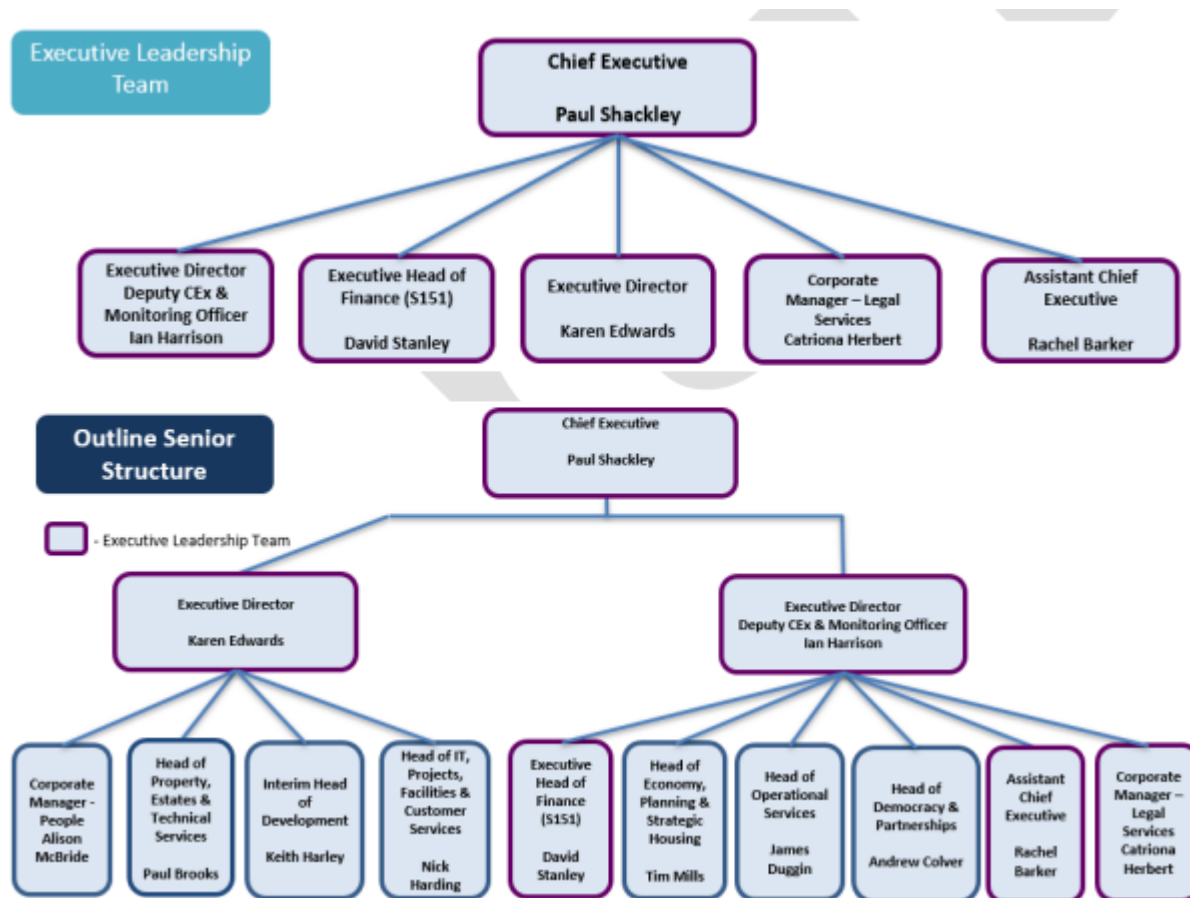
The Council has adopted the Leader and Cabinet model as its political management structure arising from the Local Government and Public Involvement in Health Act 2007. The requirements of the Act are such that the Leader of the Council has responsibility for the appointment of Members of the Cabinet, the allocation of Portfolios and the delegation of Executive Functions.

### 9. Management Structure of the Council

The Council has two senior management boards. Executive Leadership team (ELT), which consists of the Chief Executive, two Executive Directors, Executive Head of Finance, Assistant Chief Executive and Corporate Legal Services Manager. ELT consider and co-ordinates the strategic direction of the Council. The second board is the Corporate Management Team (CMT), consisting of the Chief Executive, two Executive Directors and Heads of Service. The CMT considers and co-ordinates the management and future plans of the Council, providing operational leadership and support to elected Members alongside the delivery of Council services.

The Executive Head of Finance (Chief Financial Officer) and Executive Director of Operations, as Monitoring Officer, are both members of CMT and ELT, ensuring that these key statutory roles have on-going access to the most senior level of the Council.

An outline of the structure is as follows:



## STRATEGY AND RESOURCE ALLOCATION

### 10. The Council Plan – “People, Place, Partnership, Better Public Services”

One of the key strategic documents that frame the actions of the Council is the Council’s Corporate Plan. This document exists to help elected Members, staff and partners work together to deliver the vision for Rushmoor. It sets out our priorities – what we are doing and why.

The Cabinet reviews progress against the Corporate Plan on a quarterly basis. This acts as the key corporate performance monitoring process for the Council. The document combines both informative data about the Rushmoor area and some more specific data about the Council as a whole and about individual services. It is provided to give an enhanced overview to inform Cabinet’s priorities and its monitoring of performance.

The Council Business Plan for the period 2021to2024 can be found on the Council's website: [https://www.rushmoor.gov.uk/media/ua4ewcdr/business\\_plan\\_2021-2024\\_smaller.pdf](https://www.rushmoor.gov.uk/media/ua4ewcdr/business_plan_2021-2024_smaller.pdf)

## GOVERNANCE

### 11. Governance arrangements

Governance arrangements are outlined within the Annual Governance Statement at the end of this document.

## RISK AND OPPORTUNITIES

### 12. Risks Management

A risk management strategy is in place to evaluate and identify risk. There are clearly defined processes to support robust decision making through the understanding of risk, whether an opportunity or threat exists and the likely impact. The Council believes that its performance monitoring, both financial and non-financial, its governance arrangements and its focus on the sustainability of the organisation, mitigates the risks the Council is facing and it is well placed to respond to the ever-changing environment.

The link to the Cabinet report from June 2022 shows the key risks from the Council's Corporate risk register (pages 23 onwards of the document):

<https://democracy.rushmoor.gov.uk/documents/s11282/Council%20Business%20Plan%20and%20Risk%20Register%20quarterly%20update%20and%20end%20of%20year%202021-22%20-%20Report%20No.%20ACE220.pdf>

### 13. Non-Financial Performance of the Council

During 2021/22, Rushmoor Borough Council has continued its drive towards a sustainable future, developing plans for a workforce fit for the future, continuing its improvement and efficiency work using System Thinking principles and continuing to deliver high quality services to its residents while seeking to reduce costs. As the financial statements demonstrate, the Council continues to maintain a sound financial position.

The Council has established good financial management processes and procedures and, recognising that it operates in an environment of continuous change, it will pursue its drive for ongoing improvement, working collaboratively across the Council, and with partners where appropriate, to deliver effective end-to-end processes.

## BASIS OF PREPARATION AND PRESENTATION

### 14. Explanation of accounting statements

The Statement of Accounts set out the Council's income and expenditure for the year, and its financial position at 31st March 2022.

The format and content of the financial statements is prescribed by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the UK 2021/22, in turn underpinned by International Financial Reporting Standards.

The Core statements are:

- i. The Movement in Reserves Statement is a summary of the changes to the Council's reserves over the financial year. Reserves are divided into "usable", which can be invested in capital projects or service improvements, and "unusable", which must be set aside for specific purposes.
- ii. The Comprehensive Income and Expenditure Statement records all the Council's income and expenditure for the financial year. The upper element of the statement provides an analysis by service area. The lower half of the statement shows corporate transactions and financing.
- iii. The Balance Sheet is a "snap shot" of the Council's assets, liabilities, cash balances and reserves at the end of the financial year.

- iv. The Cash Flow Statement shows the reason for changes in the Council's cash balances during the financial year and whether those changes are due to operating activities, new investment or financing activities.

The supplementary financial statements are:

- i. The Expenditure and Funding Analysis shows the net expenditure that is chargeable to taxation and reconciles it to the Comprehensive Income and Expenditure Statement.
- ii. The Collection Fund Statement is a statutory fund maintained by a Billing Authority summarising local taxes and non-domestic rates collected by the Council, along with redistribution payments to Precepting
- iii. The Independent Auditor's Report provides the auditor's opinion on the financial statements and the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources.
- iv. The Annual Governance Statement sets out the governance structure of the Council and its key internal controls.

#### Receipt of further information

Further information about the statements is available from the Executive Head of Finance, Council Offices, Farnborough Road, Farnborough, Hampshire GU14 7JU. The statements are also available on the Council's website – [www.rushmoor.gov.uk](http://www.rushmoor.gov.uk)

#### Acknowledgements

The production of the Statement of Accounts would not have been possible without the hard work and dedication of staff across the Council. I would like to thank my colleagues both in Financial Services and from other departments, who have played a role in the preparation of this document.

Peter Vickers  
Executive Head of Finance and Chief Financial Officer

Date: .....

## Statement of Responsibilities

### The Authority's Responsibilities

The authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Finance Officer (CFO);
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the Statement of Accounts.

### Responsibilities of the Chief Finance Officer

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

In preparing this statement of accounts, the Chief Finance Officer has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the local authority Code.

The Chief Finance 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.

#### **Certificate of Executive Head of Finance and Section 151 Officer**

I hereby certify that the Statement of Accounts presents a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2022. I confirm that the date of this declaration is the date up to which events have been considered for inclusion within the Council's Statement of Accounts and that events after the Balance Sheet date have been considered to this date and the accounts amended accordingly for such events and adjustments arising from audit. The accounts are therefore authorised for issue.

Peter Vickers, Chief Finance Officer and S.151 Officer

Dated **XX XXX 2024**

#### **Certificate of Approval by Audit and Governance Committee**

I confirm that these account statements were approved by the Audit and Governance Committee of Rushmoor Borough Council on **XX XXX 2024**.

Councillor Crawford, Chairman- Audit & Governance Committee

Dated **XX XXX 2024**



## Movement in Reserves Statement (MiRS)

This Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the Council's reserves are broken down between gains and losses in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The net Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.

2021/22	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March brought forward	(29,986)	(411)	(575)	(30,972)	(34,520)	(65,492)
(Surplus)/Deficit on Provision of Services	3,878			3,878		3,878
Other Comprehensive I&E					(21,992)	(21,992)
<b>Total Comprehensive I&amp;E</b>	<b>3,878</b>			<b>3,878</b>	<b>(21,992)</b>	<b>(18,114)</b>
Adjustments between accounting basis & funding basis under regulations (Note 8)	2,089	(1,725)	(444)	(80)	80	0
<b>(Increase) or Decrease in year</b>	<b>5,967</b>	<b>(1,725)</b>	<b>(444)</b>	<b>3,798</b>	<b>(21,912)</b>	<b>(18,114)</b>
Balance at 31 March carried forward	(24,019)	(2,136)	(1,019)	(27,174)	(56,432)	(83,606)

### General Fund Balance analysed over;

General Fund	(2,101)
Earmarked Reserves	(21,918)
<b>Total Balance</b>	<b>(24,019)</b>

2020/21	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March brought forward	(18,518)	(615)	(123)	(19,256)	(52,267)	(71,523)
(Surplus)/Deficit on Provision of Services	2,669			2,669		2,669
Other Comprehensive I&E					3,362	3,362
<b>Total Comprehensive I&amp;E</b>	<b>2,669</b>			<b>2,669</b>	<b>3,362</b>	<b>6,031</b>
Adjustments between accounting basis & funding basis under regulations (Note 8)	(14,137)	204	(452)	(14,385)	14,385	0
<b>(Increase) or Decrease in year</b>	<b>(11,468)</b>	<b>204</b>	<b>(452)</b>	<b>(11,716)</b>	<b>17,747</b>	<b>6,031</b>
Balance at 31 March carried forward	(29,986)	(411)	(575)	(30,972)	(34,520)	(65,492)

### General Fund Balance analysed over;

General Fund	(2,261)
Earmarked Reserves	(27,725)
<b>Total Balance</b>	<b>(29,986)</b>

## Comprehensive Income and Expenditure Statement (CIES)

The Comprehensive Income and Expenditure 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 statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2020/21			2021/22				
Exp £'000	Income £'000	Net £'000	N o t e	CIES	Exp £'000	Income £'000	Net £'000
35,130	(30,147)	4,983		Corporate & Democratic Services	32,973	(27,191)	5,782
(586)	0	(586)		Customer Experience & Improvement	258	(2)	256
3,486	(7,969)	(4,483)		Major Projects & Property	4,541	(8,557)	(4,016)
22,058	(6,727)	15,331		Operational Services	15,529	(8,535)	6,994
3,059	(946)	2,113		Planning & Economy	3,437	(925)	2,512
585	0	585		ICE Programme	542	0	542
63,732	(45,789)	17,943		Cost of Service	57,280	(45,210)	12,070
2,973	(135)	2,839	10	Other Operating Expenditure	15,521	(1,883)	13,638
3,842	(3,262)	580	11	Financing and Investment I&E	3,327	(4,894)	(1,566)
27,602	(46,294)	(18,692)	12	Taxation & Non-specific Grant Inc.	20,512	(40,775)	(20,263)
98,149	(95,480)	2,669		(Surplus)/Deficit on Prov. of Service	96,640	(92,762)	3,878
		(1,491)	13	(Surp)/Def on revaluation of PPE			(4,750)
		4,853	42	Remeasure of net def ben liability/(asset)			(17,242)
		3,362		Other Comprehensive I&E			(21,992)
		6,031		Total Comprehensive I&E			(18,115)

## Balance Sheet

The Balance Sheet shows the value as at the balance sheet date of assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital receipts reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2021 £'000		Balance Sheet Note	31 March 2022 £'000
90,649	13	Property, Plant and Equipment	90,356
258	-	Heritage Assets	258
125,857	14	Investment property	127,581
254	15	Intangible Assets	136
21,281	18	Long-Term Investments	21,943
7,124	17	Long-Term Debtors	7,452
<b>245,423</b>		<b>Long Term Assets</b>	<b>247,726</b>
0	19	Inventories	12
15,694	20	Short-Term Debtors	6,844
5,141	21	Cash and Cash Equivalents	13,692
<b>20,836</b>		<b>Current Assets</b>	<b>20,548</b>
(102,000)	22	Short-Term Borrowing	(100,000)
(28,059)	23	Short-Term Creditors	(29,313)
(369)	18	Other Short-Term Liabilities (Leases)	(340)
<b>(130,428)</b>		<b>Current Liabilities</b>	<b>(129,653)</b>
(4,480)	24	Long-Term Provisions (NNDR only)	(2,549)
0	25	Long-Term Borrowing	0
(61,338)	26	Other Long-Term Liabilities (Pensions & Leases only)	(47,652)
(4,521)	36	Capital Grants Receipts in Advance	(4,813)
<b>(70,339)</b>		<b>Long Term Liabilities</b>	<b>(55,014)</b>
<b>65,491</b>		<b>Net Assets</b>	<b>83,607</b>
(30,972)	MIRS	Usable Reserves	(27,176)
(34,519)	27	Unusable Reserves	(56,431)
<b>(65,491)</b>		<b>Total Reserves</b>	<b>(83,607)</b>

**Peter Vickers**, Chief Finance Officer..... date: .....

## Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents to 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 and 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 flows 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 to the Council).

2020/21 £'000		Cash Flow Statement	2021/22 £'000
	Note		
(2,669)	CIES	Net (surplus)/deficit on the provision of services	(3,878)
14,022	28	Adj's to surplus/deficit on the prov. of services for non-cash movements	5,942
0	29	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	1,050
<b>11,353</b>		<b>Net Cash flows from operating activities</b>	<b>3,114</b>
(21,438)	31	Net cash flows from investing activities	(9,296)
10,519	32	Net cash flows from financing activities	(2,369)
<b>434</b>		<b>Net (increase) or decrease in cash and cash equivalents</b>	<b>(8,551)</b>
5,575		Cash and cash equivalents at the beginning of the reporting period	5,141
<b>5,141</b>		<b>Cash and cash equivalents at the end of the reporting period</b>	<b>13,692</b>

## **Note 1 - Accounting Policies**

### **i. 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 31st March 2022. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Council Accounting in the United Kingdom 2021/22 supported by International Financial Reporting Standards (IFRS) and statutory guidance.

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. In accordance with application accounting framework, these accounts are prepared on a going concern basis.

### **ii. Accruals of Expenditure and Income**

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

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

### **iii. Cash and Cash Equivalents**

Cash and cash equivalents includes all bank accounts including overdrafts that are an integral part of the Authority's cash management.

Cash is represented by cash in hand and deposits with financial institutions repayable without any penalty on notice of not more than 24 hours.

Cash equivalents are deposits held with financial institutions that mature in no more than one month or less from the date of acquisition and are readily convertible to known amounts of cash with insignificant risk of change in value.

**iv. Prior Period Adjustments, Changes in Accounting Policies and Estimates & Errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

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.

**v. Charges to Revenue for Non-Current Assets**

Services and support services 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 fixed assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation.

The authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement [equal to either an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance Depreciation, revaluation, Benefit Fund balance [MRP or the statutory repayment of loans fund advances], by way of an adjusting transaction with the capital adjustment account in the Movement in Reserves Statement for the difference between the two.

**vi. Employee Benefits**

Benefits Payable during Employment:

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as 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.

Termination Benefits:

When the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy. These costs are charged on an accruals' basis to the relevant service line in the Comprehensive Income and Expenditure Statement.

Post-employment Benefits:

The Council participates in 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.

## The Local Government Pension Scheme:

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

- The liabilities of the Hampshire County Council pension fund attributable to the authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.1% (based on the indicative rate of return on high quality corporate bond).
- The assets of Hampshire County Council pension fund attributable to the authority are included in the Balance Sheet at their fair value:
  - o quoted securities – current bid price
  - o unquoted securities – professional estimate
  - o unitised securities – current bid price
  - o property – market value.

The liabilities of the Hampshire County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees. The assets of Hampshire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value. 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 – the increase in liabilities arising from current year decisions 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 cost on the net defined benefit liability (asset) - the change during the period in the net defined benefit liability (asset) 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 (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

### Remeasurements comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – 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 appropriations 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.

### **vii. 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 (for NDR) 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 (CIES) is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the collection fund adjustment account and included as a reconciling item in the Movement in Reserves Statement.

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

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the taxation and non-specific grant income and expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.



**viii. Events After the Balance Sheet Date**

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue.

Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events;
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

**ix. Financial Instruments**

Financial Liabilities:

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument, 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. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

The Council borrowed funds for the purposes of capital expenditure in 2021/22, and therefore has a capital financing requirement in excess of zero at 31 March 2022. Other financial liabilities were trade creditors that occur in the normal course of business and a liability arising from an embedded lease in the Council's contract for Waste, Recycling and Grounds Maintenance. The amount presented in the Balance Sheet in respect of the embedded finance lease is the outstanding principal repayable. Interest payable in the year is calculated and charged to the Comprehensive Income and Expenditure Statement. Financial liabilities entered into with a duration of less than 12 months, such as trade creditors, are recognised at their nominal value.

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 cash flow characteristics.

There are three main classes of financial assets measured at:

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

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payment are not solely payment of principle and interest.

### Financial Assets Measured at Amortised Cost:

Financial assets are measured at amortised cost are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument and initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) 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 financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

### Financial Assets Measure at Fair Value through Profit and Loss:

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value.

Fair value gains and losses are recognised 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 Council can access at the measurement data.
- 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 de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES and are balanced by entries in the Pooled Investment Fund Adjustment Account (PIFAA)

IFRS 9 Financial Instruments sets out that investments in equity should be classified as FVPL unless there is an irrevocable election to recognise changes in fair value through other comprehensive income. The Council has not elected equity instrument and therefore all equity investments are recorded as FVPL instruments.

### Expected Credit Loss Model:

The Council recognises expected credit loss on all its financial assets held at amortised cost or FVOCI, 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 Council.

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.

No impairment losses are recognised for pooled funds.

#### **x. Government Grants and Contributions**

Whether paid on account, by instalments or in arrears, government grants and third-party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants 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 in the form of 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 creditors. 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 and expenditure (non-ringfenced 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.

#### **xi. Heritage Assets**

The Council's heritage assets largely comprise items of civic regalia as well as a memorial and statues. They are all held in support of their primary objective of contributing to knowledge and culture and appreciation of the Council's history and local area.

#### **xii. Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (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.

The Council does not have any internally generated intangible assets. Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost.

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. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line 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.

### **xiii. Investment Property**

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arms-length. The 2021/22 external valuation report on all the investment properties and a selection of the other assets was prepared by GSC Harbord MA MRICS IRRV (Hons) RICS Registered Valuer of Wilkes Head and Eve LLP. Properties are not depreciated but are revalued annually according to market conditions at the year-end. 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 relation to 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.

### **xiv. Jointly Controlled Operations and Jointly Controlled Assets**

Jointly controlled operations are arrangements undertaken by the Council in conjunction with other ventures that involve the use of the assets and resources of the ventures rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

**xv. Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

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

**Operating leases**

Rentals paid under operating leases are charged to the comprehensive income and expenditure statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

**Finance Leases**

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

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

## 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 either the Financing and Investment Income line in the CIES or the relevant service line in the net cost of services. 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.

**xvi. 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.

**xvii. 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 (subject to a de-minimis capitalisation threshold of £10,000 for plant vehicles and equipment and £20,000 for land and buildings). 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.

## Measurement:

Assets are initially measured at cost, comprising:

- 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.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

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

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

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the CIES where they arise from the reversal of a loss previously charged to a service. The Revaluation Reserve contains revaluation gains recognised since 1st April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

#### Impairment:

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

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

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

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the CIES, 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 material Property, Plant and Equipment 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:

- dwellings and other buildings – straight-line allocation over the remaining useful life of the property as estimated by the valuer
- vehicles, plant and equipment – straight-line allocation over the remaining useful life of the asset.

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

Componentisation is considered where the carrying value of the asset is greater than £500,000 and the value of the component is at least 20% of the carrying value.

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 fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the CIES. Gains in fair 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.

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 CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CIES 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. Capital receipts are required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

#### **xviii. Provisions and Contingent Liabilities**

##### Provisions:

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.



Provisions are charged as an expense to the appropriate service or Other Operating Expenditure line in the CIES 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.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

### 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.

## **xix. 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 CIES. 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, financial instruments, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant notes.

## **xx. Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the CIES 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 then reverses out the amounts charged so that there is no impact on the level of council tax.

**xxi. Value Added Tax (VAT)**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

**xxii. Borrowing Costs Eligible for Capitalisation**

The borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are those borrowing costs that would have been avoided if the expenditure on the qualifying asset (as defined within IAS 23) had not been made. The Council recognises the accounting requirements of IAS 23 and determines the amount of borrowing costs that are eligible for capitalisation by applying a capitalisation rate to the expenditures on the qualifying asset. The capitalisation rate is the total borrowing costs related to the spend on the specific asset based on the average cost of the Council's total debt.

The Council only applies a process of capitalisation of borrowing costs for qualifying assets, in the following circumstances:

- Scheme capital expenditure exceeds £1m,
- Scheme capital expenditure results in an asset or revenue income stream,
- Duration of scheme creation is more than one financial year.

## Note 2 - Accounting Standards Issued, Not Adopted

The Council is required to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued, but has not yet been adopted by the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

For 2021/22 the following accounting standard changes that need to be reported relate to:

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).

The Council does not presently expect these standards to have a material effect on the presentation of future financial information or transactions.

## Note 3 - Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax and rent payers how the funding available to the Council (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's portfolios. Income and Expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2020/21			2021/22			
Net Expenditure Chargeable to the General Fund Balances £'000	Adjustments between Funding and Accounting Basis £'000	Net Expenditure in the CIES £'000		Net Expenditure Chargeable to the General Fund Balances £'000	Adjustments between Funding and Accounting Basis £'000	Net Expenditure in the CIES £'000
4,649	334	4,983	Corporate & Democratic Services	4,886	896	5,782
(1,006)	420	(586)	Customer Experience & Improvmnt	(536)	792	256
(4,628)	145	(4,483)	Major Projects & Property	(4,634)	618	(4,016)
8,097	7,234	15,331	Operational Services	6,692	302	6,994
1,880	233	2,113	Planning & Economy	2,160	352	2,512
550	35	585	ICE Programme	542	-	542
9,542	8,401	17,943	Net Cost of Services	9,111	2,959	12,070
(21,009)	5,735	(15,274)	Total: Other income & Expenditure	(3,142)	(5,049)	(8,192)
(11,467)	14,136	2,669	(Surplus) or deficit on PoServ's	5,969	(2,090)	3,878
(18,518)			Opening GF Balance	(29,986)		
(11,467)			(Surp)/Deficit on GF Bal for Year	5,969		
(29,986)			Closing GF Balance	(24,018)		

For breakdown of GF balance to GF and Earmarked reserves, see MiRS Statement.

## Note to the Expenditure and Funding Analysis

2021/22				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note a)	Net change for the Pensions Adjustments (Note b)	Other Differences (Note c)	Total Adjustments
	£'000	£'000	£'000	£'000
Corporate & Democratic Services	31	887	(22)	896
Customer Experience & Improvement	385	417	(10)	792
Major Projects & Property	408	216	(6)	618
Operational Services	(542)	864	(21)	302
Planning & Economy	1	362	(11)	352
ICE Programme	-	-	-	-
<b>Net Cost of Services</b>	<b>284</b>	<b>2,746</b>	<b>(69)</b>	<b>2,959</b>
Other I&E from the Expenditure and Funding Analysis	2,006	1,150	(8,205)	(5,049)
<b>Difference between General Fund surplus or deficit and CIES Surplus or Deficit on the Provision of Services</b>	<b>2,290</b>	<b>3,896</b>	<b>(8,275)</b>	<b>(2,089)</b>
2020/21				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note a)	Net change for the Pensions Adjustments (Note b)	Other Differences (Note c)	Total Adjustments
	£'000	£'000	£'000	£'000
Corporate & Democratic Services	34	276	24	334
Customer Experience & Improvement	188	221	11	420
Major Projects & Property	7	132	6	145
Operational Services	6,684	526	24	7,234
Planning & Economy	1	221	11	233
ICE Programme	-	35	-	35
<b>Net Cost of Services</b>	<b>6,914</b>	<b>1,411</b>	<b>77</b>	<b>8,401</b>
Other I&E from the Expenditure and Funding Analysis	(4,873)	1,177	9,431	5,735
<b>Difference between General Fund surplus or deficit and CIES Surplus or Deficit on the Provision of Services</b>	<b>2,041</b>	<b>2,588</b>	<b>9,508</b>	<b>14,137</b>

a) Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

Financing and investment income and expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivables in the year to those receivables without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

## b) Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.

For Financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the CIES.

## c) Other Differences

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

For services this represents the removal of Accumulated Absences.

The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for Council Tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

**Note 4 - Expenditure and Income Analysed by Nature**

This note breaks down the Income and Expenditure as reported in the Comprehensive Income and Expenditure Statement by nature including employees' expenses, Investment income and expenditure and all capital charges adjustments applied in year.

	2020/21 £'000	2021/22 £'000
<b>Expenditure:</b>		
Employee benefits expenses	14,022	15,857
Changes in the fair value of Investment Properties	1,320	907
Depreciation, amortisation, impairment etc	1,187	1,509
Expenditure from Council Tax, Non-Domestic Rates	27,602	20,512
Interest payments	870	369
Other services expenses	51,970	42,853
Loss on disposal	-	13,483
Net Interest on the net defined benefit liability (asset)	1,177	1,150
<b>Total expenditure</b>	<b>98,149</b>	<b>96,640</b>
<b>Income:</b>		
Changes in the fair value of Investment Properties	(297)	(2,711)
Fees, charges and other service income	(13,202)	(15,954)
Government grants and contributions	(51,568)	(43,807)
Income from council tax, non-domestic rates, district rate income	(26,699)	(26,802)
Interest and investment income	(836)	(932)
Gain on disposal	-	(1,724)
Other Income	(2,878)	(830)
<b>Total income</b>	<b>(95,480)</b>	<b>(92,762)</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>2,669</b>	<b>3,818</b>

## Note 5 - Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are provided as follows:

- **Future Funding for Local Government.** There is an element of risk about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision. In addition, as mentioned in the Narrative Statement, the Council has made judgements about the adequacy of its balances and has also put in place processes to achieve savings that will mitigate or counteract any future changes in its levels of funding or other income.
- **Asset Classifications.** The Council has made judgements on whether assets are classified as Investment Property or Property, Plant and Equipment. These judgements are based on an understanding of the main purpose that the Council is holding the asset. If the asset is used in delivering services, or is occupied by third parties who are subsidised by the Council, the asset is deemed to be Property, Plant and Equipment. A non-current asset used solely to earn rentals and/or for capital appreciation is classified as an Investment Property.
- **Property, Plant and Equipment.** Non-current assets are depreciated over their useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to them. If the useful life of a non-current asset is reduced, depreciation increases and the carrying amount of the non-current asset falls. Annual depreciation charge for buildings would increase proportionately for every year that an asset useful life has to be reduced.
- **Lease Classification.** The Council has made judgments on whether its lease arrangements are operating leases or finance leases. These judgements are based on a series of tests to assess whether the risks and rewards of ownership have been transferred from the lessor to the lessee. The accounting treatment for operating and finance leases is significantly different.
- **Contractual Arrangements.** The Council has made judgements on whether its contractual arrangements contain embedded leases i.e. arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment where fulfilment of the arrangement is dependent on the use of specific assets.
- **Potential Liabilities.** The Council has made judgements about the likelihood of potential liabilities and whether a provision should be made. The judgements are based on the degree of certainty and an assessment of the likely impact.
- **Bad or Doubtful Debts.** The Council has made judgements about the level of bad or doubtful debts and the level of provision that it may need to provide for. These judgements are based on historical experience of debtor defaults and current economic conditions.
- **Business Rate Appeals.** The Council has made judgements about the number of successful appeals under the Business Rates Retention Scheme.

All of these judgements are the responsibility of the Chief Financial Officer as set out in the Statement of Responsibilities for the Statement of Accounts.

## Note 6 - Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contain some estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. The assumptions and other sources of estimation uncertainty disclosed below relate to the estimates that require the authority's most difficult, subjective or complex judgements. As the number of variables and assumptions affecting the possible future resolution of the uncertainties increases, those judgements become more subjective and complex. As a result balances cannot be determined with complete certainty, actual results could be different from the assumptions and estimates made.

The items in the Council's Balance Sheet at 31st March 2022 for which there is a risk of adjustment in the forthcoming financial year are provided 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 level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. Assets are valued on a five-year rolling basis. Building indices are not applied to approximate for those assets that are not subject to the revaluation process in the year. COVID-19 had a significant impact on property values worldwide in 2019/20 but the market has sufficiently recovered in 2021/22 that reliable market evidence is available again to base the majority of asset valuations on. For those where sufficient market evidence is still not available, they are subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £20k for every year that useful lives had to be reduced.
Arrears	The NDR arrears balance of £3m at the Balance Sheet date is deemed to be at risk of material adjustment within the next year due to current economic circumstances meaning that businesses are struggling to pay. A review of significant balances suggested that an impairment of doubtful debts of 42% (£1,275k) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate further, for every 1% reduction in collection rates, an extra £254k would be required
Pensions Liability	At 31 March 2022, the net Pension Liability was £46.26m. 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 authority with expert advice about the assumptions to be applied. Brexit and COVID-19 both initially had negative impacts on the UK economy and pension asset values, but the market appears to be recovering and stabilising. However, another serious outbreak of COVID-19 could have a detrimental impact on asset returns, as could an increase in interest rates to curb inflation increases as a result of the recovery. The outcome of pending legal cases may also affect	The effects on the net pensions' liability of changes in individual assumptions can be measured- (the impact of changes in assumptions are outlined in note 37). During 2021/22, the Council's actuaries advised that the net pensions liability for funded LGPS benefits had decreased by £13.3m.

## Note 7 - Events After the Balance Sheet Date

The Statement of Accounts were authorised for issue by the Chief Financial Officer on X/X/2024.

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 DATE, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There have been no adjusting or un-adjusting events occurring after the reporting date that would have a material impact on these financial statements.

## Note 8 - Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the authority in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the authority to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

### General Fund balance

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund balance, which is not necessarily in accordance with proper accounting practice. The General Fund balance therefore summarises the resources that the council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the council is required to recover) at the end of the financial year.

### Capital receipts reserve

The capital receipts reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

### Capital grants unapplied

The capital grants unapplied account (reserve) holds the grants and contributions received towards capital projects for which the council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.



2021/22	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	Movement Unusable Reserves
	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Capital Adjustment Account</b>				
<u>Rev of items dr/cr to the CIES</u>				
Charges for depreciation and impairment of non-current assets (PPE)	(1,391)			1,391
Revaluation gain/loss on PPE	1,225			(1,225)
Movement in FV of Investment Properties	1,804			(1,804)
Amortisation of Intangible assets	(118)			118
Capital grants and contributions applied	5,710		(444)	(5,266)
Revenue expenditure funded from capital under statute	(816)			816
Non-current assets w- off on disposal/sale, part of gain/loss disposal to CIES	(13,585)			13,585
<u>Insertion of items not dr/cr to the CIES</u>				
Capital expenditure charged against the General Fund	400			(400)
Statutory provision for the financing of capital investment	2,103			(2,103)
<b>Adjustments primarily involving the Capital Receipts Reserve</b>				
Use of the Capital Receipts Reserve to finance new capital expenditure	1,725	(1,725)		
<b>Adjustments primarily involving the Pooled Fin Instr Adj Account</b>		0		0
Unrealised Fair Value gains/losses on financial investments	654			(654)
<b>Adjustments primarily involving the Pensions Reserve</b>				
Reversal of items relating to retirement benefits dr/cr to the CIES	(5,970)			5,970
Employer's pen conts and direct payments to pensioners payable in the year	2,074			(2,074)
<b>Adjustments primarily involving the Collection Fund Adj Account</b>				
Amount by which council tax and non-domestic rating income credited or debited to the CIES is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	8,205			(8,205)
<b>Adjustments primarily involving the Accumulated Absences Account</b>				
Amount by which Officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	69			(69)
<b>Total Adjustments</b>	<b>2,089</b>	<b>(1,725)</b>	<b>(444)</b>	<b>80</b>

2020/21	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	Movement Unusable Reserves
	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Capital Adjustment Account</b>				
<u>Rev of items dr/cr to the CIES</u>				
Charges for depreciation and impairment of non-current assets (PPE)	(1,003)			1,003
Revaluation gain/loss on PPE	(5,728)			5,728
Movement in FV of Investment Properties	(1,023)			1,023
Amortisation of Intangible assets	(181)			181
Capital grants and contributions applied	2,608		(452)	(2,156)
Revenue expenditure funded from capital under statute	(775)			775
Non-current assets w- off on disposal/sale, part of gain/loss disposal to CIES	(418)			418
<u>Insertion of items not dr/cr to the CIES</u>				
Capital expenditure charged against the General Fund	643			(643)
Statutory provision for the financing of capital investment	1,739			(1,739)
<b>Adjustments primarily involving the Capital Receipts Reserve</b>				
Use of the Capital Receipts Reserve to finance new capital expenditure		204		(204)
<b>Adjustments primarily involving the Pooled Fin Instr Adj Account</b>				
Unrealised Fair Value gains/losses on financial investments	2,097			(2,097)
<b>Adjustments primarily involving the Pensions Reserve</b>				
Reversal of items relating to retirement benefits dr/cr to the CIES	(4,600)			4,600
Employer's pen conts and direct payments to pensioners payable in the year	2,012			(2,012)
<b>Adjustments primarily involving the Collection Fund Adj Account</b>				
Amount by which council tax and non-domestic rating income credited or debited to the CIES is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	(9,431)			9,431
<b>Adjustments primarily involving the Accumulated Absences Account</b>				
Amount by which Officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(77)			77
<b>Total Adjustments</b>	<b>(14,137)</b>	<b>204</b>	<b>(452)</b>	<b>14,385</b>

**Note 9 - Transfers to/from Earmarked Reserves**

This note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2021/22.

	Bal at 1st April 2020	Transfers out 2020/21	Transfers in 2020/21	Bal at 31 Mar 2021	Transfers out 2021/22	Transfers in 2021/22	Bal at 31st Mar 2022
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
COVID BRR EMR reserve	0	0	(10,812)	(10,812)	10,427	(4,162)	(4,547)
Stability & Resilience Reserve	(5,870)	1,293	0	(4,577)	176	0	(4,401)
Commuted sums	(4,443)	480	(587)	(4,550)	54	(35)	(4,531)
Commercial Reserve	(2,000)	250	0	(1,750)	267	0	(1,483)
Pension Reserve	0	0	(669)	(669)	0	(818)	(1,487)
Flexible Hou Grant	(510)	128	(252)	(634)	217	(331)	(748)
Mercury abatement	(617)	251	(42)	(408)	0	(39)	(447)
Treasury Earmarked reserves	0	180	(580)	(400)	180	0	(220)
Affordable Housing Reserve	(400)	0	0	(400)	0	0	(400)
Budget carry fws	(301)	301	(390)	(390)	390	(432)	(432)
Regeneration Reserve	(450)	93	0	(357)	100	0	(257)
Civil parking enforcement surplus	(345)	71	(7)	(281)	20	(66)	(328)
Insurance Reserve	(253)	0	0	(253)	0	0	(253)
A331 Air Quality Project	(256)	10	0	(246)	11	0	(235)
climate emergency reserve	0	11	(250)	(239)	31	0	(208)
Other Grants (below £45k)	(211)	48	(62)	(225)	22	(182)	(385)
Workforce Reserve	(200)	0	0	(200)	100	0	(100)
Service Improvement Fund	(129)	0	0	(129)	129	0	0
Commercial Property Reserve	0	0	(121)	(121)	0	0	(121)
Covid Cou. tax hardship	0	0	(108)	(108)	17	0	(91)
Feasibility Victoria Road EMR	0	8	(110)	(102)	17	0	(85)
Cyber security	0	0	(100)	(100)	51	0	(49)
TAG env Fund	(110)	14	0	(96)	0	(1)	(97)
Deprivation reserve	0	6	(100)	(94)	55	(100)	(139)
Covid19 track & trace	0	0	(89)	(89)	65	(13)	(37)
Local elections (EMR)	0	0	(87)	(87)	87	0	0
Control outbreak	0	0	(85)	(85)	25	0	(60)
Custom Build Grant	(75)	0	0	(75)	0	0	(75)
Cohesion/Migration Impact/Gurkha Settle	(70)	4	0	(66)	0	0	(66)
Emergency assistance grant	0	0	(64)	(64)	19	0	(45)
Cultural recovery	0	0	(47)	(47)	47	0	0
Land Charges	(45)	0	0	(45)	0	0	(45)
Ward reserve	0	0	(26)	(26)	0	0	(26)
Due Diligence Reserve	(250)	250	0	0	0	0	0
Planning Delivery Fund	(127)	127	0	0	0	0	0
Planning Service Improvement	0	0	0	0	0	0	0
Business sup grant admin	0	0	0	0	0	(297)	(297)
LADGF disc res	0	0	0	0	0	(130)	(130)
LCTS scheme admin	0	0	0	0	0	(93)	(93)
ICE Programme Reserve	(297)	297	0	0	0	0	0
<b>Total</b>	<b>(16,959)</b>	<b>3,822</b>	<b>(14,588)</b>	<b>(27,725)</b>	<b>12,507</b>	<b>(6,700)</b>	<b>(21,918)</b>

**Note 10 - Other Operating Expenditure**

2020/21 £'000		2021/22 £'000
(15)	Photovoltaic Cells Feed-In Tariff	0
0	Gains/losses on disposal of non-current assets	11,758
2,853	Other Corporate Income & Expenditure	1,880
<b>2,839</b>	<b>Total Other Operating Expenditure</b>	<b>13,638</b>

**Note 11 - Financing and Investment Income and Expenditure**

2020/21 £'000		2021/22 £'000
870	Interest payable and similar charges	369
1,177	Net interest on the net defined benefit liability (asset)	1,150
(836)	Interest receivable and similar income	(932)
1,023	Investment properties changes in their fair value	(1,804)
(2,097)	Unrealised Fair Value gains/losses on financial investments	(654)
442	Impairment losses (including reversals of impairment losses or impairment gains)	305
<b>580</b>	<b>Total</b>	<b>(1,566)</b>

**Note 12 - Taxation and Non-Specific Grant Income**

2020/21 £'000		2021/22 £'000
(6,705)	Council tax income	(6,928)
39	Collection Fund (Surplus)/Deficit - Council Tax	22
9,662	Collection Fund (Surplus)/Deficit - NDR	2,177
(3,662)	National non-domestic rates income and expenditure	(3,543)
1,569	Non-Domestic Rates (Safety net)/Levy Payment	1,981
(5,564)	Other COVID Related Grants	(2,784)
(12,627)	Non-ringfenced government grants	(6,682)
(1,404)	Capital grants and contributions	(4,507)
<b>(18,692)</b>	<b>Total</b>	<b>(20,263)</b>

**Note 13 - Property, Plant and Equipment (PPE)**

2021/22	Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant & Equipment £'000
<b>Cost or Valuation</b>						
<b>at 1 April</b>	70,799	8,290	6,988	1,434	6,338	<b>93,850</b>
Additions	1,806	498	426	20	5,843	<b>8,592</b>
Reval inc/(dec) in the Revaluation Reserve	4,012	0	0	738	0	<b>4,750</b>
Reval inc/(dec) in the Surp/Def on the PoS	1,243	0	0	(18)	0	<b>1,225</b>
Derecognition/Disposal	(12,657)	0	0	(812)	0	<b>(13,469)</b>
Deprec w/back upon reval	0	0	0	0	0	<b>0</b>
Reclassifications and transfer	872	0	(18)	18	(872)	<b>0</b>
<b>at 31 March</b>	<b>66,075</b>	<b>8,788</b>	<b>7,396</b>	<b>1,380</b>	<b>11,309</b>	<b>94,947</b>
<b>Accumulated Depreciation</b>						
<b>at 1 April</b>	543	(3,743)	0	0	0	<b>(3,200)</b>
Depreciation charge in year	(681)	(710)	0	0	0	<b>(1,390)</b>
Deprec written out	0	0	0	0	0	<b>0</b>
Deprec w/back upon reval	0	0	0	0	0	<b>0</b>
Derecognition/Disposal	0	0	0	0	0	<b>0</b>
Deprec written out to the Surp/Def on PoS	0	0	0	0	0	<b>0</b>
<b>at 31 March</b>	<b>(138)</b>	<b>(4,453)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(4,591)</b>
<b>NBV at 31 March 2022</b>	<b>65,937</b>	<b>4,335</b>	<b>7,396</b>	<b>1,380</b>	<b>11,309</b>	<b>90,356</b>
<b>NBV at 31 March 2021</b>	<b>71,342</b>	<b>4,547</b>	<b>6,988</b>	<b>1,434</b>	<b>6,338</b>	<b>90,649</b>

2020/21	Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant & Equipment £'000
<b>Cost or Valuation</b>						
<b>at 1 April</b>	<b>79,497</b>	<b>8,050</b>	<b>6,819</b>	<b>1,501</b>	<b>391</b>	<b>96,258</b>
Additions	2,092	535	169	17	623	3,436
Reval inc/(dec) in the Revaluation Reserve	1,570	0	0	(79)	0	1,491
Reval inc/(dec) in the Surp/Def on the PoS	(5,723)	0	0	(4)	0	(5,727)
Derecognition/Disposal	(415)	(295)	0	0	0	(711)
Deprec w/back upon reval	(898)	0	0	0	0	(898)
Reclassifications and transfer	(5,324)	0	0	0	5,324	0
<b>at 31 March</b>	<b>70,799</b>	<b>8,290</b>	<b>6,988</b>	<b>1,434</b>	<b>6,338</b>	<b>93,850</b>
<b>Accumulated Depreciation</b>						
<b>at 1 April</b>	<b>(33)</b>	<b>(3,354)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(3,387)</b>
Depreciation charge in year	(321)	(685)	0	0	0	(1,006)
Deprec written out	0	0	0	0	0	0
Deprec w/back upon reval	898	0	0	0	0	898
Derecognition/Disposal	0	295	0	0	0	295
Deprec written out to the Surp/Def on PoS	0	0	0	0	0	0
<b>at 31 March</b>	<b>543</b>	<b>(3,743)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(3,200)</b>
<b>NBV at 31 March 2021</b>	<b>71,342</b>	<b>4,547</b>	<b>6,988</b>	<b>1,434</b>	<b>6,338</b>	<b>90,649</b>
<b>NBV at 31 March 2020</b>	<b>79,460</b>	<b>4,698</b>	<b>6,818</b>	<b>1,504</b>	<b>391</b>	<b>92,871</b>

## Depreciation

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

- Other Land and Buildings 5 to 55 years
- Vehicles, Plant and Equipment 4 to 15 years

## Effects of Changes in Estimates

In 2021/22, the Council made no material changes to its accounting estimates for Property, Plant and Equipment.

## Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value or fair value as appropriate is revalued at least every five years. All valuations were carried out by Wilkes, Head and Eve. Valuations of land and buildings were carried out in accordance with the methodologies and basis for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations concerning vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices, with consideration given for the condition of the asset. The effective date of each revaluation is the date that the revaluation was produced.

## Note 14 - Investment Properties

The following items of income and expenditure have been accounted for in the Major Projects & Property Services section in the Comprehensive Income and Expenditure Statement:

2020/21 £'000	Investment Property Income & Expenditure	2021/22 £'000
(7,000)	Rental income from investment property	(7,882)
1,091	Direct operating expenses from investment property	1,162
<b>(5,909)</b>	<b>Net (gain)/loss</b>	<b>(6,720)</b>

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement. All Investment Properties were re-valued as at 31st March 2022.

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

2020/21 £'000	Investment Property Fair Value Movements in Year	2021/22 £'000
109,745	Opening Balance	125,857
17,135	Additions	37
0	Disposals	(116)
(1,023)	Net gains/(losses) from fair value adjustments taken to the CIES	1,804
<b>125,857</b>	<b>Balance at the end of the year</b>	<b>127,581</b>

**Fair Value Hierarchy**

All the Council's investment properties have been value assessed as Level 2 on the fair value hierarchy for valuation purposes.

**Valuation Techniques Used to Determine Level 2 Fair Value for Investment Property**

The fair value of investment property has been measured using a market approach, which takes into account quoted prices for similar assets in active markets, existing lease terms and rentals, research into market evidence including market rentals and yields, the covenant strength for existing tenants, and data and market knowledge gained in managing the Council's Investment Asset portfolio. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised as level 2 on the fair value hierarchy.

In estimating the fair value of the Council's investment properties, the highest and best is used as advised by the valuer. The Council has no investment properties where the fair value measurement has been carried out at Level 1 (Quoted prices in active markets for identical assets) or Level 3 (Significant unobservable inputs).

**Valuation Process for Investment Property**

The Council's investment property has been valued as at 31st March 2022 by the Wilkes, Head & Eve in accordance with the methodologies and basis for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

**Note 15 - Intangible Assets**

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. Intangible assets consist of purchased licenses only. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to the major software suites used by the Council is five years.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £118k charged to revenue in 2021/22 was charged directly to service revenue accounts and is therefore included in the cost of services. No items of capitalised software are individually material to the Financial Statements. The movement on Intangible Asset balances during the year is as follows:

2020/21 Intangible Assets £'000	2021/22 £'000
<u>Balance at start of year:</u>	
1,838 Gross carrying amounts	1,834
(1,402) Accumulated amortisation	(1,580)
<b>435 Net carrying amount at start of year</b>	<b>254</b>
0 Additions	0
(3) Disposals	0
(181) Amortisation for the period	(118)
3 Rev of past amortisation of disposal	0
0 Other charges	0
<b>254 Net carrying amount at end of year</b>	<b>136</b>
<u>Comprising:</u>	
1,834 Gross carrying amounts	1,834
(1,580) Accumulated amortisation	(1,699)
<b>254 Total</b>	<b>136</b>

## Note 16 – Interests in Jointly Controlled Operations

### Community Safety Service

The partnership ended on 30 September 2020 which is why there are transfers to Basingstoke and Deane Borough and Hart District Council.

### CCTV Service

On 1 May 2013 the Council entered into a jointly controlled operation with Hart District Council to deliver a shared CCTV service.

Rushmoor Borough Council's element of the shared CCTV service costs are shown on the Operational Services line in the Cost of Services section of the Comprehensive Income and Expenditure Statement. Below is a memorandum account of the financial activity of the shared CCTV service from 1 April 2021 to 31 March 2022.

	RBC 2021/22 £'000	Hart DC 2021/22 £'000	TOTAL 2021/22 £'000
Employee related expenditure	144	86	230
Premises related expenditure	3	2	5
Supplies and Services	99	17	116
Support Services	82	0	82
Capital charges	17	0	17
<b>Net expenditure</b>	<b>345</b>	<b>105</b>	<b>450</b>
Hosting charge	(15)	15	-

### Building Control Service

On 2nd July 2015 the Council entered into a jointly controlled operation with Hart District Council to deliver a shared Building Control service.



Rushmoor Borough Council's element of the shared Building Control service costs are included in the Planning and Economy line in the Cost of Services section of the Comprehensive Income and Expenditure Statement. Below is a memorandum account of the financial activity of the shared Building Control service from 1 April 2021 to 31 March 2022.

	RBC 2021/22 £'000	Hart DC 2021/22 £'000	TOTAL 2021/22 £'000
Employee related expenditure	238	283	521
Premises related expenditure	9	14	23
Transport related expenditure	4	5	9
Supplies and Services	33	28	61
Support Services	110	0	110
Capital charges	1	0	1
<b>Expenditure</b>	<b>395</b>	<b>330</b>	<b>725</b>
Hosting charge	(7)	7	0
Fees and charges	(248)	0	(248)
Other income	(27)	0	(27)

As Hart District Council receive their income directly, no figures are shown for their income.

The purpose of the jointly controlled operations is for the councils to work together in a spirit of partnering in connection with their dealings with each other in respect of these services so that, wherever possible the activities of one complement and enhance the activities of the other for the benefit of all residents, businesses and visitors to their respective administrative areas.

There is no requirement for an authority to produce Group Accounts where the authority only has an interest in a jointly controlled operation.

## Note 17 – Long Term Debtors

2020/21 £'000		2021/22 £'000
6,700	Farnborough International Airport Loan	6,700
348	Rushmoor Development Partnerships	0
8	Loan to Subsidiary	683
46	Car Loans	56
21	Rent Free Lease Periods	12
<b>7,124</b>	<b>Total</b>	<b>7,452</b>

## Note 18 - Financial Instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes, benefits and government grants, do not give rise to financial instruments.

### Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that

is potentially favourable to the Council. The financial assets held by the Council during the year are accounted for under the following three classifications:

Amortised cost (where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flows) comprising:

- cash in hand,
- bank current and deposit accounts with Lloyds bank,
- loans to companies,
- certificates of deposit and covered bonds issued by banks and building societies, and
- trade receivables for goods and services provided.

Fair value through profit and loss (all other financial assets) comprising:

- money market funds managed by fund managers,
- pooled bond, equity and property funds managed by fund managers,

Financial assets held at amortised cost are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council.

The financial assets disclosed in the Balance Sheet are analysed across the following categories:

Financial Assets	Non-current				Current				TOTAL	
	Inv		Debtors		Inv&cash		Debtors			
	31-Mar 2021 £'000	31-Mar 2022 £'000	31-Mar 2021 £'000	31-Mar 2022 £'000	31-Mar 2021 £'000	31-Mar 2022 £'000	31-Mar 2021 £'000	31-Mar 2022 £'000	31-Mar 2021 £'000	31-Mar 2022 £'000
Pre IFRS9 Categories										
Fair value through Profit or loss	21,281	21,943							21,281	21,943
Amortised cost					4,371	14,814			4,371	14,814
Total financial assets	21,281	21,943	0	0	4,371	14,814	0	0	25,652	36,757
Non-financial assets;										
Cash at amortised cost									0	0
Trade Debtors *			431	395			4,266	5,820	4,697	6,215
Loan Debtors *			7,471	7,383					7,471	7,383
<b>Total</b>	<b>21,281</b>	<b>21,943</b>	<b>7,902</b>	<b>7,778</b>	<b>4,371</b>	<b>14,814</b>	<b>4,266</b>	<b>5,820</b>	<b>37,820</b>	<b>50,355</b>

\*Debtors due within 1 year excludes £1,054k in respect of Council Tax debtors, HMRC, Non-Domestic Rates and Housing Benefit subsidy payments, from the total of £6,844k reported on the Balance Sheet, as these are statutory levies not falling within the definition of financial instruments. £367k is also excluded in respect of Payments in Advance.

## Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.

The majority of the Council's financial liabilities held during the year are measured at amortised cost and comprised:

- long-term loans from the Local Enterprise Partnership,
- short-term loans from other local authorities,
- lease payables detailed in note 40, and
- trade payables for goods and services received.

The financial liabilities disclosed in the Balance Sheet are analysed across the following categories:

Financial Liabilities	Non-current				Current				TOTAL	
	Borrow&leases		Creditors		Borrow&lease		Creditors			
	31-Mar 2021 £'000	31-Mar 2022 £'000	31-Mar 2021 £'000	31-Mar 2022 £'000	31-Mar 2021 £'000	31-Mar 2022 £'000	31-Mar 2021 £'000	31-Mar 2022 £'000	31-Mar 2021 £'000	31-Mar 2022 £'000
<b>Amortised cost</b>										
Borrowings at amortised cost					(102,000)	(100,000)			(102,000)	(100,000)
Finance Lease Liabilities at amortised cost	(1,736)	(1,396)					(369)	(340)	(2,105)	(1,736)
<b>Total financial liabilities</b>	<b>(1,736)</b>	<b>(1,396)</b>	<b>0</b>	<b>0</b>	<b>(102,000)</b>	<b>(100,000)</b>	<b>(369)</b>	<b>(340)</b>	<b>(104,105)</b>	<b>(101,736)</b>
Non-financial liability (creditors) *							(7,411)	(19,075)	(7,411)	(19,075)
<b>Total</b>	<b>(1,736)</b>	<b>(1,396)</b>	<b>0</b>	<b>0</b>	<b>(102,000)</b>	<b>(100,000)</b>	<b>(7,780)</b>	<b>(19,415)</b>	<b>(111,516)</b>	<b>(120,811)</b>

\*Creditors due within 1 year excludes £2,459k from the total of £30,154k reported on the Balance Sheet, in respect of Council Tax creditors and payments for Non-Domestic Rates. £1,386k is also excluded in respect of Income in Advance and £7,33k in relation to Revenue Grants Receipts in Advance as these do not meet the definition of a financial liability as they relate to non-exchange transactions.

## Gains and Losses

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

	Fin Liab Amort cost £'000	Fin Asset Amort cost £'000	Fin Asset FV PL £'000	2021/22 Total £'000	2020/21 Total £'000
Interest expense	369			369	870
<b>Interest paid and similar charges</b>	<b>369</b>	<b>0</b>	<b>0</b>	<b>369</b>	<b>870</b>
Interest revenue		(15)	(918)	(933)	(836)
<b>Interest receivable and similar income</b>	<b>0</b>	<b>(15)</b>	<b>(918)</b>	<b>(933)</b>	<b>(836)</b>
Losses from changes in fair value (Unrealised)			597	597	32
Gains from changes in fair value (Unrealised)			(1,250)	(1,250)	(2,130)
Fee income/(expense)		81		81	68
<b>Other investment income</b>	<b>0</b>	<b>81</b>	<b>(653)</b>	<b>(572)</b>	<b>(2,030)</b>
<b>Net impact on Surplus/Deficit on Provision of Services</b>	<b>369</b>	<b>66</b>	<b>(1,571)</b>	<b>(1,136)</b>	<b>(1,996)</b>

## Fair value

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, including bonds, shares in money market funds and other pooled funds, the fair value is taken from the market price.

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2022, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans
- The fair value of all financial liabilities is equal to the carrying value reported in the balance sheet
- The fair value for all financial assets is equal to the carrying value reported in the balance sheet

Fair values are assessed against the following 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
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness.

All financial assets and liabilities apart from long term loans (assessed as a level 2) are assessed as being level 1 using an unadjusted quoted price in active markets.

## Note 19 – Inventory

2020/21 £'000		2021/22 £'000
0	Memorial vaults	8
0	Bar stock	5
0	Fuel stock	0
<b>0</b>	<b>Total</b>	<b>12</b>

## Note 20 – Short Term Debtors

2020/21 £'000		2021/22 £'000
1,711	Trade Receivables	3,095
504	Payments in advance	588
13,480	Other Receivables	3,160
<b>15,694</b>	<b>Total</b>	<b>6,844</b>

**Note 21 - Cash and Cash Equivalents**

2020/21 £'000		2021/22 £'000
3874	Cash and Bank balances held by the Council	(462)
4,755	Short Term Deposits / Cash Equivalents	14,154
<b>5,141</b>	<b>Total</b>	<b>13,692</b>

**Note 22 – Short Term Borrowing**

2020/21 £'000		2021/22 £'000
(102,000)	Borrowing from LA's	(100,000)
<b>(102,000)</b>	<b>Total</b>	<b>(100,000)</b>

**Note 23 – Short Term Creditors**

2020/21 £'000		2021/22 £'000
(82)	Trade payables	(4,533)
(8,005)	Receipts in advance	(8,819)
(19,972)	Other payables	(15,961)
<b>(28,059)</b>	<b>Total</b>	<b>(29,313)</b>

The Council are the Local Trusted Organisation for the Prospect Estate Big Local Partnership. As at 31 March 2022, the Council held £48,234 for this purpose in the "Other payables" line of the creditors analysis (£102,287 at 31st March 2021).

**Note 24 – Long Term Provisions**

2020/21 £'000		2021/22 £'000
(4,812)	Opening Balance	(4,480)
(163)	Increase in provision during year	(2,896)
495	Utilised during year	4,827
<b>(4,480)</b>	<b>Closing Balance</b>	<b>(2,549)</b>

The Council had long-term provision in respect of Business Rate appeals only.

**Note 25 – Long Term Borrowing**

2020/21 £'000		2021/22 £'000
0	Borrowing from LA's	0
<b>0</b>	<b>Total</b>	<b>0</b>

**Note 26 – Other Long Term Liabilities**

2020/21 £'000		2021/22 £'000
(59,602)	Pensions Liability	(46,256)
(1,736)	Finance Leases Liability	(1,396)
<b>(61,338)</b>	<b>Total</b>	<b>(47,652)</b>

## Note 27 - Unusable Reserves

2020/21 £'000		2021/22 £'000
(47,015)	Revaluation Reserve	(43,784)
(58,267)	Capital Adjustment Account	(61,136)
609	Pooled Investment Funds Adjustment Account	(45)
59,602	Pension Reserve	46,256
10,321	Collection Fund Adjustment Account	2,115
231	Accumulated Absences Account	162
<b>(34,519)</b>	<b>Total</b>	<b>(56,431)</b>

### 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:

- revalued 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 1st 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
<b>(45,525)</b>	<b>Balance 1 April</b>	<b>(47,015)</b>
(13,808)	Upward revaluation of assets	(9,234)
11,420	Downward reval of assets and impairment losses not charged to the Sur/Def on PoS	4,230
<b>(2,388)</b>	<b>Movement in year</b>	<b>(5,004)</b>
898	Difference between fair value depreciation and historical cost depreciation	254
0	Accumulated gains on assets sold or scrapped	7,981
0	Other amounts written off to the Capital Adjustment Account	0
<b>898</b>	<b>Amount written off to the Capital Adjustment Account</b>	<b>8,235</b>
<b>(47,015)</b>	<b>Balance 31 March</b>	<b>(43,784)</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. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Property and gains accumulated on Property, Plant and Equipment before 1st April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 8 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
<b>(62,653)</b>	<b>Balance 1 April</b>	<b>(58,267)</b>
0	Amount written out of the Revaluation Reserve	(7,981)
	<u>Reversal of Items relating to capital expenditure dr/cr to the CIES</u>	
1,003	Charges for depreciation and impairment of non-current assets (PPE)	1,391
6,625	Net revaluation gains/losses on non-current assets (PPE)	(971)
181	Amortisation of intangible assets	118
775	Revenue expenditure funded from capital under statute	816
418	Amounts of non-current assets w/off on disposal/sale as part of the gain/loss on disposal to CIES	13,585
<b>9,003</b>	<b>Net of above transactions</b>	<b>14,938</b>
(898)	Adjusting Amounts written out of the Revaluation Reserve	(254)
<b>8,105</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>14,684</b>
(204)	Use of Capital Receipts Reserve to finance new capital expenditure	0
(2,156)	Capital Grants and Contributions credited to the CIES that have been applied to capital financing	(5,266)
(643)	Statutory provision for the financing of capital investment charged against the General Fund balances	(400)
(1,739)	Capital expenditure charged against the General Fund balances	(2,103)
<b>(4,742)</b>	<b>Net of above transactions</b>	<b>(7,769)</b>
1,023	Movements in the market value of Investment Properties dr/cr to the CIES	(1,804)
<b>(58,267)</b>	<b>Balance 31 March</b>	<b>(61,136)</b>

### Pooled Investment Funds Adjustment Account

2020/21 £'000		2021/22 £'000
<b>2,706</b>	<b>Balance 1 April</b>	<b>609</b>
(2,130)	Upward revaluation of investments charged to the Surplus/(Deficit) on the Provision of Services	(1,250)
32	Downward revaluation of investments charged to the Surplus/(Deficit) on the Provision of Services	597
<b>609</b>	<b>Balance 31 March</b>	<b>(45)</b>

### 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 accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. 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
<b>52,161</b>	<b>Balance 1 April</b>	<b>59,602</b>
4,853	Remeasurements of the net defined benefit (liability)/asset	(17,242)
4,600	Reversal of items relating to retirement benefits dr/cr to Surp/Def on PoS in the CIES	5,970
(2,012)	Employer's pensions contributions and direct payments to pensioners payable in the year	(2,074)
<b>59,602</b>	<b>Balance 31 March</b>	<b>46,256</b>

### Collection Fund Adjustment Account

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

Information for the Collection Fund Adjustment Account is shown below:

2020/21 £'000		2021/22 £'000
<b>890</b>	<b>Balance 1 April</b>	<b>10,321</b>
9,431	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(8,205)
<b>10,321</b>	<b>Balance 31 March</b>	<b>2,115</b>

### Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned, but not taken, in the year e.g. annual leave entitlement carried forward at 31st March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the account.

2020/21 £'000		2021/22 £'000
<b>155</b>	<b>Balance 1 April</b>	<b>231</b>
(155)	Settlement or cancellation of accrual made at the end of the preceding year	(231)
231	Amounts accrued at the end of the current year	162
<b>(77)</b>	<b>Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirements</b>	<b>(69)</b>
<b>231</b>	<b>Balance 31 March</b>	<b>162</b>

### Note 28 - Cash Flow Statement – Adjustments to net surplus/deficit

2020/21 £'000		2021/22 £'000
1,006	Depreciation of tangible	1,391
181	Amortisation of intangible	118
6,625	Impairment and downward valuations	(971)
(1,008)	Increase/decrease in provision for doubtful debts	306
(114)	Increase/decrease in interest creditors	0
7,002	Increase/decrease in creditors	4,999
(718)	Increase/decrease in interest debtors	0
(858)	Increase/decrease in debtors	8,502
7	Increase/decrease in inventories	(12)
2,588	Movement in pension liability	3,896
415	Carrying amount of non-current assets & non-current assets held for sale, sold or derecognised	13,469
(1,105)	Other non-cash items charged to the net surplus or deficit on the provision of services	(25,755)
<b>14,022</b>	<b>Total</b>	<b>5,942</b>



## Note 29 - Cash Flow Statement – Adj's for items in net surp/def on PoS that are investing or financing activities

2020/21 £'000	2021/22 £'000
0 Proceeds from sale of Property, Plant and Equipment, Investment Property and Intangible Assets	1,050
0 Capital Grants credited to the surplus/deficit on the provision of services	0
<b>0 Total</b>	<b>1,050</b>

## Note 30 - Cash Flow Statement – Operating Activities

2020/21 £'000	2021/22 £'000
976 Interest received	909
(955) Interest paid	(666)
<b>21 Total</b>	<b>243</b>

## Note 31 - Cash Flow Statement - Investing Activities

2020/21 £'000	2021/22 £'000
(20,571) Purchase of property, plant and equipment, investment property and intangible assets	(8,628)
(32) Other payments for investing activities	(675)
0 Purchase of short-term and long-term investments	0
0 Proceeds from short-term and long-term investments	0
(835) Other receipts from investing activities	7
<b>(21,438) Net cash flows from investing activities</b>	<b>(9,296)</b>

## Note 32 - Cash Flow Statement - Financing Activities

2020/21 £'000	2021/22 £'000
79,320 Cash receipts of short and long-term borrowing	0
(364) Cash payments for the reduction of outstanding liabilities relating to finance leases	(369)
(67,000) Repayments of short- and long-term borrowing	(2,000)
(1,437) Other payments for financing activities	0
<b>10,519 Net cash flows from financing activities</b>	<b>(2,369)</b>

## Note 33 - Reconciliation of liabilities arising from Financing Activities

	1st Apr'21 £'000	Fin cash flows £'000	Non-cash changes £'000	31st Mar'22 £'000
Long Term Borrowing	0	0	0	0
Short Term Borrowing	102,000	(2,000)	0	100,000
Lease Liabilities	2,110	(369)	0	1,741
<b>Total Liabilities from Financing Activities</b>	<b>104,110</b>	<b>(2,369)</b>	<b>0</b>	<b>101,741</b>

## Note 34 - Officers' Remuneration and Termination Benefits

The remuneration paid to the Council's senior employees is as follows:

	2020/21	2021/22
50,000 to £54,999	21	16
£55,000 to £59,999	5	10
£60,000 to £64,999	8	7
£65,000 to £69,999	3	5
£70,000 to £74,999	6	4
£75,000 to £79,999	0	1
£80,000 to £84,999	0	0
£85,000 to £89,999	0	2
£90,000 to £94,999 ...	2	2
£125,000 to £129,999 ...	1	0
£140,000 to £144,999	0	1
<b>Total</b>	<b>46</b>	<b>48</b>

The rate of pension contribution to the Hampshire Pension Fund is 18.2%. The number of employees whose remuneration (including taxable benefits, but excluding employers' pension contributions) was £50,000 or more, in bands of £5,000, is shown below. Data shown includes senior employees.

### Senior Officer Remuneration

		Salary, Fees and Allowances £	Expenses Allowances £	Compensation for Loss of Office £	Pension Contribution £	Total £
<b>Chief Executive</b>	<b>2021/22</b>	142,007	-	-	25,845	167,852
	<b>2020/21</b>	125,117	-	-	22,771	147,888
<b>Executive Director</b>	<b>2021/22</b>	94,643	349	-	17,288	112,280
	<b>2020/21</b>	92,103	349	-	16,826	109,278
<b>Executive Director</b>	<b>2021/22</b>	93,587	349	-	17,096	111,032
	<b>2020/21</b>	91,559	349	-	16,727	108,635
<b>Head of Fin. Services (CFO)</b>	<b>2021/22</b>	79,923	-	-	14,546	94,469
	<b>2020/21</b>	74,241	-	-	13,512	87,753

### Exit Packages

Exit package cost band (including special payments)	Number of comp redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	20/21	21/22	20/21	21/22	20/21	21/22	20/21	21/22
£0-£20,000	0	1	3	2	3	3	£52,904	£24,536
£20,001-£40,000	1	1	1	2	2	3	£59,647	£92,823
£40,000-£60,000	0	0	0	0	0	0	£0	£0
£60,001-£80,000	0	0	1	1	1	1	£67,664	£63,753
£80,001-£100,000	0	0	0	0	0	0	£0	£0
£100,001-£120,000	0	1	0	0	0	1	£0	£119,978
<b>Total</b>	<b>1</b>	<b>3</b>	<b>5</b>	<b>5</b>	<b>6</b>	<b>8</b>	<b>£180,215</b>	<b>£301,090</b>

**Note 35 - External Audit Costs**

2020/21 £'000		2021/22 £'000
(24)	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor	81
10	Fees payable to external auditors for the certification of grant claims & returns	11
0	Refund of fee payable to external auditors	(6)
<b>(14)</b>	<b>Total</b>	<b>86</b>

**Note 36 - Grant Income**

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement- Taxation and Non-specific Grant Income:

2020/21 £'000		2021/22 £'000
(1,169)	New Homes Bonus Grant	(863)
(11,314)	S.31 grants paid to compensate loss of nndr income	(5,267)
(1,404)	Capital Grants and Contributions	(4,507)
(144)	New Burdens Grant	(450)
(5,564)	Other Covid-19 related Grants	(2,784)
-	Lower Tier Services Grant	(101)
<b>(19,595)</b>	<b>Total</b>	<b>(13,972)</b>

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement- Net Cost of Services:

2020/21 £'000		2021/22 £'000
(388)	DLUHC- Flexible homelessness grant	(473)
(78)	DLUHC- Localising Ctax admin subsidy	(92)
(506)	DLUHC- Other & Covid related grants	(441)
(28,271)	DWP- HB subsidy	(25,515)
(300)	DWP- HB admin subsidy	(265)
(292)	DWP- Disc Hou payments	(226)
(33)	DWP- Other	(56)
(6)	Cabinet Office	0
(186)	Developers Contributions	(827)
(1,203)	HCC- Better Care Fund	(1,203)
(500)	HCC- Other & Covid related grants	(252)
0	DEFRA	(126)
(28)	Contributions for other projects	(48)
(177)	Other covid related grants	(306)
(5)	Support thru Big Local (Local Trust for the Big Lottery Fund)	(5)
<b>(31,973)</b>	<b>Total</b>	<b>(29,835)</b>

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 could require the monies to be returned to the giver. The balances at year-end are shown in the table below:

**Capital Grant Receipts in Advance- Non-current Liabilities**

2020/21 £'000		2021/22 £'000
(4,521)	Developers' Contributions	(4,813)
(32)	Creditor- armed forces community covenant	(25)
<b>(4,553)</b>	<b>Total</b>	<b>(4,838)</b>

**Note 37 - Members' Allowances**

In 2021/22 a total of £335k was paid out in members' allowances (2020/21 £320k).

**Note 38 - Related Parties**

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. During 2021/22, the Council provided financial assistance to 106 organisations by way of direct loans (£770,654), direct grant payments (£538,472), awards of rent relief (£426,838), awards of business rates relief (£529,863) and free parking permits (£68,469).

Within the Business Rates Retention Scheme, rate relief has been awarded to charitable and not-for-profit organisations. The cost of the rate relief is shared between central government, Rushmoor Borough Council and Hampshire County Council (including Fire Authority) in the following proportions 50:40:10. The Council did not provide material financial assistance to any organisation, being more than 50% of their funding, on terms that gave the Council effective control over their operations. However, of the voluntary organisations that the Council provided financial assistance to, significant financial assistance was given to the following organisations:

	2021/22 £
Rushmoor Citizens Advice	524,219
Places for People Leisure Ltd	106,496
Step-by-Step	89,653
Rushmoor Voluntary Services	79,272
British Heart Foundation	57,274
Ndreams Ltd	50,743
Farnborough Football Club	49,821
Basingstoke Canal Management Committee	42,246
Dial-a-Ride	32,591
Aldershot Military Museum	31,612
Aldershot Town and District Football in the Community Trust	30,277
Farnborough Air Sciences Museum	29,660

## Central Government

Central Government has effective control over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority 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). Details of funding transactions with government departments in the form of grants and contributions are set out in Note 36.

## Members

Members of the council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2021/22 is shown in Note 37.

During 2021/22 no works or services were commissioned from companies in which members had an interest.

Financial assistance totalling £2,126,903 was awarded to voluntary organisations in which 21 members and 5 ex-members had an interest. These financial awards were made with proper consideration of declarations of interest and the relevant members did not take part in any discussion or decision relating to the grants.

Details of all these transactions are recorded in the Statement of Accounts working papers and the Register of Members interest, open to public inspection.

## Officers

Financial assistance totalling £770,854 in the form of a loan was awarded to organisations in which 2 senior officers of the Council had an interest.

## Entities Controlled or Significantly Influenced by the Council

The Council controls Rushmoor Homes Ltd (RHL) through its ownership of 100% of the shares in the company. The company is currently in development and will assist to develop new homes to meet the Council's regeneration priorities and desire to improve the availability of quality housing within the Borough. The first full year of operation will be 2021/22. The council made a long-term loan of £675k and a short term loan of £70k to the company.

The Council holds a 50% stake in Rushmoor Development Partnership (RDP). The partnership is currently in development with the objective to redevelop sites in Farnborough and Aldershot. 2021/22 was the first full year of operation for the partnership. During 2021/22 the Council invested £168,000 in set up of the partnership.

## Note 39 - Capital Expenditure and Financing

As at 31st March 2022 use of borrowing for capital expenditure resulted in the Council incurring a capital financing requirement of £121.9m. Total capital expenditure in 2021/22 was £10.1m, of which £0.8m was revenue expenditure funded from capital under statute. An amount of £0m was drawn from available capital receipts and government grants and contributions amounted to £5.3m. A summary of this expenditure and how it was financed is shown below.

2020/21 £'000		2021/22 £'000
102,054	<b>Opening Capital Financing Requirement</b>	119,570
	<u>Capital Investment:</u>	
911	Loans to external bodies	672
3,436	Property Plant and Equipment	8,592
17,135	Investment Properties	37
0	Intangible Assets	0
775	Rev. Exp. Funded from Capital Under Statute	816
22,257	<b>Total Capital Investment</b>	10,117
	<u>Sources of Finance:</u>	
(204)	Capital receipts	0
(2,156)	Government Grants and other contributions	(5,266)
(643)	Direct revenue contributions	(400)
(1,739)	Minimum revenue provision	(2,103)
(4,742)	<b>Total Sources of Finance applied</b>	(7,769)
119,570	<b>Closing Capital Financing Requirement</b>	121,918

Explanation of movements in year;

2020/21 £'000		2021/22 £'000
17,782	Increase in underlying need to borrow (unsupported by government financial assistance)	2,614
(266)	Assets acquired under finance leases	(266)
17,516	<b>Inc/(dec) in Capital Financing Requirement</b>	2,348

## Note 40 - Leases

### Council as Lessee

#### Operating Leases

The Council has various operating leases related to property, vehicle and equipment. The future minimum lease payments due under non-cancellable leases in future years are:

2020/21 £'000		2021/22 £'000
(85)	Not later than 1 year	(105)
(124)	Later than 1 but no later than 5 years	(125)
0	Later than 5 years	(1)
(209)	<b>Total</b>	(231)

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

2020/21 £'000		2021/22 £'000
(50)	Minimum lease payments	(50)
(50)	<b>Total</b>	(50)

## Finance Leases

The Council has identified an embedded finance lease under IFRIC 4 for the refuse and grounds maintenance vehicles. These assets are shown as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

2020/21 £'000		2021/22 £'000
2,303	Vehicles, Plant & Equipment	1,932
<b>2,303</b>	<b>Total</b>	<b>1,932</b>

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the vehicles acquired by the Council and the financial cost that will be payable by the Council in future years while the liability remains outstanding. Minimum lease payments are made up of the following amounts:

2020/21 £'000		2021/22 £'000
	Finance lease liabilities (net present value of min. lease payments):	
(369)	current	(340)
(1,736)	non-current	(1,396)
(73)	Finance costs payable in future years	(50)
<b>(2,178)</b>	<b>Total</b>	<b>(1,786)</b>

The minimum lease payments will be payable over the following periods and Finance lease liability over the following periods;

	Minimum Lease Payments		Finance Lease Liabilities	
	2020/21 £'000	2021/22 £'000	2020/21 £'000	2021/22 £'000
Not later than 1 year	(392)	(358)	(369)	(340)
Later than 1 but no later than 5 years	(1,354)	(1,319)	(1,306)	(1,288)
Later than 5 years	(432)	(108)	(430)	(108)
<b>Total</b>	<b>(2,178)</b>	<b>(1,785)</b>	<b>(2,105)</b>	<b>(1,736)</b>

## Council as Lessor

### Operating Leases

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

- Returns from investment property and the provision of community services, such as sports facilities, tourism services and community centres
- Economic development purposes to provide suitable affordable accommodation for local businesses

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

2020/21 £'000		2021/22 £'000
(8,232)	Not later than 1 year	(8,330)
(27,976)	Later than 1 but no later than 5 years	(28,915)
(100,520)	Later than 5 years	(117,851)
<b>(136,728)</b>	<b>Total</b>	<b>(155,096)</b>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2021/22, contingent rents of £14,763.42p, were receivable by the Council (£55,317.39p in 2020/21).

### **Finance Leases**

The Council has no currently determined finance leases as lessor.

### **Note 41 – Capital Commitments**

The Council has £36m material capital commitments as at 31st March 2022.

### **Note 42 - Defined Benefit Pension Scheme**

#### **Participation in Pension Schemes**

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

The Council participates in two post-employment schemes:

- The Local Government Pension Scheme, administered locally by Hampshire County Council. This is a funded defined benefit plan with benefits earned up to 31 March 2014 being linked to final salary. Benefits after 31st March 2014 are based on a Career Average Revalued Earnings scheme. The funded nature of the scheme requires employers and its employees to pay contributions into the Fund, calculated at a level intended to balance the pension liabilities with investment assets.
- Arrangements for the award of discretionary post-retirement benefits upon early retirement. 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.

#### **Transactions relating to post-employment benefits**

The cost of retirement benefits are recognised in the cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:



	LGPS		Disc Benefits	
	2020/21 £'000	2021/22 £'000	2020/21 £'000	2021/22 £'000
Cost of services:				
Service cost comprising:				
* current service costs	3,380	4,760	0	0
* past service costs	40	60	0	0
Financing and Investment income and exp:				
* net interest expense	1,090	1,150	90	0
<b>Total post emp benefit charged to the surplus/deficit on PoS</b>	<b>4,510</b>	<b>5,970</b>	<b>90</b>	<b>0</b>
Other post emp benefits charge to the CIES				
<b>Remeas'ment of the net defined benefit liability comprising:</b>				
* Return on plan assets (exc amount inc the net interest exp.)	(21,060)	(5,790)	0	0
* Actuarial gain/loss arising on changes in financial assumptions	27,320	(10,250)	290	(90)
* Actuarial gain/loss arising on changes in demographic assumpt.	0	(1,650)	0	(60)
* Actuarial (gains) and losses arising from liability experience	(1,640)	520	(50)	10
<b>Total post emp benefit charged to the CIES</b>	<b>9,130</b>	<b>(11,200)</b>	<b>330</b>	<b>(140)</b>
<u>Movement in Reserves Statement</u>				
* Rev of net charges made to sur/def on PoS for post emp ben.	(4,510)	(5,970)	(90)	0
Actual amount charged to GF for pensions in year:				
* Employer's contributions payable to scheme	1,750	0		
* Retirement benefits payable to pensioners			260	0

### Impact on the Council's cash flows

The objectives of the scheme are to keep the employers' contribution at as constant a rate as possible. The scheme's actuary assessed the scheme to be fully funded. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2024.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework to establish new career average revalued earnings schemes to pay pension and other benefits to certain public servants.

### Pensions 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:

	LGPS		Disc Benefits	
	2020/21 £'000	2021/22 £'000	2020/21 £'000	2021/22 £'000
Fair value of plan assets	114,600	120,860	0	0
Present value of the defined benefit obligation	(170,340)	(163,560)	(3,870)	(3,550)
<b>Net liability arising from the defined benefit obligation</b>	<b>(55,740)</b>	<b>(42,700)</b>	<b>(3,870)</b>	<b>(3,550)</b>

### Changes to the fair value of assets;

The remeasurement gain on the net defined benefit liability is comprised of:

- Return on plan assets – a measure of return (income from dividends, interest etc, and gains on invested sums) on the investment assets held by the scheme for the year
- Actuarial gains and losses – arise where actual events have not coincided with actuarial assumptions made for the last valuation.

	LGPS		Disc Benefits	
	2020/21 £'000	2021/22 £'000	2020/21 £'000	2021/22 £'000
<b>Opening fair value of scheme assets</b>	<b>93,770</b>	<b>114,600</b>	<b>0</b>	<b>0</b>
Interest income	2,130	2,390	0	0
Remeasurement gain/(loss) on assets	21,060	5,790	0	0
Contribution from employer	1,750	1,820	260	260
Contribution from employee's into scheme	680	710	0	0
Net Benefits paid	(4,780)	(4,450)	(260)	(260)
<b>Closing fair value of scheme assets</b>	<b>114,610</b>	<b>120,860</b>	<b>0</b>	<b>0</b>

### Reconciliation of present value of the scheme liabilities (Defined Benefit Oblig.);

	LGPS		Disc Benefits	
	2020/21 £'000	2021/22 £'000	2020/21 £'000	2021/22 £'000
<b>Opening balance at 1st April</b>	<b>142,120</b>	<b>170,340</b>	<b>3,810</b>	<b>3,870</b>
Current service costs	3,380	4,760	0	0
Interest income	3,220	3,540	90	80
Contributions by scheme participants	680	710	0	0
Remeasurement gain/(loss):				
* Actuarial gain/loss arising on changes in financial assumptions	27,320	(10,250)	290	(90)
* Actuarial gain/loss arising on changes in demographic assum.	0	(1,650)	0	(60)
* Actuarial (gains) and losses arising from liability experience	(1,640)	520	(50)	10
Net Benefits paid	(4,780)	(4,450)	(260)	(260)
Past service costs	40	40	0	0
<b>Closing balance at 31st March</b>	<b>170,340</b>	<b>163,560</b>	<b>3,880</b>	<b>3,550</b>

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Aon Hewitt Ltd, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31st March 2019.

The principal assumptions used by the actuary have been:

#### Financial Assumptions

	LGPS		Disc Benefits	
	2020/21 %	2021/22 &	2020/21 %	2021/22 %
Discount	2.1%	2.7%	2.1%	2.7%
Rate of inflation (CPI)	2.7%	3.0%	2.7%	3.0%
Rate of increase to pensions in payment	2.7%	3.0%	2.7%	3.0%
Pension accounts revaluation rate	2.7%	3.0%		
Salary increases	3.7%	4.0%		

## Mortality assumption

The mortality assumptions are based on actual mortality experience of members within the Fund based on analysis carried out as part of the 2019 Actuarial Valuation and allow for expected future mortality improvements. Sample life expectancies at age 65 in normal health resulting from these mortality assumptions are shown below.

	LGPS		Disc Benefits	
	2020/21 %	2021/22 &	2020/21 %	2021/22 %
Longevity at 65 for current pensioners:				
Men	23.1 yrs	22.9 yrs	23.1 yrs	22.9 yrs
Women	25.6 yrs	25.4 yrs	25.5 yrs	25.4 yrs
Longevity at 65 for future pensioners:				
Men	24.8 yrs	24.7 yrs		
Women	27.3 yrs	27.1 yrs		

At this accounting date, the assumed rates of future mortality have been increased to reflect a slightly more negative outlook as a result of the COVID-19 pandemic.

## Pension assets

The Discretionary Benefits arrangements have no assets to cover its liabilities.

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	2020/21 Total %	2021/22 Total %
Equities	57.0	55.7
Property	6.1	6.9
Government Bonds	17.3	18.0
Corporate Bonds	0.0	0.0
Multi Asset Credit	0.0	9.2
Cash	1.4	0.9
Other Assets	18.2	9.3
<b>Totals</b>	<b>100.00</b>	<b>100.00</b>

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions outlined above.

## Sensitivity Analysis

Impact on the present value of the funded defined benefit obligation in the Scheme	Increase in assumption £m	Base £m	Decrease in assumption £m
Rate of inflation (adjustment to discount rate +0.1% or -0.1% pa)	160.46	163.56	(166.83)
Rate of increase in salaries (increase or decrease by 0.1% pa)	163.89	163.56	(163.24)
Rate of increase to pensions in payment and rate of revaluation of pension accounts (increase or decrease by 0.1% pa)	166.51	163.56	(160.78)
Post retirement mortality assumption (increase or decrease by 0.1% pa)	169.12	163.56	(158.00)

### **Note 43 – Nature and Extent of Risks arising from Financial Instruments**

The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2017.

In line with the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Investment Strategy in compliance with the Ministry for Housing, Communities and Local Government Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

The main risks covered are:

- Credit Risk: The possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the Council.
- Liquidity Risk: The possibility that the Council might not have the cash available to make contracted payments on time.
- Market Risk: The possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices.

#### **Credit Risk**

#### **Treasury Instruments**

The Council's credit risk management practices are set out in paragraph 6.11 of the 2021/22 Annual Treasury Management Investment Strategy. With particular regard to determining whether the credit risk of financial instruments has increased significantly since initial recognition.

Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies and adjusted for current and forecast economic conditions. A two-year delay in cash flows is assumed to arise in the event of default. Investments are determined to have suffered a significant increase in credit risk where they have been downgraded by three or more credit rating notches or equivalent since initial recognition, unless they retain an investment grade credit rating. They are determined to be credit-impaired when awarded a "D" credit rating or equivalent. As at 31 March 2022, £0 (2021: £0) of loss allowances related to treasury investments.

#### **Trade and Lease Receivables and Contract Assets**

The following analysis summarises the Council's trade and lease receivables, by due date. Only those receivables meeting the definition of a financial asset are included.

2020/21 £'000		2021/22 £'000
6,229	Neither past due or impaired	4,295
951	Less than two months	951
243	Two to six months	243
1,110	Six months to one year	318
-	More than one year	792
<b>8,533</b>	<b>Total Receivables</b>	<b>8,533</b>

Loss allowances on trade and lease receivables and contract assets have been calculated by reference to the Council's historic experience of default and adjusted for current and forecast economic conditions. Receivables are determined to have suffered a significant increase in credit risk where they are 30 or more days past due and they are determined to be credit-impaired where they are 90 or more days past due.

Receivables are written off to the Surplus or Deficit on the Provision of Services when the debtor are formally insolvent, but steps are still taken to collect sums owing. The amount written off but still subject to enforcement action as at 31st March 2022 is £25,000 (2021: £25,000).

### Loans, Financial Guarantees and Loan Commitments

In furtherance of the Council's service objectives, it has lent money to Farnborough International. It has also committed to lend money to Farnborough International should it be requested to do so at market rates of interest.

The amounts recognised on the balance sheet, and the Council's total exposure to credit risk from these instruments are:

	2020/21 £'000	Risk exposure £'000	2021/22 £'000	Risk exposure £'000
Company Loan – Loans at market rate	6,709	-	7,383	-
Company Loan – Loan commitment at market rate	-	-	-	-
<b>Total</b>	<b>6,709</b>	<b>-</b>	<b>7,383</b>	<b>-</b>

The Council manages the credit risk inherent in its loans for service purposes and loan commitments in line with its published Investment Strategy.

Loss allowances on loans for service purposes, financial guarantees and loan commitments have been calculated by reference to historic default data published by credit rating agencies and adjusted for current and forecast economic conditions. They are determined to have suffered a significant increase in credit risk where they are 30 or more days past due and they are determined to be credit-impaired where they are 90 or more days past due. Loans are written off to the Surplus or Deficit on the Provision of Services when they are two years past due, but steps are still taken to collect sums owing.

### Liquidity Risk

The Council manages its liquidity position through risk management procedures as referred to above, including the setting and approval of prudential indicators and the approval of the Annual Treasury Management Strategy as well as through cash flow management procedures. This seeks to ensure that cash is available as needed.

In the event of an unexpected cash requirement, the Council has ready access to borrowings from the money markets to cover any day-to-day cash flow need. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies re raised to cover annual expenditure.

There is no perceived risk that the Council will be unable to raise finance to meet its commitments.

### Refinancing and Maturity Risk

The Council maintains a significant investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to the maturing of longer-term financial assets. The approved limits placed on investments of greater than one year in duration, are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks, and the central treasury team address the operational risks within the approved parameters.

This includes monitoring the maturity profile of investments to ensure liquidity is available for the Council's day to day cash flow needs and the spread of longer term investments provide stability of maturities and returns in relation to the longer-term cash flow needs.

The Council has ready access to borrowing at favourable rates from the Public Works Loan Board 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 its financial assets and analysis of financial liabilities is as follows:

2020/21 £'000	Maturity Analysis of Financial Assets	2021/22 £'000
8,637	Less than one year	20,903
27	Between one and two years	22
18	Between two and three years	13
29,138	More than three years	30,719
<b>37,820</b>	<b>Total</b>	<b>51,657</b>

2020/21 £'000	Analysis of Financial Liabilities	2021/22 £'000
120,940	Less than one year	119,940
369	Between one and two years	369
369	Between two and three years	369
998	More than three years	748
<b>122,676</b>	<b>Total</b>	<b>120,811</b>

### Market Risks

#### Interest rate risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense will rise
- borrowings at fixed rates – the fair value of the liabilities will fall
- investments at variable rates – the interest income will rise
- investments at fixed rates – the fair value of the assets will fall.

Investments measured at amortised cost and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure Statement. However, 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 measured at fair value will be reflected in Other Comprehensive Income or the Surplus or Deficit on the Provision of Services as appropriate.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy and Capital Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From the strategy, a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The treasury team will monitor the market and forecast interest rates within the year to adjust exposures appropriately. For instance, in periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long-term returns. At 31 March 2022, £78.2m (2021: (£80.7m)) of net principal borrowed (i.e. borrowing net of investments) was exposed to fixed rates.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget during the year. This allows any adverse changes to be accommodated.

At 31st March 2022, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

Analysis of Financial Liabilities	2021/22 £'000
Increase interest receivable on variable rate investments	107
Impact on surplus/deficit on the provision of service	107

The impact of a 1% fall in interest rates would be to push interest rates below zero and therefore would mean no interest would be receivable in the year.

## Price Risk

The market prices of the Council's fixed rate bond investments and its units in pooled bond funds are governed by prevailing interest rates and the price risk associated with these instruments is managed alongside interest rate risk.

The Council's investment in a pooled property fund is subject to the risk of falling commercial property prices. This risk is limited by the Council's maximum exposure to property investments of £5m. A 5% fall in commercial property prices at 31st March 2022 would result in a £266k (2021: £226k) charge to Other Comprehensive Income and Expenditure which is then transferred to the Pooled Investment Funds Adjustment Account, when not elected.

The Council's investment in a pooled equity funds is subject to the risk of falling share prices. This risk is limited by the Council's maximum exposure to equity investments of £5m. A 5% fall in share prices at 31st March 2022 would result in a £1,096k (2021 £838k) charge to the Surplus or Deficit on the Provision of Services which is then transferred to the Pooled Investment Funds Adjustment Account, when not elected.

## Collection Fund

The Collection Fund (England) is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and business rates.

31 March 2021			31 March 2022			
Council Tax £'000	NNDR £'000	Total £'000	Collection Fund	Council Tax £'000	NNDR £'000	Total £'000
(57,434)		(57,434)	<b>INCOME:</b>			
			Council Tax Receivable	(60,321)		(60,321)
	(25,450)	(25,450)	Business Rates Receivable		(40,190)	(40,190)
<b>(57,434)</b>	<b>(25,450)</b>	<b>(82,884)</b>	<b>Total amounts to be credited</b>	<b>(60,321)</b>	<b>(40,190)</b>	<b>(100,511)</b>
			<b>EXPENDITURE:</b>			
			<b>Apportionment of Prev. Year Sur/Def:</b>			
	(463)	(463)	Central Government		(13,034)	(13,034)
609	(83)	526	Hampshire County Council	(633)	(2,346)	(2,979)
99	(370)	(271)	Rushmoor Borough Council	(100)	(10,427)	(10,527)
100		100	Police and Crime Comm. Hampshire	(106)		(106)
33	(9)	23	Hampshire Fire and Rescue	(33)	(261)	(294)
			<b>Precepts, demands and shares:</b>			
	24,993	24,993	Central Government		24,843	24,843
41,181	4,498	45,679	Hampshire County Council	43,632	4,472	48,104
6,705	19,994	26,699	Rushmoor Borough Council	6,927	19,874	26,801
6,770		6,770	Police and Crime Comm. Hampshire	7,316		7,316
2,211	500	2,711	Hampshire Fire and Rescue	2,276	497	2,773
			<b>Charges to Collection Fund:</b>			
		0	Write-offs of uncollectable amounts			0
811	332	1,143	Inc/(dec) in allowance for impairment	1,446	653	2,099
	(828)	(828)	Inc/(dec) in allowance for appeals		(4,826)	(4,826)
	122	122	Charge to General Fund for allowable collection costs for non-domestic rates		119	119
<b>58,519</b>	<b>48,685</b>	<b>107,204</b>	<b>Total amounts to be debited</b>	<b>60,725</b>	<b>19,565</b>	<b>80,290</b>
<b>1,085</b>	<b>23,235</b>	<b>24,320</b>	<b>(Surplus)/Deficit arising in year</b>	<b>404</b>	<b>(20,625)</b>	<b>(20,221)</b>
<b>(1,916)</b>	<b>2,792</b>	<b>876</b>	<b>(Surplus)/Deficit b/f at 1 April</b>	<b>(831)</b>	<b>26,027</b>	<b>25,196</b>
<b>(831)</b>	<b>26,027</b>	<b>25,196</b>	<b>(Surplus)/Deficit c/f at 31 March</b>	<b>(427)</b>	<b>5,402</b>	<b>4,975</b>
			<b>Allocated to;</b>			
	13,014	13,014	Central Government		2,702	2,702
(604)	2,342	1,738	Hampshire County Council	(308)	486	178
(93)	10,411	10,318	Rushmoor Borough Council	(45)	2,160	2,115
(103)		(103)	Police and Crime Comm. Hampshire	(57)		(57)
(31)	260	229	Hampshire Fire and Rescue	(17)	54	37
<b>(831)</b>	<b>26,027</b>	<b>25,196</b>	<b>Total</b>	<b>(427)</b>	<b>5,402</b>	<b>4,975</b>



## Notes to the Collection Fund

### 1. Council Tax Base

Council Tax derives from charges raised according to the value of residential properties which have been classified into 8 valuation bands estimating 1st April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Hampshire County Council, Police and Crime Commissioner, Fire and Rescue Authority and the Council for the forthcoming year and dividing this by the Council Tax base (the total number of properties in each band adjusted to convert the number to a Band D equivalent and adjusted for discounts: (32,018 for 2021/22). This basic amount of Council Tax for a Band D property (£1,861.76 for 2021/22) is multiplied by an appropriate ratio to produce the amount due for the bands A to H. Council Tax bills are based on the following dwellings and proportions.

	Discounted Equivalent Dwelling	Weighting	Band D Equivalent
Valuation Band A	840	6/9	560
Valuation Band B	6,238	7/9	4,852
Valuation Band C	12,623	8/9	11,220
Valuation Band D	7,144	9/9	7,144
Valuation Band E	3,618	11/9	4,422
Valuation Band F	1,102	13/9	1,592
Valuation Band G	282	15/9	470
Valuation Band H	9	18/9	18
Valuation Band O (Army)	1,740	-	1,740
<b>Total Band D Equivalents</b>			<b>32,018</b>

### 2. Income from Non-Domestic Rates

The Council collects non-domestic rates for its area, which are based on local rateable values multiplied by a uniform rate specified by the government. In 2013/14 the administration of NDR changed following the introduction of the business rates retention scheme, so instead of paying the NDR to the pool the local authority retains a share of the total collectable rates due. For Rushmoor this is 40%, Hampshire County Council 9%, Hampshire Fire and Rescue Authority 1% and the Government 50%.

The rateable value of properties at 31st March 2022 is £116,008,655 and the national non-domestic multiplier was 49.9p. This gives a potential business yield of £57.9million. The actual business rates collectable for 2021/22 after reliefs is £45.1million. In addition, there is an adjustment to the business rates income for the provision on appeals to the collection fund.

#### Business Rates Revaluation 2017

At revaluation, the Valuation Office Agency (VOA) adjusts the rateable value of business properties to reflect changes in the property market. The most recent revaluation came into effect in England and Wales on 1st April 2017, based on rateable values from 1st April 2015.

Across England as a whole, the revaluation was expected to lead to an 11% increase in the rateable value of the average non-domestic property, with changes unevenly distributed across the country.

The business rates multiplier was adjusted so that revaluation would be revenue neutral, after accounting for a forecast of the cost of appeals against the new values.

A complex package of reliefs was introduced to phase in the biggest increase in bills to ratepayers resulting from the revaluation.

The impact of revaluation on the amount of business rates retained by individual councils has been offset by changes to the redistributive "tariffs" and "top-ups" between councils, with the aim of leaving underlying budgets unaffected by revaluation.

### 3. Provision for Council Tax and NDR Bad or Doubtful Debts and NDR provision for valuation appeals

	2020/21	2021/22
<b>Council Tax</b>		
Provision at 1 <sup>st</sup> April	(1,731)	(2,347)
Provisions made in year	(811)	(1,445)
Written off in year	195	200
<b>Provision at 31<sup>st</sup> March</b>	<b>(2,347)</b>	<b>(3,592)</b>
<b>NNDR</b>		
Provision at 1 <sup>st</sup> April	(986)	(1,275)
Provisions made in year	(331)	(653)
Written off in year	42	121
<b>Provision at 31<sup>st</sup> March</b>	<b>(1,275)</b>	<b>(1,807)</b>
<b>NNDR Valuation Appeals</b>		
Provision at 1 <sup>st</sup> April	(12,026)	(11,200)
Provisions made in year	0	0
Written off in year	826	4,826
<b>Provision at 31<sup>st</sup> March</b>	<b>(11,200)</b>	<b>(6,374)</b>

Provisions for bad or doubtful debts are assessed annually and charged to the collection fund.

## Annual Governance Statement 2021/22

### 1. Scope of Responsibility

Rushmoor Borough Council (RBC) has approved and adopted a local code of corporate governance, which is consistent with the seven core principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) Framework 'Delivering good governance in Local Government'. A copy of RBC's adopted Code is on the Council's website: ([Local Code of Corporate Governance](#)) RBC updates its code annually and evidence is collated and assessment for compliance by the Corporate Governance Group (CCG) and the Executive Leadership Team (ELT).

The Annual Governance Statement (AGS) 2021/22 states how the Council has complied with the Code and also meets the requirements of the Accounts and Audit Regulations 2015, regulation 6 (1b), and as amended by the Accounts and Audit (coronavirus) (Amendment) regulations 2020, which requires all relevant authorities to prepare an Annual Governance Statement. It is subject to detailed review by the Corporate Governance, Audit and Standards Committee (formerly Licensing, Audit and General Purposes Committee) and approval in advance of them agreeing the Statement of Accounts, into which the AGS is referred.

RBC is responsible for ensuring its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, which include arrangements for the management of risk, whilst facilitating the effective exercise of its functions.

### 2. The Purpose of the Governance Framework

The governance framework comprises the systems, processes, culture and values by which the authority is directed and controlled. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process, designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised and to manage them efficiently, effectively and economically.

### 3. What is Governance?

Governance is about how the Council ensures that it is doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner. Good governance leads to effective:

- leadership and management;
- performance and risk management;
- stewardship of public money; and
- public engagement and outcomes for our citizens and service users.

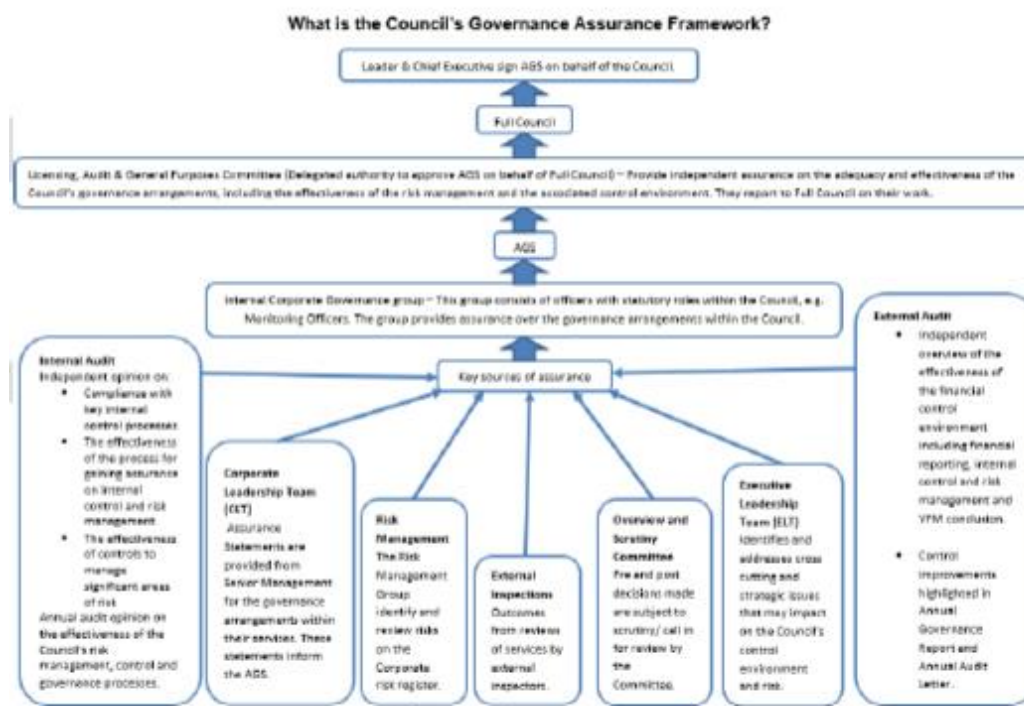
#### 4. What is the Annual Governance Statement (AGS)?

The Council is required by the Accounts and Audit Regulations 2015 to prepare and publish an Annual Governance Statement, to report publicly on the extent to which we comply with our own local Code of Corporate Governance, including how we have monitored the effectiveness of our arrangements in year and on any planned changes to our governance arrangements in the coming year. In this document the Council:

- acknowledges its responsibility for ensuring that there is a sound system of governance.
- summarises the key elements of the governance framework and the roles of those responsible for the development and maintenance of the governance environment.
- describes how the Council has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period;
- provides details of how the Council has responded to any issue(s) identified in last year's governance statement; and
- reports on any key governance matters identified from this review and provides a commitment to addressing them.

The Council's Governance Assurance Framework, which underpins the AGS, has been in place at the Council for the year ended 31 March 2022 and up to the date of approval of the AGS and Statement of Accounts.

#### 5. The Council's Process for Developing and Adopting the AGS



C o r p o r a t e G o v e r n a n c e	Council, Cabinet and Leader	<ul style="list-style-type: none"> <li>Adopting and making substantive changes to the constitution</li> <li>Approving or adopting the annual budget</li> <li>Agreeing and/or amending the Terms of Reference for Committees, deciding on their composition and appointing.</li> </ul>
	Overview and Scrutiny Committee	<ul style="list-style-type: none"> <li>Pre and post decisions made are subject to scrutiny/ call in for review by the Committee.</li> </ul>
	Corporate Governance, Audit and Standards Committee (CGAS)	<ul style="list-style-type: none"> <li>Provides independent assurance to the Council on the adequacy and effectiveness of the governance arrangements, risk management framework and internal control environment.</li> <li>Promotes high standards of Member conduct.</li> <li>Approves the Annual Statement of Accounts and Annual Governance Statement.</li> </ul>
	Risk Management	<ul style="list-style-type: none"> <li>The corporate risk register is regularly reviewed and monitored to ensure appropriate mitigation is in place.</li> <li>Service risk registers are regularly maintained and updated which are fed into the corporate risk register.</li> <li>Regular updates on risk management and the risk environment is provided to CGAS.</li> </ul>
	Corporate Governance Group (CGG)	<ul style="list-style-type: none"> <li>Officers with statutory roles within the Council e.g., the Monitoring officer and Section 151 officer, review and provide assurance over the governance arrangements within the Council including any constitutional changes or issues.</li> </ul>
	External assurances	<ul style="list-style-type: none"> <li>Assurances are obtained from external bodies e.g. compliance with PSN.</li> <li>Peer reviews</li> </ul>
	Information Governance Group (IGG)	<ul style="list-style-type: none"> <li>IGG develops and maintains an information governance framework for effective management of information.</li> <li>Authority to decide/recommend operational matters around all aspects of information governance and reports to CGG.</li> <li>Oversight of the Council's Cyber Security treatment plan.</li> </ul>
	Property, Major Projects and Regeneration Board	<ul style="list-style-type: none"> <li>Review of governance and risk management over major projects, for example Civic Quarter and Union Yard.</li> </ul>
C o r p o r a t e G o v e r n a n c e	Head of Paid Services	<ul style="list-style-type: none"> <li>The Chief Executive carries the responsibility for the proper management of RBC and for ensuring that the principles of good governance are reflected in sound management arrangements.</li> <li>Leads the Council's Management team in driving forward the Council's Strategic objectives.</li> </ul>
	Monitoring Officer	<ul style="list-style-type: none"> <li>Ensures compliance with established policies, procedures, laws and regulations.</li> <li>Monitors ethical standards.</li> <li>Reports actual or potential breaches of the law.</li> </ul>
	Section 151 Officer	<ul style="list-style-type: none"> <li>Develops a medium term financial strategy that is aligned with strategic priorities.</li> <li>Safeguards public money</li> <li>Promotes and deliver good financial management.</li> </ul>
	Executive Leadership Team (ELT)	<ul style="list-style-type: none"> <li>Implements the policy and budgetary framework set by the Council and provides advice to Committees and the Council on the development of future policy and budgetary issues and oversees the implementation of Council policy.</li> <li>Influences a corporate culture and fostering a culture of high ethical standards and integrity.</li> <li>Identifies and addresses cross cutting and strategic issues that may impact on the Council's control environment and risk.</li> </ul>
	Corporate Management Team (CMT)	<ul style="list-style-type: none"> <li>Responsible for developing, maintaining and implementing the Council's governance, risk and control framework. Including maintaining service risk registers.</li> <li>Contribute to the effective corporate management and governance of the Council.</li> <li>Provide assurance statements for the governance arrangements within their services which inform the Local Code of Corporate Governance and the AGS.</li> </ul>
	External Audit	<ul style="list-style-type: none"> <li>Audit/ review and report on the Council's financial statements (including the Annual Governance Statement), providing an opinion on the accounts and use of resources, concluding on the arrangements in place for securing economy, efficiency and effectiveness in the use of resources (the value for money conclusion).</li> </ul>
	Internal Audit	<ul style="list-style-type: none"> <li>Provides independent assurance and annual opinion on the adequacy and effectiveness of the Council's governance, risk management and control framework.</li> <li>Delivers an annual programme or risk-based audit activity.</li> <li>Makes recommendations for improvements in the management of the Council's risk, governance and control environment.</li> </ul>

## **Covid-19 Pandemic**

Since March 2020 the Council has been impacted by the coronavirus pandemic. There was a significant impact on the Council in order to maintain essential services, whilst adapting to provide alternative virtual services in line with government guidance. In order to ensure the Council stays informed the Gold, Silver and Bronze groups still operate and meet every two months, where necessary. The various changes, which impacted the Council's governance, were reported within the 2019/20 and 2020/21 AGS. During 2021/22 the Council has continued to implement some changes made as a response to the Covid 19 pandemic, some of which have now become part of the Council's business as usual.

### **Decision Making**

The legislation put in place during the Covid pandemic, which enabled Council's to carry out decision making committees remotely, was not renewed. As a result, decision making committees e.g., Council, Cabinet etc, reverted to being held in person. However, a hybrid approach is now being taken with non-decision-making committees where attendance can be in person or remote.

### **Emergency Powers**

Delegated powers remain in place to allow the Council to respond quickly when required to issue necessary grants. As there was still the potential that this was required these remained in place and are regularly reviewed. For example, during the phase of the Omicron outbreak, the Council was required to pay out grants to businesses to assist them, as a matter of urgency. The delegated powers were used in this instance to ensure the Council paid out these grants promptly.

### **Working from Home**

The Council has maintained a fluid approach to where staff work, enabling a hybrid of working environments to suit staff whilst also maintaining the same level of service provided to the Council's stakeholders. There is currently a 'rethinking the workplace' project underway which will firm up the Council's hybrid approach.

### **Financial implications**

The Annual Governance Statement for 2020/21 outlined the significant impact Covid-19 had on the Council's finances. Whilst there was a shift in focus from dealing with the immediate short-term impacts from Covid-19 towards the recovery phase, the Council still had to assess and mitigate the impact on income from Council Tax, Business Rates and Fees and Charges. Additional expenditure, funded from Covid-related reserves was incurred, particularly around the Council's role in supporting the welfare of vulnerable individuals and communities, and costs associated with reopening the Council Offices and moving towards Council staff to working under a Hybrid model.

The Council continued to monitor high-risk income and expenditure budgets closely during the financial year given the potential impact on the Council's finances, uncertainty around how long restrictions would remain in place, and how recovery from Covid may fundamentally change some of the Council services.



The Government provided Councils with additional funding in 2021/22 to help mitigate the financial impact from Covid. Funding was provided directly to the Council in the form of grant funding and compensation for income loss from sales, fees and charges. The Council also received a number of funding streams that it was required to use to support businesses that were required to close or were subject to financial pressure because of the pandemic. These included a number of Business Rates Grants schemes with the Council being required to design and approve local schemes to support businesses.

Un-ringfenced grant and compensation funding received from the Government included:

- Covid-19 Emergency Funding: £0.489m
- Covid-19 Income Loss Compensation: £0.137m

The Government provided funding to support businesses through the pandemic with a number of different Business Rates Grants schemes active between March 2020 and March 2022. The Council paid out over £29m over this period as shown in the table below:

Grant Scheme	Active until	Value of Grant Payments (£)
Small Business Grants Fund (SGBF)	closed August 2020	7,050,000
Retail, Hospitality and Leisure Business Grants Fund (RHLGF)	closed August 2020	6,990,000
Local Authority Discretionary Grants Fund (LADGF)	closed August 2020	825,000
Local Restriction Support Grants (various schemes)	closed June 2021	6,637,786
Omicron Hospitality and Leisure Grant	closed March 2022	524,029
Restart Grant		3,700,033
Additional Restrictions Grant (ARG)	closed March 2022	3,336,944
<b>Total</b>		<b>29,063,793</b>

At the time of writing, the Council had yet to finalise the outturn position for 2021/22, but it was anticipated that the impact on the Council's revenue budget, as a result of the pandemic, had been as forecast and budgeted for in-year. It is worth noting that the Council does have balances and reserves available to help mitigate the likely outturn position and some of the financial risks and pressures outlined. However, it is expected the Council will need to review the 2022/23 budget and Medium-Term Financial Strategy over the course of the financial year to ensure the Council remains financially resilient.

Councils are required by law to have balanced budgets. If a way in which to finance expenditure cannot be identified then it is the statutory responsibility of the Section 151 officer, as a last resort, to issue a section 114 notice. This notice prohibits all new expenditure, with the exception of safeguarding vulnerable people and statutory services. Due to the current financial challenges, as a result of the Covid-19 pandemic, CIPFA agreed with MHCLG to temporary modifications to the existing guidance around issuing section 114 notices, in order to create an opportunity, within existing statutory limits, to enable an exploration of what further options and/or financial assistance may be available.

Therefore, should this be considered by the Council's Section 151 Officer, the following process would be carried out in line with CIPFA's current guidelines:

- At the earliest opportunity the Head of Finance (Section 151 Officer) will make informal confidential contact with MHCLG to advise of financial concerns and a possible forthcoming section 114 notice.
- The Head of Finance (Section 151 Officer) will communicate the potential unbalanced budget position, due to Covid-19, to MHCLG at the same time as providing a potential Section 114 report to Cabinet and the Council's external auditors (Ernst and Young).

In December 2021, the Department for Levelling-up, Housing and Communities (DLUHC) announced an intention for the following dates to apply for the 2021/22 accounts and audit process in England:

31 July	Publication of the unaudited statement of accounts	The requirement in the Accounts and Audit Regulations 2015 (as amended) is for the public inspection period to be commenced by 1 August. However, this commencement can only happen at the earliest the first working day after the unaudited accounts (and other specified documents) are published.
30 November	Publication of the audited statement of accounts	The Accounts and Audit Regulations currently require publication by 30 September and will need to be amended before the date is formally moved back two months.

## Services

With the move to business as usual and the removal of Covid-19 restrictions, the Council's services have resumed and facilities have reopened to the public, although the Council's offices currently operate on an appointment basis only. Certain facilities, e.g., Princes Hall Theatre, which had been used as a vaccination centre during the pandemic, have reverted to their primary function.

Throughout 2021/22 the Council has supported the broader Covid-19 response in facilitating test centres, both temporary and permanent, and vaccination centres. The Council also ensured that elections were carried out effectively whilst still maintaining the necessary Covid-19 restrictions which were in place at the time, which included social distancing, changes to canvassing and a greater push for postal votes.





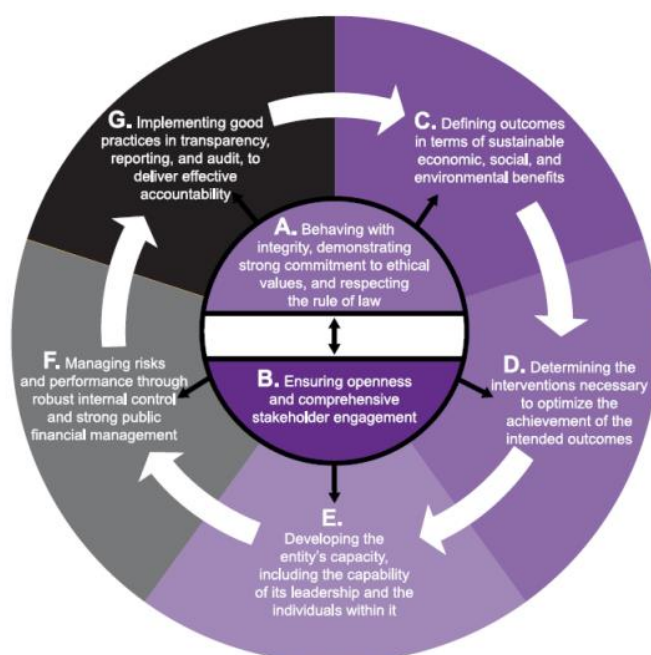
## How does the Council monitor and evaluate the effectiveness of its governance arrangements?

The Council reviews the effectiveness of its governance arrangements annually. The key sources of assurance that informs this review are:

- The work of the Corporate Governance, Audit and Standards Committee (CGAS), Members and Senior Officers of the Council who have responsibility for good governance, as set out above in the diagram showing the overview of the Council's corporate governance framework.
- A statement of assurance is obtained from Heads of Service to confirm the governance arrangements in place within their service and any actions to be included within the AGS.
- Risk management reports and the corporate risk register is maintained and scrutinised by Corporate Management Team (CMT) quarterly and subsequently communicated to CGAS and the Corporate Governance Group.
- The Audit Manager's update reports on the internal audit activity, which provides an independent assurance that GRC is in place and provides an opinion on the effectiveness of these arrangements.
- Half yearly updates to the CGAS Committee monitoring the work carried out towards the governance actions identified in the previous year's AGS.
- Any comments made by External Audit or other external reviews.
- Internal Corporate Governance Group provides assurance over the governance arrangements within the Council.

## What are the key elements of RBC's Governance Framework?

The Council aims to achieve good standards of governance by adhering to the seven core principles, detailed below, which form the basis of the Council's code of Corporate Governance:



The following pages provide a summary of actions and behaviours taken by the Council in relation to each of these seven core principles and associated sub principles.

### PRINCIPLE A

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

Sub principle	Demonstrated by;
Behaving With Integrity	<ul style="list-style-type: none"> <li>• A code of conduct is in place for both Councillors and staff, both are contained within the Council's constitution. The codes outline the ethical standards and behaviours to be adopted and observed by elected Members and officers to ensure that Council business is conducted with fairness and integrity. There are processes in place to ensure that Members and Officers are adequately trained in matters relating to the Constitution.</li> <li>• A Member Constitution review group are in place to assist with the bedding in of the Constitution.</li> <li>• The Council also has in place various policies, procedures and guidance including HR policies, Anti-fraud, Acceptable Use of IT, Declarations of Interest, and Gifts and Hospitality, which are regularly reviewed. All colleagues are made aware of any new policies or changes and training is provided as necessary.</li> <li>• Specific legal and regulatory requirements and/or Standards and Codes of Practice are maintained by staff for Membership of relevant professional bodies, including continuing professional development.</li> <li>• Where necessary the Council collaborates with other professionals for advice and guidance. For example, the Council appointed external professional advice from solicitors to support the legal work around property and construction for regeneration of Aldershot and Farnborough town centre.</li> <li>• Records of Executive Decision to evidence delegated authority are maintained for Regeneration.</li> <li>• A register of Member interests is published on the Council's website to ensure that any conflicts of interests are open and transparent. Furthermore, these are reviewed by the Corporate Governance Group on an ad hoc basis.</li> <li>• The Corporate Leadership Team has responsibility to ensure that decisions are made properly and that these are monitored by the Governance Group and Deputy Monitoring Officers.</li> <li>• Financial reports to relevant committees</li> </ul>
Demonstrating strong commitment to ethical values	<ul style="list-style-type: none"> <li>• The Council has established a Governance Group, which includes the Monitoring Officer, Deputy Monitoring Officers, the Chief Financial Officer and the Audit Manager, to ensure that the Council works within its rules and that the necessary governance provisions are followed, and associated guidance, advice and training is provided.</li> <li>• The Council has adopted a Corporate Values Framework which sets out the attitudes and behaviours expected from staff. The four corporate values are Collaborate, Innovate, Brave and Integrity.</li> <li>• Procurement processes are currently being reviewed to be made more robust to ensure high quality suppliers are selected and value for money is obtained.</li> <li>• The Member Development Group maintains a programme for Member training and development and the Council has secured the Charter for Member Development, managed by South East Employers. Re-accreditation was achieved in March 2020. Furthermore, specific training has been provided by South East Employers to the Overview and Scrutiny Committee on effective scrutiny.</li> <li>• The Licensing, Audit and General Purposes Committee changed to Corporate Governance, Audit and Standards committee to provide more focus on corporate governance. Training has been provided to the Committee to strengthen their focus. In addition to this an independent member has been appointed with an audit background to provide further support to the Committee and scrutiny of the Council's governance arrangements.</li> <li>• Member training is provided for Members to support them in their roles, and they are encouraged to attend training including on Equality, Diversity and inclusion.</li> <li>• A Champion for Equality and Diversity has been appointed for Cabinet and Equality &amp; Diversity Action Plan has been put in place as an outcome from the peer review work.</li> </ul>
Respecting The rule of law	<ul style="list-style-type: none"> <li>• The Constitution sets out responsibilities within the Council. This is maintained by the Head of Democracy, Strategy and Partnerships in conjunction with the Governance Group, to ensure that the Council's legal requirements are met, and the provisions are up to date. A full review of the Constitution was carried out in 2019/20 with support from a cross party Member Constitution Review Group. This was formally adopted by the Council in June 2020</li> <li>• The Council has appointed the following officers as required: <ul style="list-style-type: none"> <li>- <b>The Head of Paid Service</b> (Chief Executive) – Overall accountability for the governance arrangements operating within the Council</li> <li>- <b>The Monitoring Officer</b> – Ensures decisions taken are within the law and the Council complies with the provisions of its Constitution.</li> <li>- <b>The Chief Financial Officer</b> – Principal finance adviser to the Council and is responsible for the proper administration of the Council's financial affairs and internal control environment.</li> </ul> </li> <li>• The Council's in-house legal service identifies and advises the Council on key elements of the law and their application.</li> <li>• The Council is mostly compliant with the Local Government Transparency Code. The Council has commenced a programme to ensure compliance with all the mandatory publication requirements of the code. The Corporate Management Team own the elements of the code which are specific to their services while the Corporate Governance group have oversight.</li> </ul>

	<ul style="list-style-type: none"> <li>• The Corporate Health and Safety team collate breaches and liaise with appropriate partner organisations and authorities e.g. HSE</li> <li>• The Council is compliant with the governments Public Services Network (PSN) and the Council is working towards completing the implementation of a Cyber Security treatment plan in line with the 10 steps guidance from the National Cyber Security Centre (NCSC), with work to enhance ransomware defences, backup solutions, cloud delivery, identity management, business continuity and incident management for cyber security.</li> <li>• The Council has in place a specific Data Protection Officer and breaches are reported to the Information Commissioners Office (ICO) as appropriate.</li> </ul>
--	--

## PRINCIPLE B

### Ensuring openness and comprehensive stakeholder engagement

Sub principle	Demonstrated by;
Openness	<ul style="list-style-type: none"> <li>• The Council's policies and governance framework are published on the Council's website – this includes: <ul style="list-style-type: none"> <li>– The Constitution</li> <li>– Agenda and reports for all meetings within the Council's decision-making framework</li> <li>– Cabinet work programme</li> <li>– Annual budget</li> <li>– Pay Policy and Gender Pay Gap Statements</li> <li>– Record of Executive Decisions</li> <li>– Information required under the Transparency Code</li> <li>– Annual Statement of Accounts</li> </ul> </li> <li>• The Council's 3-year business plan is published on the council's website along with the monitoring of the actions towards the plan.</li> <li>• The Council regularly carry out consultations on major policy initiatives which is conducted in an open way with all consultations available on the Council's website.</li> <li>• Equality position statement reinforces how we will publish information to demonstrate compliance with the equality duty.</li> <li>• The Council has an up-to-date Freedom of Information Act 2000 publication scheme in place on its website with links to information and guidance for stakeholders</li> <li>• During 2021/22 the Council published 4 Arena magazines, to inform the community of the work and services carried out by the Council</li> <li>• Contracts are managed with a partnership approach and decisions are made in an open and transparent way, including open book accounting processes.</li> </ul>
Engaging comprehensively with institutional stakeholders	<ul style="list-style-type: none"> <li>• Rushmoor Partners Network is in place, which in future will include a focus on the UK shared prosperity fund.</li> <li>• Regular informal consultation is undertaken with representatives of all public sector partners that have a presence or footprint within the Borough's area.</li> <li>• A statement of community involvement is published on the Council's website.</li> <li>• Formal and informal consultation is carried out with Members through a range of working groups</li> <li>• As part of delivering regeneration projects and better use of assets there are regular interactions with organisations such as Homes England, Hampshire County Council, the M3 LEP, Defence Estates and major local landowners and appropriate services within the Council.</li> <li>• The Council adopted the Local Plan 2014-2032 on the 21 February 2019, which involved participation from numerous stakeholders. Details are published on the Council's website.</li> <li>• Local Enterprise Partnership (LEP) (Enterprise M3) – The Council has established good relationships and partnership arrangements as part of the involvement with the LEP.</li> <li>• A relationship management approach and system is in place. We now have an audit trail on contracts and have increased our levels of engagement through visits, meetings and working through partners. As part of the development of the Strategic Economic Framework strategic engagement to inform the framework was completed.</li> <li>• The Council supports the Prospect Estate Big Local (PEBL)</li> <li>• Re-negotiation of contracts based on open-book reviews for example on the Council's waste contract, which has regular involvement from the Portfolio Holder, the Cabinet and other elected members.</li> </ul>
Engaging with individual citizens and service users effectively	<ul style="list-style-type: none"> <li>• The Council has invested in a range of traditional, digital and social media channels to enable regular contact, engagement and consultation with its key stakeholder groups, including customer feedback surveys, workshops, consultation items on the Council's website and regular citizen consultation on both Borough-wide and place specific issues. There has been extensive consultation for the regeneration function including direct mailshots, public exhibitions, group meetings and presentations.</li> <li>• The new Council website project informed by resident engagement and feedback on existing website and opportunities to test the new site (currently under development and due for launch in May 2022)</li> <li>• We have effective arrangements in place to communicate and consult with relevant key stakeholders where appropriate and to fully consider/ use their feedback and/or complaints to help inform decisions. Furthermore, following a Peer Review the Council has established a process for undertaking regular citizen consultation on both Borough-wide and place specific issues.</li> </ul>

	<ul style="list-style-type: none"> <li>• The Council has a corporate modernisation programme (Savings and Transformation Programme) in place and consultation with Members, Officers, Key stakeholders and the public is ongoing to assist and shape this programme delivery and underpin the principle of a 'one-Council' approach.</li> <li>• Examples of significant consultation exercises carried out during 2021/22 included: <ul style="list-style-type: none"> <li>- Tell us what you think about the services we provide – 2021</li> <li>- Our plans for Southwood Country Park – your views</li> <li>- Strategic Economic Framework – your views</li> <li>- Aldershot Town Centre Public Space Protection Order – Tell us what you think</li> <li>- Draft Green Infrastructure Strategy – Tell us what you think</li> <li>- Business Survey 2022 (This was a survey to businesses in the Borough only)</li> </ul> </li> <li>• A scheme is in place within the Council's Constitution to have public participation at Member meeting. Therefore, meetings of the Council and its Committees are open to members of the public to attend, with agendas and minutes being publicly available on the Council's website.</li> <li>• Committee meetings can now be webcast to engage with stakeholders via different mediums</li> </ul>
--	---

### PRINCIPLE C

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

Sub principle	Demonstrated by;
Defining outcomes	<ul style="list-style-type: none"> <li>• The Council's plan has been developed with a 10 year 'vision' and a 3-year rolling business plan with objectives to assist with the achievement of the vision. The plan is shown on the council's website along with the monitoring of the actions towards the plan, which is updated and published on a quarterly basis. The results of the Residents Survey 2021 were considered as part of the 'evidence base' for the Council Plan 2022-25. A Regeneration &amp; Major Projects Programme is established and aligns to the Council Plan.</li> <li>• A People Strategy is in place for the organisation which identifies the objectives and priorities linked to the priorities within the Council plan.</li> <li>• Following comprehensive resident and stakeholder consultation, the Council developed its priorities and measures of success with Members in a range of ways including discussions with individual portfolio holders, the Cabinet and the Policy and Project Advisory Board.</li> <li>• The Cost Reduction &amp; Efficiency Programme (CREP) was initiated to review significant expenditure across the Council's services with a view to making savings. It has since been subsumed by the Savings &amp; Transformation Programme (STP).</li> <li>• Option appraisals are undertaken for all key decisions and are a standard part of the operations.</li> <li>• Governance arrangements have been clearly set out for Rushmoor Homes. Proper management of Board reporting and relationship with Council.</li> <li>• An active review of service business plans are carried out during the year by Senior Management.</li> </ul>
Sustainable economic, social and environmental benefits	<ul style="list-style-type: none"> <li>• A template is in place for the Council's reports to Cabinet which require the consideration of business, Strategic, Economic, Legal, Financial and Equalities impact of the decisions being made and how decisions are to be made. All reports requiring executive decisions (except those exempt) are accessible via the Council's website. (Records of Executive Decisions)</li> </ul> <p>A PESTLE analysis was carried out in order to contribute to the 10-year Council vision and rolling 3-year plan. This looks at how external moves will impact on the Council's plans and objectives. The Council's Policy and Performance team monitors place and organisational data to support the work.</p> <ul style="list-style-type: none"> <li>• Service and Project risk registers are regularly updated with links to the Corporate Risk Register.</li> <li>• The Council has adopted and implemented the Local Plan 2014-2032 (adopted 21 February 2019). Details are published on the Council's website. Consultation was undertaken, and a proactive role was undertaken to engage as many residents and stakeholders as possible. Feedback from the consultation informed the submission of the Local Plan. Social, environmental and economic evidence was obtained to inform the development of the Local plan</li> <li>• In November 2019, members of the council's Cabinet approved the council's Climate Change Action Plan 2020-2030. There are more than 90 actions in the plan, which will be updated every year and includes plans to <ul style="list-style-type: none"> <li>• increase recycling and reduce waste, including by introducing a weekly food waste collection service in 2021/22, ahead of the anticipated national introduction in 2023</li> <li>• To look at how we make sure Aldershot and Farnborough town centre regeneration schemes include measures like energy efficient buildings, energy generation, and green transport</li> <li>• To involve local people in our efforts, including through things like community gardens and helping people get more involved in their local neighbourhoods</li> <li>• To make our own buildings more energy efficient, moving to green energy where possible, and to look at how our staff can work differently to reduce our impact on the environment</li> </ul> </li> <li>• Rushmoor Development Partnership</li> </ul> <p>Through its business plan and site development plans the economic, social and environmental benefits of regeneration are quantified including:</p> <ul style="list-style-type: none"> <li>• Placemaking – ensuring the that the developments proposed provide enhancements to the vitality of the local community and the physical environs.</li> </ul>

	<ul style="list-style-type: none"> <li>• Sustainability – with the Climate Emergency declared by the Council the redevelopment of Farnborough town centre has been identified as offering the opportunity to display an exemplar approach to design, transportation and community facilities.</li> <li>• Financial returns – developments are viable and deliverable while still achieving community support for transforming the town centres.</li> <li>• Utilising external expertise – a partnership approach is taken to development making the most of the attributes of the respective partners in terms of risk, knowledge management, data assessment and communications. In addition external advice has been sought to bolster officer capacity and expertise in deciding upon the best routes to deliver regeneration in terms of value for money.</li> </ul>
--	--

### PRINCIPLE D

Determining the interventions necessary to optimise the achievement of the intended outcomes

Sub principle	Demonstrated by;
Determining interventions	<ul style="list-style-type: none"> <li>• Arrangements are in place to ensure all options are considered before decisions are taken and service changes implemented. External / independent expertise is often used if the decision is of a complex technical nature. An example of this being the use of external experts for the Council's Union Yard Regeneration Project.</li> <li>• The Overview &amp; Scrutiny Committee considers the effective delivery of Council priorities and recommends interventions and remedies as appropriate.</li> <li>• Consideration of alternative courses of action for all decision making is undertaken.</li> <li>• The Corporate Governance Group consider legal/constitutional issues associated with decision making</li> </ul>
Planning Interventions	<ul style="list-style-type: none"> <li>• At service level, priorities and objectives are encouraged to be SMART and these are underpinned by plans and, for major projects, there is significant emphasis on effective project management. The Council is investing in additional project management resources to ensure this.</li> <li>• The Corporate Manager -Legal Services and the Principal Solicitors are engaged in wider discussions with client teams on options for resourcing larger legal projects and higher profile actions to ensure these are resourced as efficiently as possible e.g., making use of the EM Lawshare framework discounted rates; considering alternatives to prosecution; considering the terms of a Public Space Protection Order; resourcing and managing external legal support for the regeneration projects.</li> </ul>
Optimising achievement of intended outcomes	<ul style="list-style-type: none"> <li>• Arrangements are in place to monitor operational and financial plans, priorities, KPI's, quality and targets and to report on progress, e.g. quarterly monitoring, budget monitoring.</li> <li>• The Council has several key partnerships with other local authorities and stakeholders in order to optimise the achievement of the Council's corporate plan.</li> <li>• The Council has in place more significant arrangements for project development, both internally and through the Member decision making structure. This has been achieved through the revised Member structure to include the following: <ul style="list-style-type: none"> <li>- Corporate Governance, Audit and Standards (CGAS) Committee, with specific roles to ensure effective governance</li> <li>- The Property Investment Advisory Group (PIAG) provides early consideration of projects prior to submission to the Cabinet. This group is supported by LSHIM who provide market-based assessments of acquisition, disposal, and asset performance.</li> <li>- The Overview and Scrutiny Committee is undertaking both pre- and post-decision scrutiny on a range of issues and projects.</li> <li>- The Regeneration and Major Projects Programme Board provides the oversight and key input into the delivery of projects and meets 6-weekly. Each project within the defined programme has an established resource structure across a number of disciplines within the Council to ensure the right course of action is taken.</li> <li>- The Rushmoor Development Partnership Board meets monthly to provide oversight and scrutiny of the projects being taken forward by the Joint Venture. The partnership is well governed by a partnership agreement, project plans and a decision-making structure culminating in a board made up of 50:50 public: private directors with reports to the Executive Director that are taken to Cabinet/Full Council as required.</li> </ul> </li> </ul>

### PRINCIPLE E

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

Sub principle	Demonstrated by;
Developing the entity's capacity	<ul style="list-style-type: none"> <li>• The council asked the Local Government Association (LGA) to carry out an equality peer challenge based on the Equality Framework for Local Government which was undertaken in January 2021. The main findings and recommendations from this review can be found on the Council's website (Peer Challenges of the Council) The Council is working towards implementation of the recommendations made from the Equality peer review.</li> </ul>



	<ul style="list-style-type: none"> <li>• The Council, where possible, collaborates with other authorities to share information and best practice and third parties, e.g. Hampshire &amp; Isle of Wight Chief Executive group and subsequent groups.</li> <li>• CMT actively carry out reviews of their services and plans during the year.</li> <li>• The Council regularly makes use of 'benchmarking' exercises and other research to support corporate priorities and work.</li> </ul>
Developing the capability of entity's leadership and other individuals	<ul style="list-style-type: none"> <li>• Arrangements are in place to ensure staff have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and are able to update their knowledge on a continuing basis e.g., CPD through attendance at seminars/conferences, mandatory training courses via the Council's E-learning modules etc.</li> <li>• Development reviews are carried out annually. Within these reviews, training needs are identified and communicated to HR in order to ensure individuals are provided with the training they require for their role and identify any Council wide training which may be required.</li> <li>• The Council has engaged in 'learning at work week', which has been carried out virtually during the Covid-19 pandemic and will be carried out again later in the year.</li> <li>• The Council has adopted a Corporate Values Framework, which sets out the attitudes and behaviours expected from staff. The four corporate values are Collaborate, Innovate, Brave and Integrity.</li> <li>• The Council is providing leadership programmes and apprenticeship leadership programmes to support the continued professional development of staff.</li> <li>• The Council has introduced an Employee Assistance Programme to support health and wellbeing. Training courses are also offered for example a recent mental health awareness course through the Council's Occupational Health provider. Wellbeing weeks have also been introduced encouraging staff to participate.</li> <li>• Yammer has been introduced to promote staff working and includes learning and development elements.</li> <li>• The Council's constitution defines the statutory and distinctive roles of the Leader and other Councillors and sets out to whom decision making powers are delegated.</li> <li>• The Member Development Group maintains a programme for Member training and development and the Council has secured the Charter for Member Development, managed by South East Employers. Re-accreditation was achieved in March 2020. Furthermore, specific training has been provided by South East Employers to the Overview and Scrutiny Committee on effective scrutiny.</li> <li>• The Council has established a Corporate Governance, Audit &amp; Standards Committee by reformatting the roles and responsibilities of its former Licensing, Audit &amp; General Purposes Committee to provide more of a focus on all matters around corporate governance. During the past year, the Council has also appointed an independent member to assist with their work and provided a suite of training for all members of the new Committee.</li> <li>• The Council subscribes to relevant professional bodies e.g., CIPFA publications</li> <li>• During the past 18 months, through the Pandemic working group, the Council implemented all covid secure working measures, staff wellbeing was a key priority, which include a remote working toolkit, new IT working from home equipment and additional IT support to help staff with the range of new systems introduced.</li> </ul>

### PRINCIPLE F

**Managing risks and performance through robust internal control and strong public financial management**

Sub principle	Demonstrated by;
Managing risk	<ul style="list-style-type: none"> <li>• The Risk management policy has been embedded over 2021/22 and internal audit reviewed in February 2022. Audit actions will be addressed in 2022/23 and will bring some revisions to the existing policy to improve efficiency of reporting and to further strengthen the link between risk registers and the Council Plan. Training on the Council's risk management policy was provided to Service Managers and Heads of Services in February 2021 and offered to CGAS Members in summer 2021. Cabinet receives quarterly reports covering both performance and risk. The Corporate Management Team reviews the risk registers on a bi-monthly basis. Service and Project risk registers feed into the Corporate Risk Register. Furthermore, risks are considered within activities and decision-making reports taken to Cabinet.</li> <li>• Service and Project risk registers are managed and updated regularly.</li> <li>• Internal Audit provides a risk-based audit plan and reports on the effectiveness of risk management to the Corporate Governance, Audit and Standards (CGAS) Committee.</li> <li>• In recent years pressure has been placed on the County Council, and some of this pressure has flowed through to Districts. This poses some risks at a social level and within the budgets for the Council.</li> <li>• Work to review the Council's Business Continuity policy had been 'paused' during Covid response and recovery but re-commenced in autumn 2021. The Council is receiving advice and guidance on the existing policy from Hampshire County Council and a programme of training for key members of staff is scheduled for April 2022.</li> <li>• IT Disaster Recover business continuity service/ plans have been reviewed and updated – the work was linked to the DLUHC cyber security treatment plan 2021/22 – 2022/23.</li> <li>• A new Cyber Security Stance was presented to the Corporate Management Team (Oct 2021), setting out the threat of cybercrime, the councils technology stance, work plans and mitigations. In addition, all staff attended a specific 'phishing' training and awareness session. IT follows End User Device (EUD)</li> </ul>

	guidance issued by National Cyber Security Centre (NCSC) when implementing security solutions and endpoint operating systems. Council IT infrastructure is audited annually, and results passed to NCSC for review and further guidance on actions to take to maintain compliance (including annual PSN assessment). Recently the Council has been awarded funding from the NCSC to improve its Cyber Security arrangements.
Managing Performance	<ul style="list-style-type: none"> <li>• Effective performance, financial and risk management arrangements are an integral part of all business activities, examples include: <ul style="list-style-type: none"> <li>- Option appraisals/ risk assessment</li> <li>- Day to day business / performance / service business planning arrangements/ quarterly reporting</li> <li>- Projects and programme management</li> <li>- Contractual and third-party arrangements (including shared risks)</li> <li>- Business continuity plans are in place, tested and communicated to staff as necessary</li> </ul> </li> <li>• The Council's management ensures day-to-day performance management is normal as part of the culture and through the Council's management teams there is a culture of robust challenge in place for all key decisions.</li> <li>• The creation and publication of the Council's 3-year business plan for 2022-25. The plan is published on the council's website along with the monitoring of the actions.</li> <li>• The Council has in place an Overview and Scrutiny Committee to encourage debate on policies, objectives and outcomes before, during and after decisions are made. They also review the quarterly monitoring of the Council plan.</li> </ul>
Robust internal control	<ul style="list-style-type: none"> <li>• All Rushmoor staff is responsible to some degree in the management of risk and adherence to internal controls in their day-to-day activities, from front line staff to Heads of Service (HoS), Executive Directors and the Chief Executive. Employees consider what might go wrong and take steps to reduce the likelihood or impact if it does by the use of internal controls.</li> <li>• Internal Audit provides an annual opinion on the effectiveness of the Council's governance, risk management and internal control environment. This assurance is obtained from involvement with relevant governance, risk management and internal review groups and outcomes from audit reviews carried out within the year. Details of this are reported to the CGAS Committee for review.</li> <li>• The Council has a Corporate Investigations Team who investigate potential fraud, corruption and maladministration and provide effective counter fraud arrangements within the Council.</li> <li>• The Council carries out relevant external compliance checks e.g., Fire, safety checks and Covid 19 measures</li> </ul>
Managing data	<ul style="list-style-type: none"> <li>• Effective arrangements are in place for the safe collection, storage, use and sharing of data with other bodies, including processes to safeguard personal data in line with GDPR requirements.</li> <li>• An information Governance Officer is in place and work is currently underway to update the Council's Information Security policies.</li> <li>• Effective arrangements are in place for the disposal, storage of legacy IT equipment. All hard disk-based systems are erased to HMG Infosec Standard 5 prior to disposal using accredited partners. IT equipment is stored in a locked storeroom when not in use\awaiting disposal.</li> <li>• Information governance e-learning modules are mandatory for all staff and Members on how to manage Council data.</li> <li>• Data breach logs are in place to record and enable review of breaches to ensure lessons are learnt and relevant action taken to prevent further breaches.</li> <li>• Data validation is an ongoing process and there are a number of year-end validation processes carried out particularly around the financial systems. In the past year, a new property system, Concerto, has been implemented, and a data validation exercise has been carried out to ensure that the data within the system is relevant, up to date and correct.</li> <li>• Executive Head of Finance is member of Information Governance Group and the Council's SIRO</li> </ul>
Strong public financial management	<ul style="list-style-type: none"> <li>• There are effective mechanisms in place for financial planning, budgetary control and reporting, including the management of financial risk.</li> <li>• External Audit review and report on the Council's financial statements providing an opinion on the accounts.</li> <li>• The Council is developing its programme to ensure compliance with the CIPFA Financial Management Code during 2022/23.</li> </ul>

**PRINCIPLE G**  
**Implementing good practices in transparency, reporting, and audit to deliver effective accountability**

Sub principle	Demonstrated by;
Implementing good practice in transparency	<ul style="list-style-type: none"> <li>• Agendas and minutes of Committee meetings are publicly available on the Council's website.</li> <li>• An Overview and Scrutiny Committee is in place to monitor and review performance, review and/or scrutinise decisions proposed to be made, review policy and strategy with a view to securing continuous improvement.</li> <li>• The Council is mostly compliant with the Local Government Transparency Code. The Council has commenced a programme to ensure compliance with all the mandatory publication requirements of the code. The Corporate Management Team own the elements of the code which are specific to their services while the Corporate Governance group have oversight.</li> <li>• On the Council's website there is a Freedom of Information Act page to enable members of the public to have access to all recorded information held by the Council.</li> <li>• Committee meetings, where possible, are open to the public for contribution and attendance.</li> <li>• Decisions are recorded and published on the Council's website.</li> </ul>

Implementing good practice in reporting	<ul style="list-style-type: none"> <li>• The Annual Statement of Accounts is published on the Council's website to give clear information on the income and expenditure of the Council.</li> <li>• The Council publishes an Annual Governance Statement in order to report how we have monitored the effectiveness of our governance arrangements in the year and any planned changes in the coming year.</li> <li>• The CGAS Committee reviews and approves the Annual Statement of Accounts and the Annual Governance Statement.</li> <li>• Performance is reported quarterly on a range of indicators, comparing some items with other Local Authorities and public sector bodies. A new performance management framework has been established for use by both Members and Officers. Performance progress is regularly reported on and communicated at Cabinet on a quarterly basis.</li> <li>• Reporting arrangements for RDP/Housing Company have been put in place. Regular update seminar through the Policy and Projects Advisory Board, formal presentation to all Members at the point of submission of a planning application. Formal monitoring reports will be provided every six months to the Council's shareholder and the Chief Executive. The Chief Executive will enable consideration of these reports by the Council's Overview and Scrutiny Committee on progress and the CGAS Committee on any governance matters.</li> </ul>
Assurance and effective accountability	<ul style="list-style-type: none"> <li>• The terms of reference and working arrangements of the CGAS Committee focus on ensuring transparency and effective audit of processes. Furthermore, an independent member has been appointed with specialist skills in audit to assist with the CGAS Committee.</li> <li>• There are arrangements in place for ensuring all agreed actions from peer reviews, internal audit, external audit, or other inspectorate work are implemented by Management. Work is currently underway to ensure that the recommendations from the Equality Peer Review are put in place.</li> <li>• Risk based internal auditing provides ongoing assurance that the key risks are being managed.</li> <li>• A fundamental review and update of the Constitution was carried out and formally adopted by Council in June 2020.</li> </ul>

## 6. How has the Council Addressed the governance improvements actions from 2021/22?

The Annual Governance Statement 2020/21 contained the following key improvement actions. Details of the issues and how they have been addressed during the year are detailed below. Please note that where actions are ongoing these have been carried forward into the 2022/23 Action plan.

Governance issue	Action	Current Status
The Council faces a significant funding gap over the Medium-Term Financial Strategy period.	<p>The Council is working on a Cost Reduction and Efficiencies Programme (CREP) to identify cost reductions and additional income for the new MTFS period.</p> <p>A detailed design for the programme was agreed by Cabinet in March 2021 with significant work undertaken by Heads of Service and Service Managers to identify opportunities and lines of enquiry that will be validated and considered by members during 2021-22.</p> <p>The Assistant Chief Executive (as project sponsor) and the Executive Head of Finance (as Section 151 Officer) will provide support to the programme to enable members to consider options to close the funding gap.</p>	<p>Council approved the 2022/23 Revenue Budget and considered the MTFS at their meeting on 24 February 2022. The budget and MTFS included CREP opportunities with savings of £478k identified for 2022/23.</p> <p>The MTFS shows a significant funding gap remains across the MTFS and the Budget report to Council outlined the approach to be taken with the Savings and Transformation Programme (STP) to address the funding gap.</p> <p>Revised implementation date: July 2022</p>
Compliance with the CIPFA Financial Management Code	<p>The Executive Head of Finance will undertake an assessment of the Council's compliance with the CIPFA Financial Management Code during Q3 2021 and prepare an Action Plan on matters or areas for improvement. These will be included in subsequent reports to the Corporate Governance, Audit and Standards committee as part of the update on the Annual Governance Statement Action Plan</p>	<p>An assessment by the Executive Head of Finance against the CIPFA FM code is planned for March/April 2022.</p> <p>Revised implementation date: May 2022</p>



External Audit have yet to provide an opinion for the 2019/20 accounts.	The Executive Head of Finance will ensure that the necessary information is provided to the external auditors to enable them to finalise their opinion on the 2019/20 accounts.	The external audit opinion has not yet been received. Expectation is this would be provided by June 2022. Revised implementation date: June 2022
Relationship Management and economic engagement plan	Develop relationship management approach and processes and economic engagement plan.	The development of a relationship management approach/ processes through an engagement plan has been formalised through the drafting of the Council's Strategic Economic Framework (SEF). This is due to be signed off by Cabinet in March 2022. The SEF sits below the Council's Business Plan 2022-2025. The SEF notes that the council will: 1.1: Create and maintain a Key Businesses Account Management Programme 1.1.a) The council will establish and maintain a CRM (Client Relationship Management) system to help coordinate dialogue with businesses. Both actions are underway within the Economy and Growth team which has now been recruited. The Council's key businesses have been identified, relationships mapped and the Economy and Growth Team is systematically seeking to engage those businesses. A CRM has been developed and is being used by the team to capture business interactions. We are engaging other business facing teams in the council to explore how information on business engagement can be captured and shared across services - where data sharing agreements allow. Revised implementation date: March 2022 Implemented
Implementing a Capital Strategy to comply with the revised Prudential Code and the Treasury Management Code of Practice (b/f from previous year)	Finalise development of the Asset Management Strategy which supports the approved annual Capital Strategy.	Carried Forward Issues regarding Capital and Investment need to be considered in the light of the overall Capital Strategy, Treasury Management Strategy and Asset Management Plan. The need for a separate Capital and Investment Strategy given the Council will purchase for regeneration or invest into its existing Portfolio is now questioned. This will be reviewed following completion of the Asset Management Plan. Revised implementation date: July 2022
Concerns have been raised regarding the Council's systems and procedures for recording and monitoring commercial property (rental) income.	Timetable for implementation of Property System and review of the Finance system processes (Sales Ledger) will need to be agreed.	Carried Forward Improved reporting and revised invoicing timings have generally improved rent collections and the timing of this is Qtr Day post 7, 14, 21 & 28. Day collection figures show higher rates in 2021/22. Concerto has gone live for Estates Management now. Revised implementation date: June 2022
Continue to act commercially in a more uncertain economic environment which will require revised assessment analysis appraisal to be carried out for the risk and return.	Consideration will be given by the Finance and Commercial Recovery workstream to ensure there is synergy between the commercial way forward and the objectives of the recovery workstream.	Carried Forward This is being addressed through the Council's Savings and Transformation Programme. An overview on the approach was set out in Appendix 4, Section 5 of the Revenue Budget, Capital Programme and Council Tax Level report to Council in February 2022. Revised Implementation date: September 2022

### Governance issues identified for 2021/22

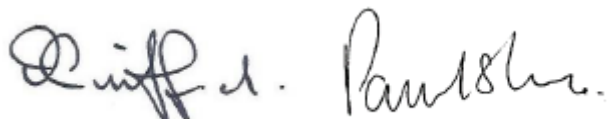
The review of the effectiveness of the Council's governance framework has identified the following actions that will need to be addressed during 2022/23, excluding the actions carried forward from 2021/22 as detailed above. The progress against these actions will be reviewed by the Corporate Governance Group and regularly reported to the Corporate Governance, Audit and Standards Committee.

Governance issue	Action	Target Date	Lead Officer
Improving the robustness of estimates for schemes being considered for inclusion in the capital programme	The Executive Head of Finance will lead on the Council's Capital Programme planning process to ensure estimates of future capital expenditure are robust, to maintain the affordability of capital expenditure, revenue impacts are fully considered including mitigation of cost pressures.	July 2022 (with adoption as part of the 2023/24 Budget Strategy October 2022)	David Stanley, Executive Head of Finance and Section 151 Officer
Compliance with the CIPFA Financial Management Code	The Executive Head of Finance has undertaken an initial review of the Council's compliance with the CIPFA Financial Management Code for 2022/23 and will set out an Action Plan in response. An annual assessment will be undertaken by the Executive Head of Finance against the FM Code.	March 2023	David Stanley, Executive Head of Finance and Section 151 Officer
External Audit have yet to provide an opinion for the 2019/20 or 2020/21 accounts.	The Executive Head of Finance will ensure that the necessary information is provided to the external auditors to enable them to finalise their opinion on the 2019/20 accounts. Improvements have been made in the way Property Asset information is held and maintained which will support the audit of the 2020/21 and 2021/22 Accounts.	October 2022 & March 2023	David Stanley, Executive Head of Finance and Section 151 Officer
Process for s106 is more robust and continues to identify, collect and use contributions appropriately.	Key issue is now ensuring spend and as substantial funding is related to Open Spaces a post funded from s106 is being proposed to enable projects to be moved forward	September 2022	Tim Mills, Head of Economy, Planning and Strategic Housing
Ensuring comprehensive compliance around cyber security in line with the guidelines provided by the National Cyber Security Centre	Enhancing our Cyber security Strategy and formalisation of a cyber security action plan. This is being actioned by the Cyber Security Treatment Plan.	October 2022	Nick Harding, Head of IT, Facilities & Customer Services
Ensuring compliance with the mandatory elements of the Local Government Transparency Code	Relevant services to carry out the necessary work to ensure that the mandatory elements of the transparency code are appropriately published as required. The Corporate Governance Group will have oversight to ensure that this is implemented.	July 2022	Rachel Barker, Assistant Chief Executive
Office 365 governance set-up	The main aim of this to ensure that the Council's data is protected, retained and handled appropriately. When Office365 was implemented across RBC governance policies were not developed and applied which needs rectifying. Currently engaging with Silversands to provision a set of activities for a Data Protection Pilot to help focus on how to control sharing of a sample data set stored in Office365, assisting in the definition of internal policies providing technical advice and design of technical controls to implement agreed policies. In addition to provision a set of activities for an Information Governance Pilot that will help to focus on retention requirements for a sample data set from the pilot department which will assist in the development of a corporate retention policy and to map this policy to technical controls available in Office365. Outcomes of these pilots can then be assessed and applied across the rest of RBC, if agreed	September 2022	Information Governance Officer / Catriona Herbert, Corporate Manager Legal Services

**Certification**

To the best of our knowledge, the governance arrangements, as defined above and within the Council's Code of Corporate Governance, have been effectively operating during the year with the exception of those areas highlighted on pages above. We propose over the coming year to take steps to address the above matters identified above to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation during the year and as part of our next annual review.

Signed:

A handwritten signature in dark ink, appearing to read 'David Clifford', written in a cursive style.

**David Clifford**  
**Leader of the Council**

**Paul Shackley**  
**Chief Executive**

Date: 2022

## Glossary

### Accounting Period

The period of time covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

### Accounting Policies

The specific principles, bases, conventions, rules and practices applied by the Council in preparing and presenting financial statements.

### Accruals

Sums included in the financial statements to recognise income or expenditure earned or incurred in the financial year, but for which actual payment had not been received or made as at 31 March.

### Accrued Interest

Interest accumulated but not yet received or paid.

### Actuarial

The appraisal of economic and demographic factors in order to estimate future pension liabilities.

### Actuarial Gains and Losses

For a defined benefit pension scheme, the changes in actuarial surpluses or deficits that arise because:

- Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- The actuarial assumptions have changed

### Agency Services

Services which are performed by or for other councils or bodies, where the council/body responsible for the service reimburses the council carrying out the work for the costs incurred.

### Amortisation

The apportionment (charging or writing off) of the cost of an intangible asset as an operational cost over the asset's estimated useful life.

### Amortised Cost

The amount at which a financial asset or financial liability is measured at initial recognition, less principal repayments and plus or minus any unamortised original premium or discount.

### Asset

An item having value to the Council in monetary terms. Assets are categorised as either current or non-current

- A current asset will be consumed or cease to have material value within the next financial year (e.g. cash);
- A non-current asset provides benefits to the Council and to the services it provides for a period of more than one year and may be tangible e.g. the Civic Centre, or intangible, e.g. computer software licence.

### Audit of Accounts

An independent examination of the Council's financial affairs.

### Authority/Local Authority

A Local Authority is an administrative body in local government, also referred to in the Statement of Accounts as a Council.

### Balance Sheet

A statement of the recorded assets, liabilities and other balances at the end of the accounting period.

**Billing Authority**

A local authority responsible for collecting the council tax and non-domestic rates in areas where there is a two-tier system of county and district councils.

**Borrowing**

Using cash provided by another party to pay for expenditure, on the basis of an agreement to repay the cash at a future point, usually incurring additional interest charges over and above the original amount.

**Budget**

The forecast of net revenue and capital expenditure over the accounting period.

**Capital Expenditure**

Expenditure on the acquisition of a fixed asset, which will be used in providing services beyond the current accounting period, or expenditure which adds to and not merely maintains the value of an existing fixed asset.

**Capital Financing**

Funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue contributions, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

**Capital Grants**

Grants received towards capital expenditure.

**Capital Programme**

The capital schemes the Council intends to carry out over a specific period of time.

**Capital Receipt**

The proceeds from the disposal of land or other fixed assets. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the government but they cannot be used to finance revenue expenditure.

**Collection Fund**

A separate fund that records the income and expenditure relating to Council Tax and non-domestic rates.

**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.

**Componentisation**

Component parts of a major asset may not have the same useful lives (i.e. they wear out or depreciate at different rates); therefore those components with a value that is significant in relation to the total value of the asset shall be depreciated separately. The purpose is to ensure that the depreciation charged in the Income & Expenditure Statement properly reflects the consumption of economic benefit.

**Comprehensive Income and Expenditure Statement (CIES)**

The account of the Council that reports the net cost for the year of the functions for which it is responsible and demonstrates how that cost has been financed from precepts, grants and other income.

**Consistency**

The concept that the accounting treatment of like items within an accounting period and from one period to the next are the same.

**Contingent Asset**

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control.

**Contingent Liability**

A contingent liability is either:

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control; or
- A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

**Corporate and Democratic Core**

The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The costs of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is, therefore, no logical basis for apportioning these costs to services.

**Council Tax**

A local tax on domestic property set by local authorities in order to meet their budget requirement.

**Council Tax Base**

The total number of properties within the local authority area expressed in terms of band D equivalents, incorporating discounts, deductions and exemptions.

**CIPFA**

The Chartered Institute of Public Finance and Accountancy.

**Current Assets**

Assets which may change in value on a day-to-day basis

**Current Service Cost (Pensions)**

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

**Defined Benefit Pension Scheme**

Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

**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 all physical deterioration and all relevant forms of obsolescence. It is used for specialist assets where no market exists.

**Depreciation**

The measure of the cost of wearing out, consumption or other reduction in the useful economic life of the Council's fixed assets during the accounting period, whether from use, the passage of time or obsolescence through technical or other changes.

**Direct Revenue Contributions**

Capital expenditure funded from revenue budgets. Also known as Revenue Contributions to Capital Outlay (RCCO).

**Discretionary Benefits (pensions)**

Retirement benefits, which the employer has no legal, contractual or constructive obligation to award and are awarded under the Council's discretionary powers such as the Local Government (Discretionary Payments) Regulations 1996.

**Doubtful Debt (also known as bad debt)**

A debt that the Council may not be able to recover. A provision is made in the accounts for doubtful debts each year based on the value and age of debts outstanding.

**Earmarked Reserves**

Reserves which are held by a Council for specified purposes.

**Events after the Balance Sheet date**

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

**Exceptional Items**

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

**Existing use Value (EUV)**

The amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction in its existing use; it is used for most PPE assets with a variation required for council dwellings.

**Expected Return on Pension Assets**

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

**Fair Value**

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction.

**Finance Lease**

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

**Financial Asset**

Any asset that is cash, a contractual right to receive cash or another financial asset from another party, or an equity instrument issued by another party, examples include bank deposits, bonds and stocks.

**Financial Instrument**

A financial asset that is tradable, for example, bank deposits and investments.

**Financial Liability**

An obligation to deliver cash or another financial asset.

**Funded Benefits**

The funded benefits are those payable by the Fund in accordance with The Local Government Pension Scheme Regulations 2013 (as amended and The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)

**General Fund**

The main revenue fund from which the Cost of Services is met.

**Going Concern**

The concept that the Statement of Accounts is prepared on the assumption that the Council will continue in operational existence for the foreseeable future.

**Government Grants**

Grants made by the government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Council. These grants may be specific to a particular scheme or may support the revenue spend of the Council in general.

**Held for Sale**

Asset held for sale are those assets where it is probable that the carrying value will be recovered principally through a sale transaction rather than through continuing use.

**Heritage Assets**

Assets that are held and maintained by an entity principally for their contribution to knowledge and culture. The key feature of heritage assets is that they have cultural, environmental or historical associations that make their preservation for future generations important.

**Highest & Best Use**

The highest and best use of the asset provides the maximum value to market participants through its use, taking into account the use of the asset that is physically possible, legally permissible and financially feasible.

**Historic Cost**

The amount originally paid for a fixed asset.

**Housing Capital Receipts Pool**

A proportion of receipts relating to housing disposal is payable to the Government in accordance with statutory requirements. This is known as housing capital receipts pooling.

**Housing Revenue Account (HRA)**

A separate account to the General Fund, which includes the income and expenditure arising from the provision of housing accommodation by the Council.

**IFRS**

International Financial Reporting Standards (IFRS) a global language for business affairs so that accounts are understandable and comparable across international boundaries.

**Impairment**

A reduction in the value of a fixed asset to below its recoverable amount, the higher of the asset's fair value less costs to sell and its value in use.

**Infrastructure Assets**

Fixed assets belonging to the Council that cannot be transferred or sold, on which expenditure is only recoverable by the continued use of the asset created. Examples are footpaths and coast protection defences.

**Intangible Assets**

An intangible (non-physical) item may be defined as an asset when access to the future economic benefits it represents is controlled by the reporting entity. This Council's intangible assets comprise computer software licences.

**Interest Cost (Pensions)**

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

**Investment Property**

Interests in land and/or buildings which are held solely to earn rentals or for capital appreciation or both. Investment Properties are valued at highest and best use and must be revalued every year.

**Investments (Pension Fund)**

The investments of the Pension Fund will be accounted for in the statements of that fund. However, authorities are also required to disclose, as part of the disclosure requirements relating to retirement benefits, the attributable share of the pension scheme assets associated with their underlying obligations.

**Joint Ventures**

An entity established with contractual or binding arrangements whereby two or more parties are committed to undertake an activity that is subject to their joint control, with strategic, financial and operating decisions relating to the activity requiring the unanimous consent of the parties sharing the control.



**Lease**

A contract for the hire of a specific asset. The lessor owns the asset but conveys the right to use the asset to the lessee for an agreed period of time in return for the payment of specified rentals. Leases may be either operating leases or finance leases.

**Liability**

A liability is where the Council owes payment to an individual or another organisation.

- A current liability is an amount which will become payable or could be called in within the next accounting period, e.g. creditors or cash overdrawn.
- A deferred liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

**Liquid Investment**

Current asset investments that are readily disposable by the Council without disrupting its business and are either:

- Readily convertible to known amounts of cash at or close to the carrying amount; or
- Traded in an active market.

**Major Repairs Reserve**

All local housing authorities are required to operate this reserve which is used to fund either capital expenditure relating to HRA dwellings or the repayment of housing debt.

**Market Participants**

Buyers and sellers in the principal (or most advantageous) market for an asset or liability. The principal market is that with the greatest volume and level of activity, whilst the most advantageous is the market that maximises the amount that would be received to sell the asset or paid to transfer the liability after taking into account transport and transaction cost.

**Market Value**

The amount at which a property would be exchanged between knowledgeable and willing parties in an arm's-length transaction.

**Materiality**

The concept that the Statement of Accounts should include all amounts which, if omitted, or misstated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

**MHCLG**

Ministry of Housing, Communities and Local Government, the main Government department dealing with local government, housing and community issues.

**Minimum Revenue Provision (MRP)**

The minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Council.

**Net Book Value**

The amount at which fixed assets are included in the Balance Sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation.

**Non-Domestic Rates (NDR)**

The Non-Domestic Rate is a levy on businesses, based on a national rate in the pound set by central government and multiplied by the assessed rateable value of the premises they occupy. In England it is collected by the Council on behalf of itself, central government and major preceptors.

**Non-Operational Assets**

Fixed assets held by the Council but not directly occupied, used or consumed in the delivery of services. Examples are investment properties, assets under construction or assets surplus to requirements pending sale or redevelopment.

**Observable Inputs**

Are those that are developed using market data, such as publicly available information about actual events or transactions, and that reflect the assumption that market participants would use when pricing the asset or liability.

**Operating Lease**

A lease where the ownership of the fixed asset remains with the lessor.

**Operational Assets**

Fixed assets held and occupied, used or consumed by the Council in the pursuit of its strategy and in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

**Orderly Transaction**

A transaction that assumes exposure to the market for a period before the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets or liabilities; it is not a forced transaction.

**Payables (also known as Creditors)**

Financial liabilities arising from a contractual obligation to pay cash in the future for goods or services or other benefits that have been received or supplied and have been invoiced or formally agreed with the supplier. They are only recognised when the goods or services are delivered or received by the Council.

**Past Service Cost (Pensions)**

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

**Pension Scheme Liabilities**

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

**Precept**

The levy made by precepting authorities by billing authorities, requiring the latter to collect income from Council Tax on their behalf.

**Precepting Authority**

An authority that sets a precept to be collected by a billing authority (Arun) through the Council Tax bill. West Sussex County Council and Sussex Police & Crime Commissioner are known as major precepting authorities. Parish/Town Councils are known as local precepting authorities.

**Prepayment**

An adjustment made in the financial statements for goods or services already paid which relate to the next financial year.

**Prior Year Adjustment**

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

**Property, Plant & Equipment (PPE)**

Tangible assets (i.e. assets with physical substance) that are held for use by the Council for the supply of services, for rental to others or for administrative purposes that are expected to be used for at least part of the succeeding financial year. These may be operational or non-operational.

**Provision**

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

**Public Works Loan Board (PWLB)**

A Central Government Agency, which provides loans for one year and above to authorities at interest rates only slightly higher than those at which the government can borrow itself.

**Rateable Value**

The annual assumed rental of a hereditament, which is used for NNDR purposes.

**Receivables (also known as Debtors)**

Financial assets not traded in an active market with fixed or determinable payments that are contractual rights to receive cash or cash equivalents. They are only recognised when goods or services have been transferred to the service recipient before the customer pays consideration or before payment is due.

**Related Parties**

There is a detailed definition of related parties in FRS 8. For the Council's purposes related parties are deemed to include the Council's members, the Chief Executive, its Directors and their close family and household members.

**Related Party Transactions**

The Statement of Recommended Practice requires the disclosure of any material transactions between the Council and related parties to ensure that stakeholders are aware when these transactions occur and the amount and implications of such.

**Remuneration**

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits. Received other than in cash. Pension contributions payable by the employer are excluded.

**Reserves**

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council. Some capital reserves such as the fixed asset restatement account cannot be used to meet current expenditure.

**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.

**Revenue Expenditure**

The day-to-day expenses of providing services.

**Revenue Expenditure Funded from Capital under Statute (REFCUS)**

Expenditure which ordinarily would be revenue but is statutorily defined as capital. Examples of REFCUS include grants of a capital nature such as disabled facility grants.

**Support Services Costs/Charges**

Expenditure on administrative and professional services and office accommodation, which is recharged to service users on a specified basis.

**Tangible Fixed Asset**

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

**Useful Economic Life (UEL)**

The period over which the Council will derive benefits from the use of a fixed asset.

**Unobservable Inputs**

Are inputs for which market data is not available and that are developed using the best information available to the Council about the assumptions that market participants would use when pricing the asset or liability.

**Unusable Reserve**

Those reserves that the Council may not use to fund the services it provides. This includes the Revaluation Reserve that holds the unrealised gains and losses on Property Plant and Equipment.

**Usable Reserve**

Those reserves that the Council may use to fund the services it provides, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use e.g. the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt.



## Statement of Accounts and Annual Governance Statement 2022 to 2023

**RUSHMOOR**  
BOROUGH COUNCIL

V2 (28/06/2024)

Narrative Report	1
Authority's Responsibilities	8
Movement in Reserves Statement (MiRS)	8
Comprehensive Income and Expenditure Statement (CIES)	9
Balance Sheet (BS)	10
Cash Flow Statement	11
Notes to the core financial Statements;	
Note 1 - Accounting Policies	12
Note 2 - Accounting Standards Issued, Not Adopted	26
Note 3 - Expenditure and Funding Analysis	26
Note 4 - Expenditure and Income Analysed by Nature	28
Note 5 - Critical Judgements in Applying Accounting Policies	29
Note 6 - Assumptions & Uncertainty	30
Note 7 - Events After the Balance Sheet Date	30
Note 8 - Adj's between Acc & Funding Basis under Regulations	31
Note 9 - Transfers to/from Earmarked Reserves	33
Note 10 - Other Operating Expenditure	35
Note 11 - Financing and Investment Income and Expenditure	35
Note 12 - Taxation and Non-Specific Grant Income	35
Note 13 - Property, Plant and Equipment	36
Note 14 - Investment Properties	37
Note 15 - Intangible Assets	38
Note 16 - Interests in Jointly Controlled Operations	39
Note 17 - Long Term Debtors	40
Note 18 - Financial Instruments	40
Note 19 - Inventory	43
Note 20 - Short Term Debtors	43
Note 21 - Cash and Cash Equivalents	44
Note 22 - Short Term Borrowing	44
Note 23 - Short Term Creditors	44
Note 24 - Provisions	44
Note 25 - Long Term Borrowing	44
Note 26 - Other Long Term Liabilities	44
Note 27 - Unusable Reserves	45
Note 28 - Cash Flow- Adj's to net surplus/deficit	47
Note 29 - Cash Flow- Adj's for PoS investing or financing	48
Note 30 - Cash Flow- Operating Activities	48
Note 31 - Cash Flow- Investing Activities	48
Note 32 - Cash Flow- Financing Activities	48
Note 33 - Recon of Liabilities Arising from Financing Activities	48
Note 34 - Officer Remuneration and Termination Benefits	49
Note 35 - External Audit Costs	50
Note 36 - Grant Income	50
Note 37 - Member's Allowances	51
Note 38 - Related Party Transactions	51
Note 39 - Capital Expenditure and Financing	52
Note 40 - Leases	53
Note 41 - Capital Commitments	55
Note 42 - Defined Benefits Pension Scheme	55
Note 43 - Nature and Extent of Risk Arising from Fin. Instruments	59
Collection Fund (and associated notes)	63
Annual Governance Statement	66

## **Narrative Statement from the Chief Financial Officer (CFO)**

### **ORGANISATIONAL OVERVIEW AND ENVIRONMENT**

#### **1. An introduction to Rushmoor**

The Borough of Rushmoor, with an estimated population of around 94,400, covers an area of 3,905 hectares at the northeast corner of Hampshire, with its eastern boundary with Surrey being formed by the River Blackwater. London is some thirty miles away and the Borough is served by direct road and rail links to the capital and the south coast. Rushmoor includes the towns of Aldershot, with its world-famous military history and Farnborough, long noted as the birthplace of aeronautical research and development and served by Farnborough Airport.

The urban area extends the full length of the Borough from the southern boundary with Farnham to the towns of Frimley and Camberley across the River Blackwater in the north.

The military area and Farnborough Airport occupy the land between Aldershot and Farnborough and to the west of those towns, works continue on Wellesley, a major redevelopment of an area of former Ministry of Defence land north of Aldershot, which will provide an additional 3,850 properties over the next fourteen years.

#### **2. Council services and purpose**

Rushmoor Borough Council (RBC) delivers more than 100 local services to the communities of Aldershot and Farnborough, including core services such as rubbish and recycling collection, street cleaning, planning, environmental health, housing, parks and leisure facilities.

The Council is more complex than ever before and plays an essential role in broad areas like engaging with and where necessary, supporting local communities and business, helping the most vulnerable in society and making sure our Borough continues to develop and thrive economically with an extensive regeneration programme.

#### **3. Financial Impact/Outlook**

The Council set its 2022/23 budget and Medium-Term Financial Strategy (MTFS) on 8<sup>th</sup> February 2022.

The country suffered economic hardship during 2022/23 with the residual impact from Covid-19, the war in Ukraine, restrictions on the supply chain (particularly from China), the ongoing reset of the UK economy following Brexit, all contributing to the high inflation and the cost-of-living crisis means the economic context is subject to considerable uncertainty. The continuation of constraints in government funding (both in terms of the level of funding and duration) adds to this uncertainty which restricts the Councils ability to financially plan for the medium to long term.

The Council has built up its reserves in recent years to enable it to manage its finances through the economic cycle and in certain areas of spend the impact of inflation and the pay award was covered by a drawdown from reserves. However, there were areas where additional income was received or there were there was a surplus which were used to top up reserves.

#### 4. Resource Allocation

Rushmoor Borough Council manages cash flows of £78m and assets of £272m by:

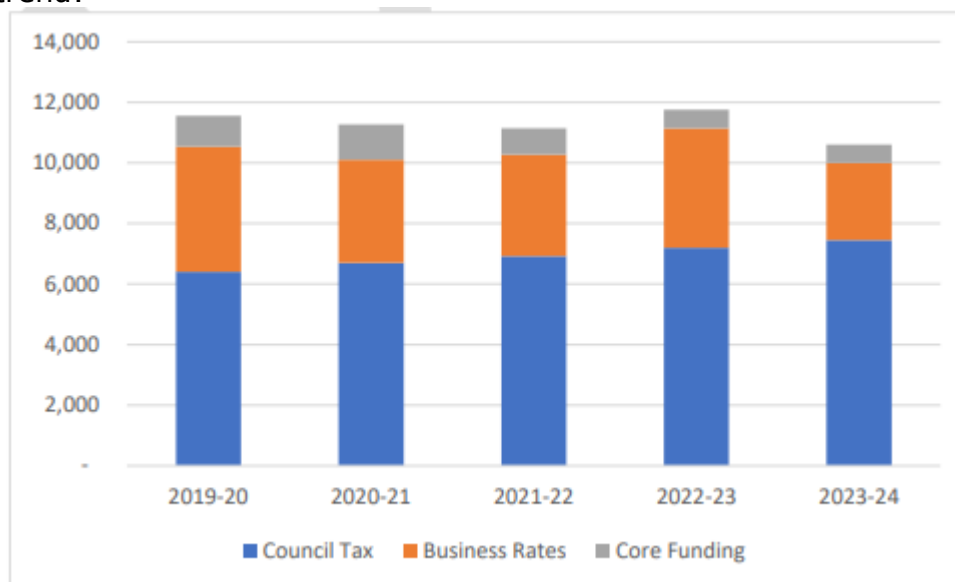
- i. Holding a General fund balance of £2m
- ii. Collecting £43.5m of business rates. 60% of the business rates collected is passed onto central government, Hampshire County Council and Fire and Rescue Authority. The Council retains £13.9m
- iii. Collecting £62.5m of Council tax payments. 88% of Council Tax collected is passed onto central government, Hampshire County Council, Fire and Rescue Authority and Police and Crime Commissioner. The Council retains £7.2m
- iv. Managing a £127m+ portfolio of land, building and other assets that generates £8m of income.
- v. Managing a £25m portfolio of loans and investments that generates £1.5m of income
- vi. Receiving grants and contribution of £37.3m mainly from central government.

#### Financial performance

#### 5. Core Funding

The Council, in line with other shire districts continues to experience an increasing reduction in core government funding. The Government planned to phase out non-specific grant funding, instead allowing local authorities to retain a higher proportion of business rates collected locally from 2022/23 financial year. This will not be implemented as originally planned. The Council will continue to work with Government during the next financial year and beyond.

Core funding trend:



To address future challenges and reinvest in the Borough, Council Tax increased by 2.99% (£6.56) in 2023/24 from 2022/23 for an equivalent Band D property, raising an additional £252k for the Council.



## 6. Financial position

The Council has maintained a resilient financial position against the backdrop of reduced government funding and the impact of continued changes to the cash profile of Business Rates. Although the headline reduction in Earmarked Reserves is a reduction of £2.78m, the level of earmarked reserves only decreased by £0.08m when the COVID Business Rates Earmarked Reserve is excluded, which is used to fund the spreading of the Collection Fund deficit created by the support given to businesses during the COVID 19 pandemic.

## 7. Capital Strategy

The Council has an ambitious five-year capital programme of £84.7m.

The table below shows the revised capital programme for 2022/23 and the indicative programme for following four year period 2022/23 to 2025/26:

	FIVE YEAR PLAN							Total
	Revised Estimate 2021/22 £000	Outturn 2021/22 £000	Carry forward 2021/22 £000	Estimate 2022/23 £000	Estimate 2023/24 £000	Estimate 2024/25 £000	Estimate 2025/26 £000	
<b>EXPENDITURE</b>								
Corporate and Democratic Services	74	-	-	-	-	-	-	-
Customer Experience and Improvement	148	67	-	305	200	365	85	1,022
Major Projects and Property	27,066	7,254	1,106	34,403	29,852	2,129	-	74,744
Operational Services	3,813	1,718	1,258	2,301	1,216	1,216	1,216	8,925
Planning and Economy	-	-	-	-	-	-	-	-
ICE Programme	-	-	-	-	-	-	-	-
<b>Total Expenditure</b>	<b>31,101</b>	<b>9,039</b>	<b>2,363</b>	<b>37,009</b>	<b>31,268</b>	<b>3,710</b>	<b>1,301</b>	<b>84,690</b>
<b>FUNDING</b>								
Grants and other Contributions	4,457	5,643	-	8,581	1,081	1,081	1,081	17,467
Developers' Contributions	52	-	-	-	-	-	-	-
Capital Receipts/Borrowing	26,592	3,396	2,363	28,428	30,187	2,629	220	67,223
<b>Total Funding</b>	<b>31,101</b>	<b>9,039</b>	<b>2,363</b>	<b>37,009</b>	<b>31,268</b>	<b>3,710</b>	<b>1,301</b>	<b>84,690</b>

## ORGANISATIONAL MODEL

### 8. Political Structure of the Council in the 2022/23 Municipal Year

Rushmoor has 13 wards and the Council consists of 39 elected Members. The political make-up of the Council during 2022/23 was as stated below:

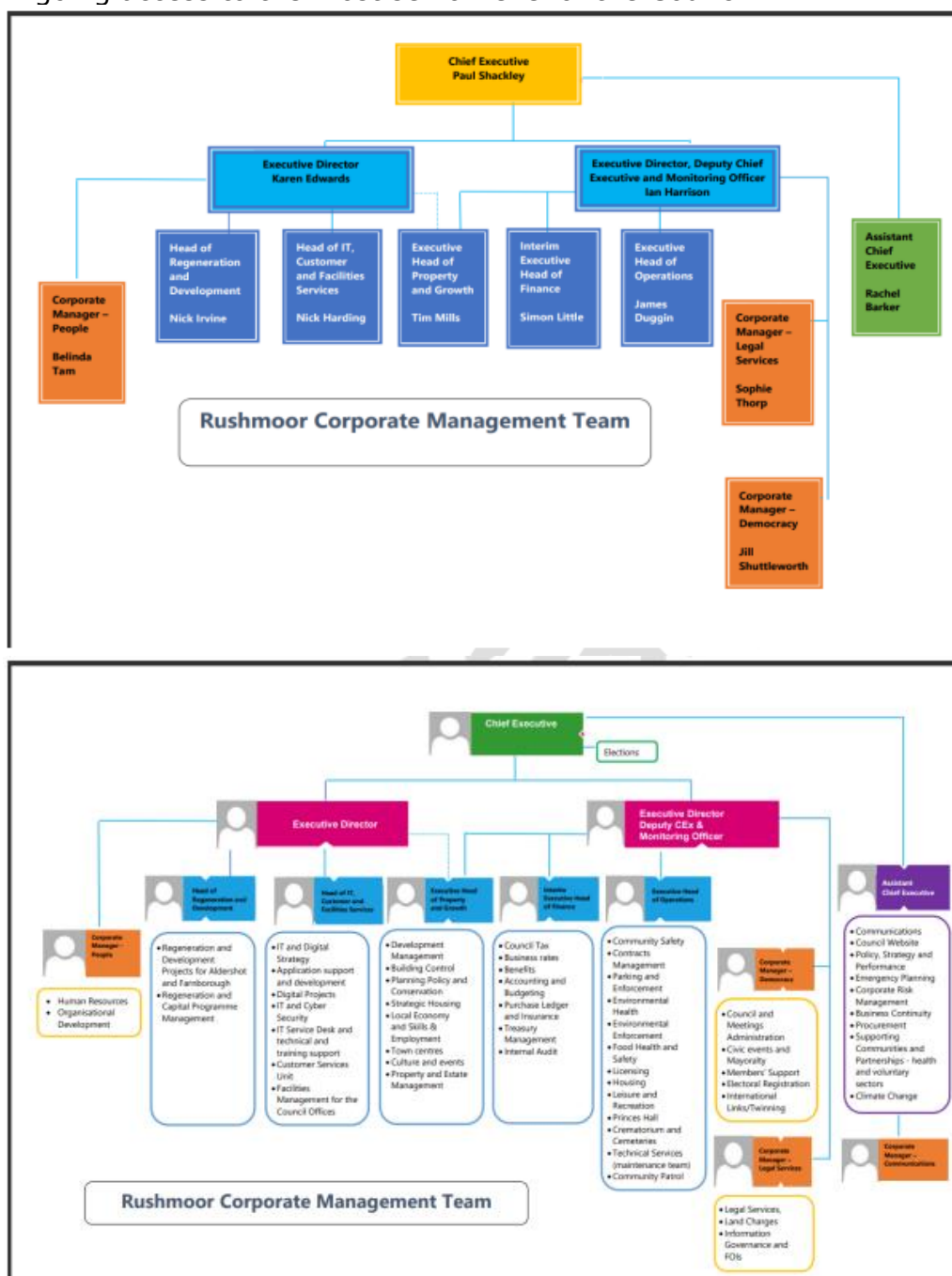
Party	Councillors
Conservative	28
Labour	9
Liberal Democrat	2
Total number of Elected Members	39

The Council has adopted the Leader and Cabinet model as its political management structure arising from the Local Government and Public Involvement in Health Act 2007. The requirements of the Act are such that the Leader of the Council has responsibility for the appointment of Members of the Cabinet, the allocation of Portfolios and the delegation of Executive Functions.

## 9. Management Structure of the Council

The Council has two senior management boards. Executive Leadership team (ELT), which consists of the Chief Executive, two Executive Directors, Executive Head of Finance, Assistant Chief Executive and Corporate Legal Services Manager. ELT consider and co-ordinates the strategic direction of the Council. The second board is the Corporate Management Team (CMT), consisting of the Chief Executive, two Executive Directors and Heads of Service. The CMT considers and co-ordinates the management and future plans of the Council, providing operational leadership and support to elected Members alongside the delivery of Council services.

The Executive Head of Finance (Chief Financial Officer) and Executive Director of Operations, as Monitoring Officer, are both members of CMT and ELT, ensuring that these key statutory roles have on-going access to the most senior level of the Council.



## STRATEGY AND RESOURCE ALLOCATION

### 10. The Council Plan – “People, Place, Partnership, Better Public Services”

One of the key strategic documents that frame the actions of the Council is the Council’s Corporate Plan. This document exists to help elected Members, staff and partners work together to deliver the vision for Rushmoor. It sets out our priorities – what we are doing and why.

The Cabinet reviews progress against the Corporate Plan on a quarterly basis. This acts as the key corporate performance monitoring process for the Council. The document combines both informative data about the Rushmoor area and some more specific data about the Council as a whole and about individual services. It is provided to give an enhanced overview to inform Cabinet’s priorities and its monitoring of performance.

The Council Business Plan for the period 2023 to 2026, was approved at Council on 6 July 2023 and can be found on the Council's website at:

<https://www.rushmoor.gov.uk/media/12ffarif/final-council-plan-2023-2026-accessible-accessible-pdf.pdf>

## GOVERNANCE

### 11. Governance arrangements

Governance arrangements are outlined within the Annual Governance Statement at the end of this document.

## RISK AND OPPORTUNITIES

### 12. Risks Management

A risk management strategy is in place to evaluate and identify risk. There are clearly defined processes to support robust decision making through the understanding of risk, whether an opportunity or threat exists and the likely impact. The Council believes that its performance monitoring, both financial and non-financial, its governance arrangements and its focus on the sustainability of the organisation, mitigates the risks the Council is facing and it is well placed to respond to the ever-changing environment.

The link to the Cabinet report from June 2022 shows the key risks from the Council’s Corporate risk register (pages 23 onwards of the document):

[Corporate Risk Register](#)

### 13. Non-Financial Performance of the Council

During 2022/23, Rushmoor Borough Council has continued its drive towards a sustainable future, developing plans for a workforce fit for the future, continuing its improvement and efficiency work using System Thinking principles and continuing to deliver high quality services to its residents while seeking to reduce costs. As the financial statements demonstrate, the Council continues to maintain a sound financial position.

The Council has established good financial management processes and procedures and, recognising that it operates in an environment of continuous change, it will pursue its drive for ongoing improvement, working collaboratively across the Council, and with partners where appropriate, to deliver effective end-to-end processes.

## BASIS OF PREPARATION AND PRESENTATION

## 14. Explanation of accounting statements

The Statement of Accounts set out the Council's income and expenditure for the year, and its financial position at 31st March 2023.

The format and content of the financial statements is prescribed by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the UK 2022/23, in turn underpinned by International Financial Reporting Standards.

The Core statements are:

- i. The Movement in Reserves Statement is a summary of the changes to the Council's reserves over the financial year. Reserves are divided into "usable", which can be invested in capital projects or service improvements, and "unusable", which must be set aside for specific purposes.
- ii. The Comprehensive Income and Expenditure Statement records all the Council's income and expenditure for the financial year. The upper element of the statement provides an analysis by service area. The lower half of the statement shows corporate transactions and financing.
- iii. The Balance Sheet is a "snap shot" of the Council's assets, liabilities, cash balances and reserves at the end of the financial year.
- iv. The Cash Flow Statement shows the reason for changes in the Council's cash balances during the financial year and whether those changes are due to operating activities, new investment or financing activities.

The supplementary financial statements are:

- i. The Expenditure and Funding Analysis shows the net expenditure that is chargeable to taxation and reconciles it to the Comprehensive Income and Expenditure Statement.
- ii. The Collection Fund Statement is a statutory fund maintained by a Billing Authority summarising local taxes and non-domestic rates collected by the Council, along with redistribution payments to Precepting
- iii. The Independent Auditor's Report provides the auditor's opinion on the financial statements and the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources.
- iv. The Annual Governance Statement sets out the governance structure of the Council and its key internal controls.

## Receipt of further information

Further information about the statements is available from the Executive Head of Finance, Council Offices, Farnborough Road, Farnborough, Hampshire GU14 7JU. The statements are also available on the Council's website – [www.rushmoor.gov.uk](http://www.rushmoor.gov.uk)

## Acknowledgements

The production of the Statement of Accounts would not have been possible without the hard work and dedication of staff across the Council. I would like to thank my colleagues both in Financial Services and from other departments, who have played a role in the preparation of this document.

Peter Vickers  
Executive Head of Finance and Chief Financial Officer

Date: .....

## Statement of Responsibilities

### The Authority's Responsibilities

The authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Finance Officer (CFO);
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the Statement of Accounts.

### Responsibilities of the Chief Finance Officer

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

In preparing this statement of accounts, the Chief Finance Officer has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the local authority Code.

The Chief Finance 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.

#### **Certificate of Executive Head of Finance and Section 151 Officer**

I hereby certify that the Statement of Accounts presents a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2023. I confirm that the date of this declaration is the date up to which events have been considered for inclusion within the Council's Statement of Accounts and that events after the Balance Sheet date have been considered to this date and the accounts amended accordingly for such events and adjustments arising from audit. The accounts are therefore authorised for issue.

Peter Vickers, Chief Finance Officer and S.151 Officer

Dated XX XXX 2024

#### **Certificate of Approval by Audit and Governance Committee**

I confirm that these account statements were approved by the Audit and Governance Committee of Rushmoor Borough Council on XX XXX 2024.

Councillor Crawford, Chairman- Audit & Governance Committee

Dated XX XXX 2024

## Movement in Reserves Statement (MiRS)

This Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the Council's reserves are broken down between gains and losses in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The net Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.

2022/23	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March brought forward	(24,019)	(2,136)	(1,019)	(27,174)	(56,432)	(83,606)
(Surplus)/Deficit on Provision of Services	396			396		396
Other Comprehensive I&E					(37,745)	(37,745)
<b>Total Comprehensive I&amp;E</b>	<b>396</b>			<b>396</b>	<b>(37,745)</b>	<b>(37,349)</b>
Adjustments between accounting basis & funding basis under regulations (Note 8)	2,384	(1,318)	(420)	647	(647)	0
<b>(Increase) or Decrease in year</b>	<b>2,780</b>	<b>(1,318)</b>	<b>(420)</b>	<b>1,043</b>	<b>(38,391)</b>	<b>(37,349)</b>
Balance at 31 March carried forward	(21,239)	(3,454)	(1,439)	(26,131)	(94,823)	(120,955)

### General Fund Balance analysed over;

General Fund	(2,101)
Earmarked Reserves	(19,138)
<b>Total Balance</b>	<b>(21,239)</b>

2021/22	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March brought forward	(29,986)	(411)	(575)	(30,972)	(34,520)	(65,492)
(Surplus)/Deficit on Provision of Services	3,878			3,878		3,878
Other Comprehensive I&E					(21,992)	(21,992)
<b>Total Comprehensive I&amp;E</b>	<b>3,878</b>			<b>3,878</b>	<b>(21,992)</b>	<b>(18,114)</b>
Adjustments between accounting basis & funding basis under regulations (Note 8)	2,089	(1,725)	(444)	(80)	80	0
<b>(Increase) or Decrease in year</b>	<b>5,967</b>	<b>(1,725)</b>	<b>(444)</b>	<b>3,798</b>	<b>(21,912)</b>	<b>(18,114)</b>
Balance at 31 March carried forward	(24,019)	(2,136)	(1,019)	(27,174)	(56,432)	(83,606)

### General Fund Balance analysed over;

General Fund	(2,101)
Earmarked Reserves	(21,918)
<b>Total Balance</b>	<b>(24,019)</b>

## Comprehensive Income and Expenditure Statement (CIES)

The Comprehensive Income and Expenditure 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 statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2021/22			2022/23				
Exp £'000	Income £'000	Net £'000	N o t e	CIES	Exp £'000	Income £'000	Net £'000
32,973	(27,191)	5,782		Corporate & Democratic Services	31,707	(25,609)	6,098
258	(2)	256		Customer Experience & Improvement	143	(2)	141
4,541	(8,557)	(4,016)		Major Projects & Property	4,159	(8,843)	(4,684)
15,529	(8,535)	6,994		Operational Services	15,866	(10,133)	5,733
3,437	(925)	2,512		Planning & Economy	3,561	(689)	2,872
542	0	542		ICE Programme	159	0	159
57,280	(45,210)	12,070		Cost of Service	55,595	(45,276)	10,319
15,521	(1,883)	13,638	10	Other Operating Expenditure	1,462	(1,611)	(149)
3,327	(4,894)	(1,566)	11	Financing and Investment I&E	6,114	(3,751)	2,363
20,512	(40,775)	(20,263)	12	Taxation & Non-specific Grant Inc.	17,621	(29,758)	(12,137)
96,640	(92,762)	3,878		(Surplus)/Deficit on Prov. of Service	80,793	(80,396)	396
		(4,750)	13	(Surp)/Def on revaluation of PPE			(520)
		(17,242)	42	Remeasure of net def ben liability/(asset)			(37,225)
		(21,992)		Other Comprehensive I&E			(37,745)
		(18,115)		Total Comprehensive I&E			(37,348)



## Balance Sheet

The Balance Sheet shows the value as at the balance sheet date of assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital receipts reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2022 £'000	Note	Balance Sheet	31 March 2023 £'000
90,356	13	Property, Plant and Equipment	112,944
258	-	Heritage Assets	258
127,581	14	Investment property	128,112
136	15	Intangible Assets	76
21,943	18	Long-Term Investments	19,293
7,452	17	Long-Term Debtors	8,169
<b>247,726</b>		<b>Long Term Assets</b>	<b>268,852</b>
12	19	Inventories	41
6,844	20	Short-Term Debtors	6,878
13,692	21	Cash and Cash Equivalents	1,817
<b>20,548</b>		<b>Current Assets</b>	<b>8,736</b>
(100,000)	22	Short-Term Borrowing	(115,000)
(29,313)	23	Short-Term Creditors	(16,404)
(340)	18	Other Short-Term Liabilities (Leases)	(329)
<b>(129,653)</b>		<b>Current Liabilities</b>	<b>(131,733)</b>
(2,549)	24	Long-Term Provisions (NNDR only)	(1,688)
0	25	Long-Term Borrowing	(5,000)
(47,652)	26	Other Long-Term Liabilities (Pensions & Leases only)	(13,407)
(4,813)	36	Capital Grants Receipts in Advance	(4,807)
<b>(55,014)</b>		<b>Long Term Liabilities</b>	<b>(24,901)</b>
<b>83,607</b>		<b>Net Assets</b>	<b>120,955</b>
(27,176)	MIRS	Usable Reserves	(26,133)
(56,431)	27	Unusable Reserves	(94,822)
<b>(83,607)</b>		<b>Total Reserves</b>	<b>(120,955)</b>

**Peter Vickers**, Chief Finance Officer..... date: .....



## Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents to 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 and 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 flows 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 to the Council).

2021/22 £'000		Cash Flow Statement	2022/23 £'000
	Note		
(3,878)	CIES	Net (surplus)/deficit on the provision of services	(396)
5,942	28	Adj's to surplus/deficit on the prov. of services for non-cash movements	11,569
1,050	29	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities	(2,806)
<b>3,114</b>		<b>Net Cash flows from operating activities</b>	<b>8,367</b>
(9,296)	31	Net cash flows from investing activities	(20,247)
(2,369)	32	Net cash flows from financing activities	23,755
<b>(8,551)</b>		<b>Net (increase) or decrease in cash and cash equivalents</b>	<b>11,875</b>
5,141		Cash and cash equivalents at the beginning of the reporting period	13,692
<b>13,692</b>		<b>Cash and cash equivalents at the end of the reporting period</b>	<b>1,817</b>

## **Note 1 - Accounting Policies**

### **i. General Principles**

The Statement of Accounts summarises the Council's transactions for the 2022/23 financial year and its position at the year-end of 31st March 2023. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Council Accounting in the United Kingdom 2022/23 supported by International Financial Reporting Standards (IFRS) and statutory guidance.

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. In accordance with application accounting framework, these accounts are prepared on a going concern basis.

### **ii. Accruals of Expenditure and Income**

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

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

### **iii. Cash and Cash Equivalents**

Cash and cash equivalents includes all bank accounts including overdrafts that are an integral part of the Authority's cash management.

Cash is represented by cash in hand and deposits with financial institutions repayable without any penalty on notice of not more than 24 hours.

Cash equivalents are deposits held with financial institutions that mature in no more than one month or less from the date of acquisition and are readily convertible to known amounts of cash with insignificant risk of change in value.

**iv. Prior Period Adjustments, Changes in Accounting Policies and Estimates & Errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

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.

**v. Charges to Revenue for Non-Current Assets**

Services and support services 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 fixed assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation.

The authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement [equal to either an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance Depreciation, revaluation, Benefit Fund balance [MRP or the statutory repayment of loans fund advances], by way of an adjusting transaction with the capital adjustment account in the Movement in Reserves Statement for the difference between the two.

**vi. Employee Benefits**

Benefits Payable during Employment:

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as 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.

Termination Benefits:

When the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy. These costs are charged on an accruals' basis to the relevant service line in the Comprehensive Income and Expenditure Statement.

Post-employment Benefits:

The Council participates in 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.

## The Local Government Pension Scheme:

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

- The liabilities of the Hampshire County Council pension fund attributable to the authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2% (based on the indicative rate of return on high quality corporate bond).
- The assets of Hampshire County Council pension fund attributable to the authority are included in the Balance Sheet at their fair value:
  - o quoted securities – current bid price
  - o unquoted securities – professional estimate
  - o unitised securities – current bid price
  - o property – market value.

The liabilities of the Hampshire County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees. The assets of Hampshire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value. 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 – the increase in liabilities arising from current year decisions 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 cost on the net defined benefit liability (asset) - the change during the period in the net defined benefit liability (asset) 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 (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

### Remeasurements comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – 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 appropriations 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.

### **vii. 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 (for NDR) 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 (CIES) is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the collection fund adjustment account and included as a reconciling item in the Movement in Reserves Statement.

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

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the taxation and non-specific grant income and expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

**viii. Events After the Balance Sheet Date**

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue.

Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events;
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

**ix. Financial Instruments**

Financial Liabilities:

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument, 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. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

The Council borrowed funds for the purposes of capital expenditure in 2022/23, and therefore has a capital financing requirement in excess of zero at 31 March 2023. Other financial liabilities were trade creditors that occur in the normal course of business and a liability arising from an embedded lease in the Council's contract for Waste, Recycling and Grounds Maintenance. The amount presented in the Balance Sheet in respect of the embedded finance lease is the outstanding principal repayable. Interest payable in the year is calculated and charged to the Comprehensive Income and Expenditure Statement. Financial liabilities entered into with a duration of less than 12 months, such as trade creditors, are recognised at their nominal value.

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 cash flow characteristics.

There are three main classes of financial assets measured at:

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

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payment are not solely payment of principle and interest.

### Financial Assets Measured at Amortised Cost:

Financial assets are measured at amortised cost are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument and initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) 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 financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

### Financial Assets Measure at Fair Value through Profit and Loss:

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value.

Fair value gains and losses are recognised 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 Council can access at the measurement data.
- 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 de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES and are balanced by entries in the Pooled Investment Fund Adjustment Account (PIFAA)

IFRS 9 Financial Instruments sets out that investments in equity should be classified as FVPL unless there is an irrevocable election to recognise changes in fair value through other comprehensive income. The Council has not elected equity instrument and therefore all equity investments are recorded as FVPL instruments.

### Expected Credit Loss Model:

The Council recognises expected credit loss on all its financial assets held at amortised cost or FVOCI, 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 Council.

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.

No impairment losses are recognised for pooled funds.

#### **x. Government Grants and Contributions**

Whether paid on account, by instalments or in arrears, government grants and third-party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants 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 in the form of 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 creditors. 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 and expenditure (non-ringfenced 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.

#### **xi. Heritage Assets**

The Council's heritage assets largely comprise items of civic regalia as well as a memorial and statues. They are all held in support of their primary objective of contributing to knowledge and culture and appreciation of the Council's history and local area.

#### **xii. Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (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.



The Council does not have any internally generated intangible assets. Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost.

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. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line 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.

### **xiii. Investment Property**

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arms-length. The 2022/23 external valuation report on all the investment properties and a selection of the other assets was prepared by GSC Harbord MA MRICS IRRV (Hons) RICS Registered Valuer of Wilkes Head and Eve LLP. Properties are not depreciated but are revalued annually according to market conditions at the year-end. 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 relation to 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.

### **xiv. Jointly Controlled Operations and Jointly Controlled Assets**

Jointly controlled operations are arrangements undertaken by the Council in conjunction with other ventures that involve the use of the assets and resources of the ventures rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

**xv. Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

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

**Operating leases**

Rentals paid under operating leases are charged to the comprehensive income and expenditure statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

**Finance Leases**

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

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

## 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 either the Financing and Investment Income line in the CIES or the relevant service line in the net cost of services. 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.

**xvi. 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.

**xvii. 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 (subject to a de-minimis capitalisation threshold of £10,000 for plant vehicles and equipment and £20,000 for land and buildings). 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.

## Measurement:

Assets are initially measured at cost, comprising:

- 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.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

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

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

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the CIES where they arise from the reversal of a loss previously charged to a service. The Revaluation Reserve contains revaluation gains recognised since 1st April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

#### Impairment:

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

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

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

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the CIES, 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 material Property, Plant and Equipment 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:

- dwellings and other buildings – straight-line allocation over the remaining useful life of the property as estimated by the valuer
- vehicles, plant and equipment – straight-line allocation over the remaining useful life of the asset.

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

Componentisation is considered where the carrying value of the asset is greater than £500,000 and the value of the component is at least 20% of the carrying value.

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 fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the CIES. Gains in fair 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.

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 CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CIES 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. Capital receipts are required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

### **xviii. Provisions and Contingent Liabilities**

#### Provisions:

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service or Other Operating Expenditure line in the CIES 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.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

### 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.

## **xix. 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 CIES. 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, financial instruments, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant notes.

## **xx. Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the CIES 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 then reverses out the amounts charged so that there is no impact on the level of council tax.

**xxi. Value Added Tax (VAT)**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

**xxii. Borrowing Costs Eligible for Capitalisation**

The borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are those borrowing costs that would have been avoided if the expenditure on the qualifying asset (as defined within IAS 23) had not been made. The Council recognises the accounting requirements of IAS 23 and determines the amount of borrowing costs that are eligible for capitalisation by applying a capitalisation rate to the expenditures on the qualifying asset. The capitalisation rate is the total borrowing costs related to the spend on the specific asset based on the average cost of the Council's total debt.

The Council only applies a process of capitalisation of borrowing costs for qualifying assets, in the following circumstances:

- Scheme capital expenditure exceeds £1m,
- Scheme capital expenditure results in an asset or revenue income stream,
- Duration of scheme creation is more than one financial year.

## Note 2 - Accounting Standards Issued, Not Adopted

The Council is required to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued, but has not yet been adopted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

For 2022/23 the following accounting standard changes that need to be reported relate to:

- a) IFRS 16 Leases.
- b) Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
- c) Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.
- d) Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021.
- e) Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

## Note 3 - Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax and rent payers how the funding available to the Council (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's portfolios. Income and Expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2021/22			2022/23			
Net Expenditure Chargeable to the General Fund Balances £'000	Adjustments between Funding and Accounting Basis £'000	Net Expenditure in the CIES £'000		Net Expenditure Chargeable to the General Fund Balances £'000	Adjustments between Funding and Accounting Basis £'000	Net Expenditure in the CIES £'000
4,886	896	5,782	Corporate & Democratic Services	5,617	481	6,098
(536)	792	256	Customer Experience & Improvmnt	(511)	652	141
(4,634)	618	(4,016)	Major Projects & Property	(4,753)	69	(4,684)
6,692	302	6,994	Operational Services	6,254	(521)	5,733
2,160	352	2,512	Planning & Economy	2,558	314	2,872
542	-	542	ICE Programme	157	2	159
<b>9,111</b>	<b>2,959</b>	<b>12,070</b>	<b>Net Cost of Services</b>	<b>9,322</b>	<b>997</b>	<b>10,319</b>
(3,142)	(5,049)	(8,192)	Total: Other income & Expenditure	(6,541)	(3,381)	(9,923)
<b>5,969</b>	<b>(2,090)</b>	<b>3,878</b>	<b>(Surplus) or deficit on PoServ's</b>	<b>2,781</b>	<b>(2,384)</b>	<b>396</b>
<b>(29,986)</b>			<b>Opening GF Balance</b>	<b>(24,019)</b>		
5,969			(Surp)/Deficit on GF Bal for Year	2,781		
<b>(24,018)</b>			<b>Closing GF Balance</b>	<b>(21,239)</b>		

For breakdown of GF balance to GF and Earmarked reserves, see MiRS Statement.



## Note to the Expenditure and Funding Analysis

2022/23				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note a)	Net change for the Pensions Adjustments (Note b)	Other Differences (Note c)	Total Adjustments
	£'000	£'000	£'000	£'000
Corporate & Democratic Services	18	474	(11)	481
Customer Experience & Improvement	209	450	(7)	652
Major Projects & Property	(97)	168	(3)	69
Operational Services	(1,253)	744	(12)	(521)
Planning & Economy	1	319	(6)	314
ICE Programme	-	2	(0)	2
<b>Net Cost of Services</b>	<b>(1,122)</b>	<b>2,157</b>	<b>(38)</b>	<b>997</b>
Other I&E from the Expenditure and Funding Analysis	(2,236)	1,148	(2,293)	(3,381)
<b>Difference between General Fund surplus or deficit and CIES Surplus or Deficit on the Provision of Services</b>	<b>(3,358)</b>	<b>3,305</b>	<b>(2,331)</b>	<b>(2,384)</b>
2021/22				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note a)	Net change for the Pensions Adjustments (Note b)	Other Differences (Note c)	Total Adjustments
	£'000	£'000	£'000	£'000
Corporate & Democratic Services	31	887	(22)	896
Customer Experience & Improvement	385	417	(10)	792
Major Projects & Property	408	216	(6)	618
Operational Services	(542)	864	(21)	302
Planning & Economy	1	362	(11)	352
ICE Programme	-	-	-	-
<b>Net Cost of Services</b>	<b>284</b>	<b>2,746</b>	<b>(69)</b>	<b>2,959</b>
Other I&E from the Expenditure and Funding Analysis	2,006	1,150	(8,205)	(5,049)
<b>Difference between General Fund surplus or deficit and CIES Surplus or Deficit on the Provision of Services</b>	<b>2,290</b>	<b>3,896</b>	<b>(8,275)</b>	<b>(2,089)</b>

a) Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

Financing and investment income and expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivables in the year to those receivables without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

## b) Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.

For Financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the CIES.

## c) Other Differences

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

For services this represents the removal of Accumulated Absences.

The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for Council Tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

**Note 4 - Expenditure and Income Analysed by Nature**

This note breaks down the Income and Expenditure as reported in the Comprehensive Income and Expenditure Statement by nature including employees' expenses, Investment income and expenditure and all capital charges adjustments applied in year.

	2021/22 £'000	2022/23 £'000
<b>Expenditure:</b>		
Employee benefits expenses	15,857	16,281
Changes in the fair value of Investment Properties	907	1,106
Depreciation, amortisation, impairment etc	1,509	1,309
Expenditure from Council Tax, Non-Domestic Rates	20,512	17,621
Interest payments	369	1,234
Other services expenses	42,853	41,479
Loss on disposal	13,483	614
Net Interest on the net defined benefit liability (asset)	1,150	1,148
<b>Total expenditure</b>	<b>96,640</b>	<b>80,793</b>
<b>Income:</b>		
Changes in the fair value of Investment Properties	(2,711)	(2,223)
Fees, charges and other service income	(15,954)	(17,116)
Government grants and contributions	(43,807)	(32,436)
Income from council tax, non-domestic rates, district rate income	(26,802)	(25,280)
Interest and investment income	(932)	(1,528)
Gain on disposal	(1,724)	(1,318)
Other Income	(830)	(495)
<b>Total income</b>	<b>(92,762)</b>	<b>(80,396)</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>3,818</b>	<b>396</b>

## Note 5 - Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are provided as follows:

- **Future Funding for Local Government.** There is an element of risk about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision. In addition, as mentioned in the Narrative Statement, the Council has made judgements about the adequacy of its balances and has also put in place processes to achieve savings that will mitigate or counteract any future changes in its levels of funding or other income.
- **Asset Classifications.** The Council has made judgements on whether assets are classified as Investment Property or Property, Plant and Equipment. These judgements are based on an understanding of the main purpose that the Council is holding the asset. If the asset is used in delivering services, or is occupied by third parties who are subsidised by the Council, the asset is deemed to be Property, Plant and Equipment. A non-current asset used solely to earn rentals and/or for capital appreciation is classified as an Investment Property.
- **Property, Plant and Equipment.** Non-current assets are depreciated over their useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to them. If the useful life of a non-current asset is reduced, depreciation increases and the carrying amount of the non-current asset falls. Annual depreciation charge for buildings would increase proportionately for every year that an asset useful life has to be reduced.
- **Lease Classification.** The Council has made judgments on whether its lease arrangements are operating leases or finance leases. These judgements are based on a series of tests to assess whether the risks and rewards of ownership have been transferred from the lessor to the lessee. The accounting treatment for operating and finance leases is significantly different.
- **Contractual Arrangements.** The Council has made judgements on whether its contractual arrangements contain embedded leases i.e. arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment where fulfilment of the arrangement is dependent on the use of specific assets.
- **Potential Liabilities.** The Council has made judgements about the likelihood of potential liabilities and whether a provision should be made. The judgements are based on the degree of certainty and an assessment of the likely impact.
- **Bad or Doubtful Debts.** The Council has made judgements about the level of bad or doubtful debts and the level of provision that it may need to provide for. These judgements are based on historical experience of debtor defaults and current economic conditions.
- **Business Rate Appeals.** The Council has made judgements about the number of successful appeals under the Business Rates Retention Scheme.

All of these judgements are the responsibility of the Chief Financial Officer as set out in the Statement of Responsibilities for the Statement of Accounts.

## Note 6 - Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contain some estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. The assumptions and other sources of estimation uncertainty disclosed below relate to the estimates that require the authority's most difficult, subjective or complex judgements. As the number of variables and assumptions affecting the possible future resolution of the uncertainties increases, those judgements become more subjective and complex. As a result balances cannot be determined with complete certainty, actual results could be different from the assumptions and estimates made.

The items in the Council's Balance Sheet at 31st March 2023 for which there is a risk of adjustment in the forthcoming financial year are provided 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 level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. Assets are valued on a five-year rolling basis. Building indices are not applied to approximate for those assets that are not subject to the revaluation process in the year.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £20k for every year that useful lives had to be reduced.
Arrears	The NDR arrears balance of £3m at the Balance Sheet date is deemed to be at risk of material adjustment within the next year due to current economic circumstances meaning that businesses are struggling to pay. A review of significant balances suggested that an impairment of doubtful debts of 40% (£1.3m) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate further, for every 1% reduction in collection rates, an extra £250k would be required
Pensions Liability	At 31 March 2023, the net Pension Liability was £14.982m. 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 authority with expert advice about the assumptions to be applied.	The effects on the net pensions' liability of changes in individual assumptions can be measured- (the impact of changes in assumptions are outlined in note 37). During 2022/23, the Council's actuaries advised that the net pensions liability for funded LGPS benefits had decreased by £31.274m.

## Note 7 - Events After the Balance Sheet Date

The Statement of Accounts were authorised for issue by the Chief Financial Officer on **X/X/2024.**

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 **DATE**, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for the following events, which took place after 18 July 2023, as they provide information that is relevant to an understanding of the authority's financial position but do not relate to conditions at that date:

- On 25 May-23 the Council purchased the leasehold of The Meads Business Centre, the Kingsmead Shopping Centre and other connected buildings for £9.485m. The Council already held the freehold of the land these properties occupy.
- In the 2020 Spending Review the Government announced a £4.8 billion capital fund, known as the Levelling Up Fund, aimed at smaller infrastructure projects that have a visible impact on people and communities. The first round of funding was awarded in March 2021. The Council applied for funding in the second round in July 2022, under the investment theme of Regeneration and Town Centre Investment, and in January 2023 was notified that it had been successful in its bid for £20m towards a £45m scheme – however this is currently being subjected to subsidy checks prior to being released.
- In December 2022 the Council was informed that it had been awarded £1.02m under the UK Shared Prosperity Funding. The funding is spread over two and a half years with the amounts in each year detailed below

2022-23 £53,868

2023-24 £67,737

2023-25 £898,395

## **Note 8 - Adjustments between Accounting Basis and Funding Basis under Regulations**

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the authority in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the authority to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

### **General Fund balance**

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund balance, which is not necessarily in accordance with proper accounting practice. The General Fund balance therefore summarises the resources that the council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the council is required to recover) at the end of the financial year.

### **Capital receipts reserve**

The capital receipts reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

## Capital grants unapplied

The capital grants unapplied account (reserve) holds the grants and contributions received towards capital projects for which the council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

2022/23	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	Movement Unusable Reserves
	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Capital Adjustment Account</b>				
<u>Rev of items dr/cr to the CIES</u>				
Charges for depreciation and impairment of non-current assets (PPE)	(1,216)			1,216
Revaluation gain/loss on PPE	2,430			(2,430)
Movement in FV of Investment Properties	1,117			(1,117)
Amortisation of Intangible assets	(92)			92
Capital grants and contributions applied	1,488		(200)	(1,288)
Revenue expenditure funded from capital under statute	(1,080)			1,080
Non-current assets w- off on disposal/sale, part of gain/loss disposal to CIES	(614)			614
<u>Insertion of items not dr/cr to the CIES</u>				
Capital expenditure charged against the General Fund	336			(336)
Statutory provision for the financing of capital investment	2,101			(2,101)
<b>Adjustments primarily involving the Capital Receipts Reserve</b>				
Transfer of non-current asset sale proceeds from rev to CRR	1,318	(1,318)		0
Use of the Capital Receipts Reserve to finance new capital expenditure		0		0
Cap grant RiA (LTL BS) to CGU	220		(220)	0
<b>Adjustments primarily involving the Pooled Fin Instr Adj Account</b>				
Unrealised Fair Value gains/losses on financial investments	(2,650)			2,650
<b>Adjustments primarily involving the Pensions Reserve</b>				
Reversal of items relating to retirement benefits dr/cr to the CIES	(5,441)			5,441
Employer's pen conts and direct payments to pensioners payable in the year	2,136			(2,136)
<b>Adjustments primarily involving the Collection Fund Adj Account</b>				
Amount by which council tax and non-domestic rating income credited or debited to the CIES is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	2,293			(2,293)
<b>Adjustments primarily involving the Accumulated Absences Account</b>				
Amount by which Officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	39			(39)
<b>Total Adjustments</b>	<b>2,384</b>	<b>(1,318)</b>	<b>(420)</b>	<b>(647)</b>

2021/22	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	Movement Unusable Reserves
	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Capital Adjustment Account</b>				
<u>Rev of items dr/cr to the CIES</u>				
Charges for depreciation and impairment of non-current assets (PPE)	(1,391)			1,391
Revaluation gain/loss on PPE	1,225			(1,225)
Movement in FV of Investment Properties	1,804			(1,804)
Amortisation of Intangible assets	(118)			118
Capital grants and contributions applied	5,710		(444)	(5,266)
Revenue expenditure funded from capital under statute	(816)			816
Non-current assets w- off on disposal/sale, part of gain/loss disposal to CIES	(13,585)			13,585
<u>Insertion of items not dr/cr to the CIES</u>				
Capital expenditure charged against the General Fund	400			(400)
Statutory provision for the financing of capital investment	2,103			(2,103)
<b>Adjustments primarily involving the Capital Receipts Reserve</b>				
Use of the Capital Receipts Reserve to finance new capital expenditure	1,725	(1,725)		
<b>Adjustments primarily involving the Pooled Fin Instr Adj Account</b>		0		0
Unrealised Fair Value gains/losses on financial investments	654			(654)
<b>Adjustments primarily involving the Pensions Reserve</b>				
Reversal of items relating to retirement benefits dr/cr to the CIES	(5,970)			5,970
Employer's pen conts and direct payments to pensioners payable in the year	2,074			(2,074)
<b>Adjustments primarily involving the Collection Fund Adj Account</b>				
Amount by which council tax and non-domestic rating income credited or debited to the CIES is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	8,205			(8,205)
<b>Adjustments primarily involving the Accumulated Absences Account</b>				
Amount by which Officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	69			(69)
<b>Total Adjustments</b>	<b>2,089</b>	<b>(1,725)</b>	<b>(444)</b>	<b>80</b>

## Note 9 - Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2022/23.

	Bal at 1st April 2021 £'000	Transfers out 2021/22 £'000	Transfers in 2021/22 £'000	Bal at 31 Mar 2022 £'000	Internal 2022/23 £'000	Transfers out 2022/23 £'000	Transfers in 2022/23 £'000	Bal at 31st Mar 2023 £'000
COVID BRR EMR reserve	(10,812)	10,427	(4,162)	(4,547)	0	2,655	0	(1,892)
Commuted sums	(4,550)	54	(35)	(4,531)	0	44	(1,155)	(5,642)
Stability & Resilience Reserve	(4,577)	176	0	(4,401)	513	1,143	(168)	(2,913)
Pension Reserve	(669)	0	(818)	(1,487)	1,487	0	0	(0)
Commercial Reserve	(1,750)	267	0	(1,483)	0	0	0	(1,483)
Flexible Hou Grant	(634)	217	(331)	(748)	0	147	(211)	(812)
Mercury abatement	(408)	0	(39)	(447)	0	0	(41)	(488)
Budget carry fwds	(390)	390	(432)	(432)	0	432	(93)	(93)
Affordable Housing Reserve	(400)	0	0	(400)	0	205	0	(195)
Other Grants (below £45k)	(225)	22	(182)	(385)	0	118	(80)	(347)
Civil parking enforcement surplus	(281)	20	(66)	(328)	0	127	(6)	(207)
Business sup grant admin	0	0	(297)	(297)	0	0	0	(297)
Regeneration Reserve	(357)	100	0	(257)	0	0	0	(257)
Insurance Reserve	(253)	0	0	(253)	0	0	0	(253)
A331 Air Quality Project	(246)	11	0	(235)	0	8	0	(227)
Treasury Earmarked reserves	(400)	180	0	(220)	0	0	0	(220)
Climate emergency reserve	(239)	31	0	(208)	0	30	0	(178)
deprivation reserve	(94)	55	(100)	(139)	0	28	0	(111)
LADGF disc res	0	0	(130)	(130)	0	0	0	(130)
Commercial Property Reserve	(121)	0	0	(121)	0	0	0	(121)
Workforce Reserve	(200)	100	0	(100)	0	0	0	(100)
TAG env Fund	(96)	0	(1)	(97)	0	0	(34)	(131)
LCTS scheme admin	0	0	(93)	(93)	0	0	0	(93)
Covid ctax hardship	(108)	17	0	(91)	0	48	0	(43)
Feasibility Victoria Road EMR	(102)	17	0	(85)	0	0	0	(85)
Custom Build Grant	(75)	0	0	(75)	0	0	0	(75)
Cohesion/Migration Impact/Gurkha Settle	(66)	0	0	(66)	0	1	0	(65)
Control outbreak	(85)	25	0	(60)	0	37	0	(23)
Cyber security	(100)	51	0	(49)	0	18	0	(31)
Land Charges	(45)	0	0	(45)	0	0	0	(45)
Emergency assistance grant	(64)	19	0	(45)	0	45	0	0
Covid19 t&t	(89)	65	(13)	(37)	0	0	0	(37)
Ward reserve	(26)	0	0	(26)	0	0	0	(26)
BR equalisation reserve (NEW)	0	0	0	0	(2,000)	0	0	(2,000)
Homes for ukraine support A (new)	0	0	0	0	0	0	(165)	(165)
Pipeline env imp res (new)	0	0	0	0	0	0	(107)	(107)
Dilapidation res (new)	0	0	0	0	0	0	(71)	(71)
Prop Serv Covenant release (new)	0	0	0	0	0	0	(59)	(59)
UK shared prosp fund (new)	0	0	0	0	0	0	(48)	(48)
Homes for ukraine support B (new)	0	0	0	0	0	0	(30)	(30)
Election integrity (new)	0	0	0	0	0	0	(14)	(14)
Afghan relocation scheme (new)	0	0	0	0	0	0	(14)	(14)
Admin support- benefits team (new)	0	0	0	0	0	0	(10)	(10)
Local elections (EMR )	(87)	87	0	0	0	0	0	0
Cultural recovery	(47)	47	0	0	0	0	0	0
Service Improvement Fund	(129)	129	0	0	0	0	0	0
<b>Total</b>	<b>(27,725)</b>	<b>12,507</b>	<b>(6,700)</b>	<b>(21,918)</b>	<b>0</b>	<b>5,086</b>	<b>(2,306)</b>	<b>(19,138)</b>



**Note 10 - Other Operating Expenditure**

2021/22 £'000		2022/23 £'000
0	Photovoltaic Cells Feed-In Tariff	(20)
11,758	Gains/losses on disposal of non-current assets	(704)
1,880	Other Corporate Income & Expenditure	575
<b>13,638</b>	<b>Total Other Operating Expenditure</b>	<b>(149)</b>

**Note 11 - Financing and Investment Income and Expenditure**

2021/22 £'000		2022/23 £'000
369	Interest payable and similar charges	1,234
1,150	Net interest on the net defined benefit liability (asset)	1,148
(932)	Interest receivable and similar income	(1,528)
(1,804)	Investment properties changes in their fair value	(1,117)
(654)	Unrealised Fair Value gains/losses on financial investments	2,650
305	Impairment losses (including reversals of impairment losses or impairment gains)	(24)
<b>(1,566)</b>	<b>Total</b>	<b>2,363</b>

**Note 12 - Taxation and Non-Specific Grant Income**

2021/22 £'000		2022/23 £'000
(6,928)	Council tax income	(7,196)
22	Collection Fund (Surplus)/Deficit - Council Tax	153
2,177	Collection Fund (Surplus)/Deficit - NDR	64
(3,543)	National non-domestic rates income and expenditure	(1,752)
1,981	Non-Domestic Rates (Safety net)/Levy Payment	1,073
(2,784)	Other COVID Related Grants	0
(6,682)	Non-ringfenced government grants	(4,193)
(4,507)	Capital grants and contributions	(285)
<b>(20,263)</b>	<b>Total</b>	<b>(12,137)</b>

**Note 13 - Property, Plant and Equipment (PPE)**

2022/23	Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant & Equipment £'000
<b>Cost or Valuation</b>						
<b>at 1 April</b>	66,075	8,788	7,396	1,380	11,309	<b>94,947</b>
Additions	856	790	61	100	19,048	<b>20,854</b>
Reval inc/(dec) in the Revaluation Reserve	637	0	0	(117)	0	<b>520</b>
Reval inc/(dec) in the Surp/Def on the PoS	2,484	0	0	(53)	0	<b>2,430</b>
Derecognition/Disposal	0	(31)	0	0	0	<b>(31)</b>
Deprec w/back upon reval	0	0	0	0	0	<b>0</b>
Reclassifications and transfer	0	0	0	0	0	<b>0</b>
<b>at 31 March</b>	<b>70,051</b>	<b>9,547</b>	<b>7,456</b>	<b>1,310</b>	<b>30,356</b>	<b>118,721</b>
<b>Accumulated Depreciation</b>						
<b>at 1 April</b>	(138)	(4,453)	0	0	0	<b>(4,591)</b>
Depreciation charge in year	(530)	(686)	0	0	0	<b>(1,216)</b>
Deprec written out	0	0	0	0	0	<b>0</b>
Deprec w/back upon reval	0	0	0	0	0	<b>0</b>
Derecognition/Disposal	0	31	0	0	0	<b>31</b>
Deprec written out to the Surp/Def on PoS	0	0	0	0	0	<b>0</b>
<b>at 31 March</b>	<b>(667)</b>	<b>(5,109)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(5,776)</b>
<b>NBV at 31 March 2023</b>	<b>69,384</b>	<b>4,438</b>	<b>7,456</b>	<b>1,310</b>	<b>30,356</b>	<b>112,944</b>
<b>NBV at 31 March 2022</b>	<b>65,937</b>	<b>4,335</b>	<b>7,396</b>	<b>1,380</b>	<b>11,309</b>	<b>90,356</b>

2021/22	Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant & Equipment £'000
<b>Cost or Valuation</b>						
<b>at 1 April</b>	70,799	8,290	6,988	1,434	6,338	<b>93,850</b>
Additions	1,806	498	426	20	5,843	<b>8,592</b>
Reval inc/(dec) in the Revaluation Reserve	4,012	0	0	738	0	<b>4,750</b>
Reval inc/(dec) in the Surp/Def on the PoS	1,243	0	0	(18)	0	<b>1,225</b>
Derecognition/Disposal	(12,657)	0	0	(812)	0	<b>(13,469)</b>
Deprec w/back upon reval	0	0	0	0	0	<b>0</b>
Reclassifications and transfer	872	0	(18)	18	(872)	<b>0</b>
<b>at 31 March</b>	<b>66,075</b>	<b>8,788</b>	<b>7,396</b>	<b>1,380</b>	<b>11,309</b>	<b>94,947</b>
<b>Accumulated Depreciation</b>						
<b>at 1 April</b>	543	(3,743)	0	0	0	<b>(3,200)</b>
Depreciation charge in year	(681)	(710)	0	0	0	<b>(1,390)</b>
Deprec written out	0	0	0	0	0	<b>0</b>
Deprec w/back upon reval	0	0	0	0	0	<b>0</b>
Derecognition/Disposal	0	0	0	0	0	<b>0</b>
Deprec written out to the Surp/Def on PoS	0	0	0	0	0	<b>0</b>
<b>at 31 March</b>	<b>(138)</b>	<b>(4,453)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(4,591)</b>
<b>NBV at 31 March 2022</b>	<b>65,937</b>	<b>4,335</b>	<b>7,396</b>	<b>1,380</b>	<b>11,309</b>	<b>90,356</b>
<b>NBV at 31 March 2021</b>	<b>71,342</b>	<b>4,547</b>	<b>6,988</b>	<b>1,434</b>	<b>6,338</b>	<b>90,649</b>

## Depreciation

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

- Other Land and Buildings 5 to 55 years
- Vehicles, Plant and Equipment 4 to 15 years

## Effects of Changes in Estimates

In 2022/23, the Council made no material changes to its accounting estimates for Property, Plant and Equipment.

## Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value or fair value as appropriate is revalued at least every five years. All valuations were carried out by Wilkes, Head and Eve. Valuations of land and buildings were carried out in accordance with the methodologies and basis for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations concerning vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices, with consideration given for the condition of the asset. The effective date of each revaluation is the date that the revaluation was produced.

## Note 14 - Investment Properties

The following items of income and expenditure have been accounted for in the Major Projects & Property Services section in the Comprehensive Income and Expenditure Statement:

2021/22 £'000	Investment Property Income & Expenditure	2022/23 £'000
(7,882)	Rental income from investment property	(8,151)
1,162	Direct operating expenses from investment property	758
<b>(6,720)</b>	<b>Net (gain)/loss</b>	<b>(7,393)</b>

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement. All Investment Properties were re-valued as at 31st March 2023.

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

2021/22 £'000	Investment Property Fair Value Movements in Year	2022/23 £'000
125,857	Opening Balance	127,581
37	Additions	28
(116)	Disposals	(614)
1,804	Net gains/(losses) from fair value adjustments taken to the CIES	1,117
<b>127,581</b>	<b>Balance at the end of the year</b>	<b>128,112</b>

**Fair Value Hierarchy**

All the Council's investment properties have been value assessed as Level 2 on the fair value hierarchy for valuation purposes.

**Valuation Techniques Used to Determine Level 2 Fair Value for Investment Property**

The fair value of investment property has been measured using a market approach, which takes into account quoted prices for similar assets in active markets, existing lease terms and rentals, research into market evidence including market rentals and yields, the covenant strength for existing tenants, and data and market knowledge gained in managing the Council's Investment Asset portfolio. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised as level 2 on the fair value hierarchy.

In estimating the fair value of the Council's investment properties, the highest and best is used as advised by the valuer. The Council has no investment properties where the fair value measurement has been carried out at Level 1 (Quoted prices in active markets for identical assets) or Level 3 (Significant unobservable inputs).

**Valuation Process for Investment Property**

The Council's investment property has been valued as at 31st March 2023 by the Wilkes, Head & Eve in accordance with the methodologies and basis for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

**Note 15 - Intangible Assets**

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. Intangible assets consist of purchased licenses only. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to the major software suites used by the Council is five years.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £92k charged to revenue in 2022/23 was charged directly to service revenue accounts and is therefore included in the cost of services. No items of capitalised software are individually material to the Financial Statements. The movement on Intangible Asset balances during the year is as follows:

2021/22 Intangible Assets £'000	2022/23 £'000
<u>Balance at start of year:</u>	
1,834 Gross carrying amounts	1,834
(1,580) Accumulated amortisation	(1,699)
<b>254 Net carrying amount at start of year</b>	<b>136</b>
0 Additions	33
0 Disposals	0
(118) Amortisation for the period	(92)
0 Rev of past amortisation of disposal	0
0 Other charges	0
<b>136 Net carrying amount at end of year</b>	<b>76</b>
<u>Comprising:</u>	
1,834 Gross carrying amounts	1,867
(1,699) Accumulated amortisation	(1,791)
<b>136 Total</b>	<b>76</b>

## Note 16 – Interests in Jointly Controlled Operations

### CCTV Service

On 1 May 2013 the Council entered into a jointly controlled operation with Hart District Council to deliver a shared CCTV service. This jointly controlled operation ended on 28 February 2023.

Rushmoor Borough Council's element of the shared CCTV service costs are shown on the Operational Services line in the Cost of Services section of the Comprehensive Income and Expenditure Statement. Below is a memorandum account of the financial activity of the shared CCTV service from 1 April 2022 to 28 February 2023.

	RBC 2022/23 £'000	Hart DC 2022/23 £'000	TOTAL 2022/23 £'000
Employee related expenditure	167	107	274
Premises related expenditure	37	3	40
Supplies and Services	76	9	85
Support Services	77	0	77
Capital charges	13	0	13
<b>Net expenditure</b>	<b>370</b>	<b>119</b>	<b>489</b>
Hosting charge	(15)	15	-

### Building Control Service

On 2nd July 2015 the Council entered into a jointly controlled operation with Hart District Council to deliver a shared Building Control service.

Rushmoor Borough Council's element of the shared Building Control service costs are included in the Planning and Economy line in the Cost of Services section of the Comprehensive Income and Expenditure Statement. Below is a memorandum account of the financial activity of the shared Building Control service from 1 April 2022 to 31 March 2023.

	RBC 2022/23 £'000	Hart DC 2022/23 £'000	TOTAL 2022/23 £'000
Employee related expenditure	240	311	551
Premises related expenditure	4	6	10
Transport related expenditure	4	6	10
Supplies and Services	6	9	15
Support Services	138	0	138
Capital charges	1	0	1
<b>Expenditure</b>	<b>393</b>	<b>332</b>	<b>725</b>
Hosting charge	(9)	9	0
Fees and charges	(197)	0	(197)
Other income	(31)	0	(31)

As Hart District Council receive their income directly, no figures are shown for their income.

The purpose of the jointly controlled operations is for the councils to work together in a spirit of partnering in connection with their dealings with each other in respect of these services so that, wherever possible the activities of one complement and enhance the activities of the other for the benefit of all residents, businesses and visitors to their respective administrative areas.

There is no requirement for an authority to produce Group Accounts where the authority only has an interest in a jointly controlled operation.

## Note 17 – Long Term Debtors

2021/22 £'000		2022/23 £'000
6,700	Farnborough International Airport Loan	6,700
0	Rushmoor Development Partnerships	63
683	Loan to Subsidiary	1,307
0	Service provider loan	60
56	Car Loans	29
12	Rent Free Lease Periods	10
<b>7,452</b>	<b>Total</b>	<b>8,169</b>

## Note 18 - Financial Instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes, benefits and government grants, do not give rise to financial instruments.

## Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that

is potentially favourable to the Council. The financial assets held by the Council during the year are accounted for under the following three classifications:

Amortised cost (where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flows) comprising:

- cash in hand,
- bank current and deposit accounts with Lloyds bank,
- loans to companies,
- certificates of deposit and covered bonds issued by banks and building societies, and
- trade receivables for goods and services provided.

Fair value through profit and loss (all other financial assets) comprising:

- money market funds managed by fund managers,
- pooled bond, equity and property funds managed by fund managers,

Financial assets held at amortised cost are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council.

The financial assets disclosed in the Balance Sheet are analysed across the following categories:

Financial Assets	Non-current				Current				TOTAL	
	Inv		Debtors		Inv&cash		Debtors		31-Mar 2022 £'000	31-Mar 2023 £'000
	31-Mar 2022 £'000	31-Mar 2023 £'000	31-Mar 2022 £'000	31-Mar 2023 £'000	31-Mar 2022 £'000	31-Mar 2023 £'000	31-Mar 2022 £'000	31-Mar 2023 £'000		
Pre IFRS9 Categories										
Fair value through Profit or loss	21,943	19,293							21,943	19,293
Amortised cost					14,814	1,817			14,814	1,817
Total financial assets	21,943	19,293	0	0	14,814	1,817	0	0	36,757	21,110
Non-financial assets;										
Cash at amortised cost									0	0
Trade Debtors *			395	0				673	6,215	673
Loan Debtors *			7,383	8,169			5,820	6,205	7,383	14,374
<b>Total</b>	<b>21,943</b>	<b>19,293</b>	<b>7,778</b>	<b>8,169</b>	<b>14,814</b>	<b>1,817</b>	<b>5,820</b>	<b>6,878</b>	<b>50,355</b>	<b>36,157</b>

\*Debtors due within 1 year excludes £347k in respect of Council Tax debtors, HMRC, Non-Domestic Rates and Housing Benefit subsidy payments, from the total of £6,878k reported on the Balance Sheet, as these are statutory levies not falling within the definition of financial instruments. £283k is also excluded in respect of Payments in Advance.

## Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.

The majority of the Council's financial liabilities held during the year are measured at amortised cost and comprised:

- long-term loans from the Local Enterprise Partnership,
- short-term loans from other local authorities,
- lease payables detailed in note 40, and
- trade payables for goods and services received.

The financial liabilities disclosed in the Balance Sheet are analysed across the following categories:

Financial Liabilities	Non-current				Current				TOTAL	
	Borrow&leases		Creditors		Borrow&lease		Creditors		31-Mar 2022 £'000	31-Mar 2023 £'000
	31-Mar 2022 £'000	31-Mar 2023 £'000	31-Mar 2022 £'000	31-Mar 2023 £'000	31-Mar 2022 £'000	31-Mar 2023 £'000	31-Mar 2022 £'000	31-Mar 2023 £'000		
<b>Amortised cost</b>										
Borrowings at amortised cost	0	(5,000)			(100,000)	(115,000)			(100,000)	(120,000)
Finance Lease Liabilities at amortised cost	(1,396)	(1,048)					(340)	(329)	(1,736)	(1,377)
<b>Total financial liabilities</b>	<b>(1,396)</b>	<b>(6,048)</b>	<b>0</b>	<b>0</b>	<b>(100,000)</b>	<b>(115,000)</b>	<b>(340)</b>	<b>(329)</b>	<b>(101,736)</b>	<b>(121,377)</b>
Non-financial liability (creditors) *							(19,075)	(16,404)	(19,075)	(16,404)
<b>Total</b>	<b>(1,396)</b>	<b>(6,048)</b>	<b>0</b>	<b>0</b>	<b>(100,000)</b>	<b>(115,000)</b>	<b>(19,415)</b>	<b>(16,733)</b>	<b>(120,811)</b>	<b>(137,781)</b>

\*Creditors due within 1 year excludes £6,383k from the total of £16,404k reported on the Balance Sheet, in respect of Council Tax creditors and payments for Non-Domestic Rates. £796k is also excluded in respect of Income in Advance as these do not meet the definition of a financial liability as they relate to non-exchange transactions.

## Gains and Losses

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

	Fin Liab Amort cost £'000	Fin Asset Amort cost £'000	Fin Asset FV PL £'000	2022/23 Total £'000	2021/22 Total £'000
Interest expense	1,234			1,234	369
<b>Interest paid and similar charges</b>	<b>1,234</b>	<b>0</b>	<b>0</b>	<b>1,234</b>	<b>369</b>
Interest revenue		(1,528)		(1,528)	(933)
<b>Interest receivable and similar income</b>	<b>0</b>	<b>(1,528)</b>	<b>0</b>	<b>(1,528)</b>	<b>(933)</b>
Losses from changes in fair value (Unrealised)			2,650	2,650	597
Gains from changes in fair value (Unrealised)				0	(1,250)
Fee income/(expense)	94			94	81
<b>Other investment income</b>	<b>94</b>	<b>0</b>	<b>2,650</b>	<b>2,744</b>	<b>(572)</b>
<b>Net impact on Surplus/Deficit on Provision of Services</b>	<b>1,140</b>	<b>(1,528)</b>	<b>2,650</b>	<b>2,450</b>	<b>(1,136)</b>



## Fair value

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, including bonds, shares in money market funds and other pooled funds, the fair value is taken from the market price.

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2023, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans
- The fair value of all financial liabilities is equal to the carrying value reported in the balance sheet
- The fair value for all financial assets is equal to the carrying value reported in the balance sheet

Fair values are assessed against the following 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
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness.

All financial assets and liabilities apart from long term loans (assessed as a level 2) are assessed as being level 1 using an unadjusted quoted price in active markets.

## Note 19 – Inventory

2021/22 £'000		2022/23 £'000
8	Memorial vaults	0
5	Bar stock	4
0	Fuel stock	37
<b>12</b>	<b>Total</b>	<b>41</b>

## Note 20 – Short Term Debtors

2021/22 £'000		2022/23 £'000
3,095	Trade Receivables	673
588	Payments in advance	283
3,160	Other Receivables	5,922
<b>6,844</b>	<b>Total</b>	<b>6,878</b>

**Note 21 - Cash and Cash Equivalents**

2021/22 £'000		2022/23 £'000
(462)	Cash and Bank balances held by the Council	717
14,154	Short Term Deposits / Cash Equivalents	1,100
<b>13,692</b>	<b>Total</b>	<b>1,817</b>

**Note 22 – Short Term Borrowing**

2021/22 £'000		2022/23 £'000
(100,000)	Borrowing from LA's	(115,000)
<b>(100,000)</b>	<b>Total</b>	<b>(115,000)</b>

**Note 23 – Short Term Creditors**

2021/22 £'000		2022/23 £'000
(4,533)	Trade payables	(604)
(8,819)	Receipts in advance	(1,546)
(15,961)	Other payables	(14,254)
<b>(29,313)</b>	<b>Total</b>	<b>(16,404)</b>

**Note 24 – Long Term Provisions**

2021/22 £'000		2022/23 £'000
(4,480)	Opening Balance	(2,550)
(2,896)	Increase in provision during year	(3,012)
4,827	Utilised during year	3,875
<b>(2,549)</b>	<b>Closing Balance</b>	<b>(1,688)</b>

The Council had long-term provision in respect of Business Rate appeals only.

**Note 25 – Long Term Borrowing**

2021/22 £'000		2022/23 £'000
0	Borrowing from LA's	(5,000)
<b>0</b>	<b>Total</b>	<b>(5,000)</b>

**Note 26 – Other Long Term Liabilities**

2021/22 £'000		2022/23 £'000
(46,256)	Pensions Liability	(12,336)
(1,396)	Finance Leases Liability	(1,071)
<b>(47,652)</b>	<b>Total</b>	<b>(13,407)</b>

## Note 27 - Unusable Reserves

2021/22 £'000		2022/23 £'000
(43,784)	Revaluation Reserve	(44,303)
(61,136)	Capital Adjustment Account	(65,406)
(45)	Pooled Investment Funds Adjustment Account	2,605
46,256	Pension Reserve	12,336
2,115	Collection Fund Adjustment Account	(178)
162	Accumulated Absences Account	124
<b>(56,431)</b>	<b>Total</b>	<b>(94,822)</b>

### 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:

- revalued 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 1st 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.

2021/22 £'000		2022/23 £'000
<b>(47,015)</b>	<b>Balance 1 April</b>	<b>(43,784)</b>
(9,234)	Upward revaluation of assets	(4,482)
4,230	Downward reval of assets and impairment losses not charged to the Sur/Def on PoS	3,659
<b>(5,004)</b>	<b>Movement in year</b>	<b>(823)</b>
254	Difference between fair value depreciation and historical cost depreciation	303
7,981	Accumulated gains on assets sold or scrapped	0
0	Other amounts written off to the Capital Adjustment Account	0
<b>8,235</b>	<b>Amount written off to the Capital Adjustment Account</b>	<b>303</b>
<b>(43,784)</b>	<b>Balance 31 March</b>	<b>(44,303)</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. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Property and gains accumulated on Property, Plant and Equipment before 1st April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 8 provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

2021/22 £'000		2022/23 £'000
<b>(58,267)</b>	<b>Balance 1 April</b>	<b>(61,135)</b>
(7,981)	Amount written out of the Revaluation Reserve	0
	<u>Reversal of Items relating to capital expenditure dr/cr to the CIES</u>	
1,391	Charges for depreciation and impairment of non-current assets (PPE)	1,216
(971)	Net revaluation gains/losses on non-current assets (PPE)	(2,127)
118	Amortisation of intangible assets	92
816	Revenue expenditure funded from capital under statute	1,080
13,585	Amounts of non-current assets w/off on disposal/sale as part of the gain/loss on disposal to CIES	614
<b>14,938</b>	<b>Net of above transactions</b>	<b>875</b>
(254)	Adjusting Amounts written out of the Revaluation Reserve	(303)
<b>14,684</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>572</b>
0	Use of Capital Receipts Reserve to finance new capital expenditure	0
(5,266)	Capital Grants and Contributions credited to the CIES that have been applied to capital financing	(1,288)
(400)	Statutory provision for the financing of capital investment charged against the General Fund balances	(336)
(2,103)	Capital expenditure charged against the General Fund balances	(2,101)
<b>(7,769)</b>	<b>Net of above transactions</b>	<b>(3,725)</b>
(1,804)	Movements in the market value of Investment Properties dr/cr to the CIES	(1,117)
<b>(61,136)</b>	<b>Balance 31 March</b>	<b>(65,406)</b>

### Pooled Investment Funds Adjustment Account

2021/22 £'000		2022/23 £'000
<b>609</b>	<b>Balance 1 April</b>	<b>(45)</b>
(1,250)	Upward revaluation of investments charged to the Surplus/(Deficit) on the Provision of Services	1,775
597	Downward revaluation of investments charged to the Surplus/(Deficit) on the Provision of Services	875
<b>(45)</b>	<b>Balance 31 March</b>	<b>2,605</b>

### 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 accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. 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.

2021/22 £'000		2022/23 £'000
<b>59,602</b>	<b>Balance 1 April</b>	<b>46,256</b>
0	Opening balance adjustment per IAS19 actuary report	(2,646)
(17,242)	Remeasurements of the net defined benefit (liability)/asset	(34,579)
5,970	Reversal of items relating to retirement benefits dr/cr to Surp/Def on PoS in the CIES	5,441
(2,074)	Employer's pensions contributions and direct payments to pensioners payable in the year	(2,136)
<b>46,256</b>	<b>Balance 31 March</b>	<b>12,336</b>

### Collection Fund Adjustment Account

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

Information for the Collection Fund Adjustment Account is shown below:

2021/22 £'000		2022/23 £'000
10,321	<b>Balance 1 April</b>	2,115
(8,205)	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(2,293)
2,115	<b>Balance 31 March</b>	(178)

### Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned, but not taken, in the year e.g. annual leave entitlement carried forward at 31st March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the account.

2021/22 £'000		2022/23 £'000
231	<b>Balance 1 April</b>	162
(231)	Settlement or cancellation of accrual made at the end of the preceding year	(162)
162	Amounts accrued at the end of the current year	124
(69)	<b>Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirements</b>	(39)
162	<b>Balance 31 March</b>	124

### Note 28 - Cash Flow Statement – Adjustments to net surplus/deficit

2021/22 £'000		2022/23 £'000
1,391	Depreciation of tangible	1,216
118	Amortisation of intangible	92
(971)	Impairment and downward valuations	(2,127)
306	Increase/decrease in provision for doubtful debts	(223)
0	Increase/decrease in interest creditors	735
4,999	Increase/decrease in creditors	(11,979)
0	Increase/decrease in interest debtors	(74)
8,502	Increase/decrease in debtors	(3,859)
(12)	Increase/decrease in inventories	(29)
3,896	Movement in pension liability	3,305
13,469	Carrying amount of non-current assets & non-current assets held for sale, sold or derecognised	(271)
(25,755)	Other non-cash items charged to the net surplus or deficit on the provision of services	24,783
5,942	<b>Total</b>	11,569

## Note 29 - Cash Flow Statement – Adj's for items in net surp/def on PoS that are investing or financing activities

2021/22 £'000	2022/23 £'000
1,050 Proceeds from sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(1,318)
0 Any other items for which the cash effects are investing or financing cash flows	(1,488)
<b>1,050 Total</b>	<b>(2,806)</b>

## Note 30 - Cash Flow Statement – Operating Activities

2021/22 £'000	2022/23 £'000
909 Interest received	1,454
(666) Interest paid	(443)
<b>243 Total</b>	<b>1,011</b>

## Note 31 - Cash Flow Statement - Investing Activities

2021/22 £'000	2022/23 £'000
(8,628) Purchase of property, plant and equipment, investment property and intangible assets	(20,915)
(675) Other payments for investing activities	(650)
0 Purchase of short-term and long-term investments	0
0 Proceeds from short-term and long-term investments	0
7 Other receipts from investing activities	1,318
<b>(9,296) Net cash flows from investing activities</b>	<b>(20,247)</b>

## Note 32 - Cash Flow Statement - Financing Activities

2021/22 £'000	2022/23 £'000
0 Cash receipts of short and long-term borrowing	0
(369) Cash payments for the reduction of outstanding liabilities relating to finance leases	(336)
(2,000) Repayments of short- and long-term borrowing	21,740
0 Other payments for financing activities	2,351
<b>(2,369) Net cash flows from financing activities</b>	<b>23,755</b>

## Note 33 - Reconciliation of liabilities arising from Financing Activities

	1st Apr'22 £'000	Fin cash flows £'000	Non-cash changes £'000	31st Mar'23 £'000
Long Term Borrowing	0	5,000	0	5,000
Short Term Borrowing	100,000	15,000	0	115,000
Lease Liabilities	1,741	0	(336)	1,405
<b>Total Liabilities from Financing Activities</b>	<b>101,741</b>	<b>20,000</b>	<b>(336)</b>	<b>121,405</b>

## Note 34 - Officers' Remuneration and Termination Benefits

The remuneration paid to the Council's senior employees is as follows:

	2021/22	2022/23
50,000 to £54,999	16	21
£55,000 to £59,999	10	10
£60,000 to £64,999	7	8
£65,000 to £69,999	5	7
£70,000 to £74,999	4	3
£75,000 to £79,999	1	3
£80,000 to £84,999	0	1
£85,000 to £89,999	2	0
£90,000 to £94,999	2	0
£95,000 to £99,999 ...	0	3
£125,000 to £129,999 ...	0	1
£135,000 to £139,999 ...	0	1
£140,000 to £144,999	1	0
<b>Total</b>	<b>48</b>	<b>58</b>

The rate of pension contribution to the Hampshire Pension Fund is 18.2%. The number of employees whose remuneration (including taxable benefits, but excluding employers' pension contributions) was £50,000 or more, in bands of £5,000, is shown below. Data shown includes senior employees.

### Senior Officer Remuneration

		Salary, Fees and Allowances £	Expenses Allowances £	Compensation for Loss of Office £	Pension Contribution £	Total £
<b>Chief Executive</b>	<b>2022/23</b>	135,243	-	-	23,420	158,663
	<b>2021/22</b>	142,007	-	-	25,845	167,852
<b>Executive Director</b>	<b>2022/23</b>	99,341	349	-	18,033	117,723
	<b>2021/22</b>	94,643	349	-	17,288	112,280
<b>Executive Director</b>	<b>2022/23</b>	98,093	349	-	17,806	116,248
	<b>2021/22</b>	93,587	349	-	17,096	111,032
<b>Head of Fin. Services (CFO)</b>	<b>2022/23</b>	47,960	-	-	8,729	56,689
	"	71,920	-	-	-	71,920
	"	61,070	-	-	-	61,070
	<b>2021/22</b>	79,923	-	-	14,546	94,469

### Exit Packages

Exit package cost band (including special payments)	Number of comp redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	21/22	22/23	21/22	22/23	21/22	22/23	21/22	22/23
£0-£20,000	1	2	2	3	3	5	£24,536	£46,328
£20,001-£40,000	1	1	2	4	3	5	£92,823	£129,928
£40,000-£60,000	0	1	0	1	0	2	£0	£86,424
£60,001-£80,000	0	1	1	0	1	1	£63,753	£71,432
£80,001-£100,000	0	0	0	0	0	0	£0	£0
£100,001-£120,000	1	1	0	0	1	1	£119,978	£106,463
<b>Total</b>	<b>3</b>	<b>6</b>	<b>5</b>	<b>8</b>	<b>8</b>	<b>14</b>	<b>£301,090</b>	<b>£440,575</b>

**Note 35 - External Audit Costs**

2021/22 £'000		2022/23 £'000
81	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor	142
11	Fees payable to external auditors for the certification of grant claims & returns	22
(6)	Refund of fee payable to external auditors	0
<b>86</b>	<b>Total</b>	<b>164</b>

**Note 36 - Grant Income**

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement- Taxation and Non-specific Grant Income:

2021/22 £'000		2022/23 £'000
(863)	New Homes Bonus Grant	(344)
(5,267)	S.31 grants paid to compensate loss of nndr income	(3,265)
(4,507)	Capital Grants and Contributions	(285)
(450)	New Burdens Grant	(310)
(2,784)	Other Covid-19 related Grants	(0)
0	DLUHC Service Grant	(164)
(101)	Lower Tier Services Grant	(109)
<b>(13,972)</b>	<b>Total</b>	<b>(4,477)</b>

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement- Net Cost of Services:

2021/22 £'000		2022/23 £'000
(473)	DLUHC- Flexible homelessness grant	(483)
(92)	DLUHC- Localising Ctax admin subsidy	(95)
(441)	DLUHC- Other & Covid related grants	(278)
(25,515)	DWP- HB subsidy	(23,838)
(265)	DWP- HB admin subsidy	(257)
(226)	DWP- Disc Hou payments	(160)
(56)	DWP- Other	(39)
0	Cabinet Office	0
(827)	Developers Contributions	(1,268)
(1,203)	HCC- Better Care Fund	(1,203)
0	HCC- Household support	(57)
(252)	HCC- Other & Covid related grants	(231)
(126)	DEFRA	(0)
(48)	Contributions for other projects	(45)
(306)	Other covid related grants	(0)
(5)	Support thru Big Local (Local Trust for the Big Lottery Fund)	(4)
<b>(29,835)</b>	<b>Total</b>	<b>(27,958)</b>



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 could require the monies to be returned to the giver. The balances at year-end are shown in the table below:

### Capital Grant Receipts in Advance- Non-current Liabilities

2021/22 £'000	2022/23 £'000
(4,813) Developers' Contributions	(4,807)
(25) Creditor- armed forces community covenant	(16)
<b>(4,838) Total</b>	<b>(4,823)</b>

### Note 37 - Members' Allowances

In 2022/23 a total of £364k was paid out in members' allowances (2021/22 £335k).

### Note 38 - Related Parties

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. During 2022/23, the Council provided financial assistance to 113 organisations by way of direct loans (£1,456,000), direct grant payments (£535,599), awards of rent relief (£171,123), awards of business rates relief (£538,215) and free parking permits (£68,469).

Within the Business Rates Retention Scheme, rate relief has been awarded to charitable and not-for-profit organisations. The cost of the rate relief is shared between central government, Rushmoor Borough Council and Hampshire County Council (including Fire Authority) in the following proportions 50:40:10. The Council did not provide material financial assistance to any organisation, being more than 50% of their funding, on terms that gave the Council effective control over their operations. However, of the voluntary organisations that the Council provided financial assistance to, significant financial assistance was given to the following organisations:

	2022/23 £
Rushmoor Homes Ltd	1,456,000
Rushmoor Citizens Advice	249,142
Places for People Leisure Ltd	106,496
Step-by-Step	89,653
Rushmoor Voluntary Services	76,324
British Heart Foundation	57,274
Basingstoke Canal Management Committee	42,246
Ndreams Ltd	36,666
Dial-a-Ride	32,591
Aldershot Military Museum	31,612
Farnborough Air Sciences Museum	29,660
Royal Aeronautical Society	25,114
Salus Medical Services	25,025

## **Central Government**

Central Government has effective control over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority 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). Details of funding transactions with government departments in the form of grants and contributions are set out in Note 36.

## **Members**

Members of the council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2022/23 is shown in Note 37.

During 2022/23 no works or services were commissioned from companies in which members had an interest.

Financial assistance totalling £2,255,493 was awarded to voluntary organisations in which 22 members and 3 ex-members had an interest. These financial awards were made with proper consideration of declarations of interest and the relevant members did not take part in any discussion or decision relating to the grants.

Details of all these transactions are recorded in the Statement of Accounts working papers and the Register of Members interest, open to public inspection.

## **Officers**

Financial assistance totalling £1,471,192 was awarded to organisations in which 2 senior officers of the Council had an interest.

## **Entities Controlled or Significantly Influenced by the Council**

The Council controls Rushmoor Homes Ltd (RHL) through its ownership of 100% of the shares in the company. The company is currently in development and will assist to develop new homes to meet the Council's regeneration priorities and desire to improve the availability of quality housing within the Borough. The first full year of operation will be 2021/22. The Council made a long-term loan of £1,307k and a short term loan of £225k to the company.

The Council holds a 50% stake in Rushmoor Development Partnership (RDP). The partnership is currently in development with the objective to redevelop sites in Farnborough and Aldershot. 2020/21 was the first full year of operation for the partnership. The Council invested £168,000 in set up of the partnership.

## **Note 39 - Capital Expenditure and Financing**

As at 31st March 2023 use of borrowing for capital expenditure resulted in the Council incurring a capital financing requirement of £140.8m. Total capital expenditure in 2022/23 was £22.6m, of which £1.1m was revenue expenditure funded from capital under statute. An amount of £0m was drawn from available capital receipts and government grants and contributions amounted to £1.3m. A summary of this expenditure and how it was financed is shown below.

2021/22 £'000		2022/23 £'000
119,570	<b>Opening Capital Financing Requirement</b>	121,918
	<u>Capital Investment:</u>	
672	Loans to external bodies	632
8,592	Property Plant and Equipment	20,854
37	Investment Properties	28
0	Intangible Assets	33
816	Rev. Exp. Funded from Capital Under Statute	1,080
10,117	<b>Total Capital Investment</b>	22,627
	<u>Sources of Finance:</u>	
0	Capital receipts	0
(5,266)	Government Grants and other contributions	(1,288)
(400)	Direct revenue contributions	(336)
(2,103)	Minimum revenue provision	(2,101)
(7,769)	<b>Total Sources of Finance applied</b>	(3,725)
121,918	<b>Closing Capital Financing Requirement</b>	140,819

Explanation of movements in year;

2021/22 £'000		2022/23 £'000
2,614	Increase in underlying need to borrow (unsupported by government financial assistance)	19,167
(266)	Assets acquired under finance leases	(266)
2,348	<b>Inc/(dec) in Capital Financing Requirement</b>	18,901

## Note 40 - Leases

### Council as Lessee

#### Operating Leases

The Council has various operating leases related to property, vehicle and equipment. The future minimum lease payments due under non-cancellable leases in future years are:

2021/22 £'000		2022/23 £'000
(105)	Not later than 1 year	(147)
(125)	Later than 1 but no later than 5 years	(108)
(1)	Later than 5 years	(0)
(231)	<b>Total</b>	(255)

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

2021/22 £'000		2022/23 £'000
(50)	Minimum lease payments	(50)
(50)	<b>Total</b>	(50)

## Finance Leases

The Council has identified an embedded finance lease under IFRIC 4 for the refuse and grounds maintenance vehicles. These assets are shown as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

2021/22 £'000		2022/23 £'000
1,932	Vehicles, Plant & Equipment	1,560
<b>1,932</b>	<b>Total</b>	<b>1,560</b>

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the vehicles acquired by the Council and the financial cost that will be payable by the Council in future years while the liability remains outstanding. Minimum lease payments are made up of the following amounts:

2021/22 £'000		2022/23 £'000
	Finance lease liabilities (net present value of min. lease payments):	
(340)	current	(329)
(1,396)	non-current	(1,048)
(50)	Finance costs payable in future years	(50)
<b>(1,786)</b>	<b>Total</b>	<b>(1,427)</b>

The minimum lease payments will be payable over the following periods and Finance lease liability over the following periods;

	Minimum Lease Payments		Finance Lease Liabilities	
	2021/22 £'000	2022/23 £'000	2021/22 £'000	2022/23 £'000
Not later than 1 year	(358)	(329)	(340)	(329)
Later than 1 but no later than 5 years	(1,319)	(1,098)	(1,288)	(1,067)
Later than 5 years	(108)	(0)	(108)	(0)
<b>Total</b>	<b>(1,785)</b>	<b>(1,427)</b>	<b>(1,736)</b>	<b>(1,396)</b>

## Council as Lessor

### Operating Leases

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

- Returns from investment property and the provision of community services, such as sports facilities, tourism services and community centres
- Economic development purposes to provide suitable affordable accommodation for local businesses

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

2021/22 £'000		2022/23 £'000
(8,330)	Not later than 1 year	(8,316)
(28,915)	Later than 1 but no later than 5 years	(27,087)
(117,851)	Later than 5 years	(108,050)
<b>(155,096)</b>	<b>Total</b>	<b>(143,453)</b>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2022/23, contingent rents of £64,267.00p, were receivable by the Council (£14,763.42p in 2021/22).

### **Finance Leases**

The Council has no currently determined finance leases as lessor.

### **Note 41 – Capital Commitments**

The Council has £18,868k material capital commitments as at 31st March 2023 relating to Union Yard redevelopment.

### **Note 42 - Defined Benefit Pension Scheme**

#### **Participation in Pension Schemes**

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

The Council participates in two post-employment schemes:

- The Local Government Pension Scheme, administered locally by Hampshire County Council. This is a funded defined benefit plan with benefits earned up to 31 March 2014 being linked to final salary. Benefits after 31st March 2014 are based on a Career Average Revalued Earnings scheme. The funded nature of the scheme requires employers and its employees to pay contributions into the Fund, calculated at a level intended to balance the pension liabilities with investment assets.
- Arrangements for the award of discretionary post-retirement benefits upon early retirement. 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.

#### **Transactions relating to post-employment benefits**

The cost of retirement benefits are recognised in the cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	LGPS		Disc Benefits	
	2021/22 £'000	2022/23 £'000	2021/22 £'000	2022/23 £'000
Cost of services:				
Service cost comprising:				
* current service costs	4,760	4,240	0	0
* past service costs	60	60	0	0
Financing and Investment income and exp:				
* net interest expense	1,150	1,060	0	90
<b>Total post emp benefit charged to the surplus/deficit on PoS</b>	<b>5,970</b>	<b>5,350</b>	<b>0</b>	<b>90</b>
Other post emp benefits charge to the CIES				
<b>Remeas'ment of the net defined benefit liability comprising:</b>				
* Return on plan assets (exc amount inc the net interest exp.)	(5,790)	10,200	0	0
* Actuarial gain/loss arising on changes in financial assumptions	(10,250)	(56,050)	(90)	(560)
* Actuarial gain/loss arising on changes in demographic assumpt.	(1,650)	0	(60)	20
* Actuarial (gains) and losses arising from liability experience	520	11,820	10	(10)
<b>Total post emp benefit charged to the CIES</b>	<b>(11,200)</b>	<b>(28,690)</b>	<b>(140)</b>	<b>(460)</b>
<u>Movement in Reserves Statement</u>				
* Rev of net charges made to sur/def on PoS for post emp ben.	(5,970)	(5,350)	0	(90)
Actual amount charged to GF for pensions in year:				
* Employer's contributions payable to scheme	0	1,890	0	250
* Retirement benefits payable to pensioners	0	(5,450)	0	(250)

### Impact on the Council's cash flows

The objectives of the scheme are to keep the employers' contribution at as constant a rate as possible. The scheme's actuary assessed the scheme to be fully funded. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2024.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework to establish new career average revalued earnings schemes to pay pension and other benefits to certain public servants.

### Pensions 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:

	LGPS		Disc Benefits	
	2021/22 £'000	2022/23 £'000	2021/22 £'000	2022/23 £'000
Fair value of plan assets	120,860	110,700	0	0
Present value of the defined benefit obligation	(163,560)	(120,190)	(3,550)	(2,850)
<b>Net liability arising from the defined benefit obligation</b>	<b>(42,700)</b>	<b>(9,490)</b>	<b>(3,550)</b>	<b>(2,850)</b>

### Changes to the fair value of assets;

The remeasurement gain on the net defined benefit liability is comprised of:

- Return on plan assets – a measure of return (income from dividends, interest etc, and gains on invested sums) on the investment assets held by the scheme for the year
- Actuarial gains and losses – arise where actual events have not coincided with actuarial assumptions made for the last valuation.

	LGPS		Disc Benefits	
	2021/22 £'000	2022/23 £'000	2021/22 £'000	2022/23 £'000
<b>Opening fair value of scheme assets</b>	114,600	120,860	0	0
Opening balance adjustment per IAS19 actuary report	-	(350)	-	0
Interest income	2,390	3,220	0	0
Remeasurement gain/(loss) on assets	5,790	(10,210)	0	0
Contribution from employer	1,820	1,890	260	250
Contribution from employee's into scheme	710	740	0	0
Net Benefits paid	(4,450)	(5,450)	(260)	(250)
<b>Closing fair value of scheme assets</b>	<b>120,860</b>	<b>110,700</b>	<b>0</b>	<b>0</b>

### Reconciliation of present value of the scheme liabilities (Defined Benefit Oblig.);

	LGPS		Disc Benefits	
	2021/22 £'000	2022/23 £'000	2021/22 £'000	2022/23 £'000
<b>Opening balance at 1st April</b>	<b>170,340</b>	<b>163,560</b>	<b>3,870</b>	<b>3,550</b>
Opening balance adjustment per IAS19 actuary report	-	(3,000)	-	0
Current service costs	4,760	4,240	0	0
Interest income	3,540	4,270	80	90
Contributions by scheme participants	710	740	0	0
Remeasurement gain/(loss):				
* Actuarial gain/loss arising on changes in financial assumptions	(10,250)	(56,050)	(90)	(560)
* Actuarial gain/loss arising on changes in demographic assum.	(1,650)	0	(60)	20
* Actuarial (gains) and losses arising from liability experience	520	11,820	10	(10)
Net Benefits paid	(4,450)	(5,400)	(260)	(250)
Past service costs	40	60	0	0
<b>Closing balance at 31st March</b>	<b>163,560</b>	<b>120,190</b>	<b>3,550</b>	<b>2,850</b>

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Aon Hewitt Ltd, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31st March 2022.

The principal assumptions used by the actuary have been:

#### Financial Assumptions

	LGPS		Disc Benefits	
	2021/22 %	2022/23 %	2021/22 %	2022/23 %
Discount	2.7%	4.7%	2.7%	4.7%
Rate of inflation (CPI)	3.0%	2.7%	3.0%	3.0%
Rate of increase to pensions in payment	3.0%	2.7%	3.0%	3.0%
Pension accounts revaluation rate	3.0%	2.7%		
Salary increases	4.0%	3.7%		

## Mortality assumption

The mortality assumptions are based on actual mortality experience of members within the Fund based on analysis carried out as part of the 2022 Actuarial Valuation and allow for expected future mortality improvements. Sample life expectancies at age 65 in normal health resulting from these mortality assumptions are shown below.

	LGPS		Disc Benefits	
	2021/22 %	2022/23 %	2021/22 %	2022/23 %
Longevity at 65 for current pensioners:				
Men	22.9 yrs	23.3 yrs	22.9 yrs	23.3 yrs
Women	25.4 yrs	25.7 yrs	25.4 yrs	25.7 yrs
Longevity at 65 for future pensioners:				
Men	24.7 yrs	23.8 yrs	-	-
Women	27.1 yrs	26.7 yrs	-	-

## Pension assets

The Discretionary Benefits arrangements have no assets to cover its liabilities.

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	2021/22 Total %	2022/23 Total %
Equities	55.7	57.6
Property	6.9	6.8
Government Bonds	18.0	16.5
Corporate Bonds	0.0	0.0
Multi Asset Credit	9.2	9.2
Cash	0.9	1.1
Other Assets	9.3	18.0
<b>Totals</b>	<b>100.00</b>	<b>100.00</b>

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions outlined above.

## Sensitivity Analysis

Impact on the present value of the funded defined benefit obligation in the Scheme	Increase in assumption £m	Base £m	Decrease in assumption £m
Rate of inflation (adjustment to discount rate +0.1% or -0.1% pa)	118.26	120.19	(122.23)
Rate of increase in salaries (increase or decrease by 0.1% pa)	120.21	120.19	(120.07)
Rate of increase to pensions in payment and rate of revaluation of pension accounts (increase or decrease by 0.1% pa)	121.99	120.93	(118.36)
Post retirement mortality assumption (increase or decrease by 0.1% pa)	123.31	120.87	(117.06)



### **Note 43 – Nature and Extent of Risks arising from Financial Instruments**

The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2017.

In line with the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Investment Strategy in compliance with the Ministry for Housing, Communities and Local Government Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

The main risks covered are:

- Credit Risk: The possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the Council.
- Liquidity Risk: The possibility that the Council might not have the cash available to make contracted payments on time.
- Market Risk: The possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices.

#### **Credit Risk**

#### **Treasury Instruments**

The Council's credit risk management practices are set out in the 2022/23 Annual Treasury Management Investment Strategy. With particular regard to determining whether the credit risk of financial instruments has increased significantly since initial recognition.

Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies and adjusted for current and forecast economic conditions. A two-year delay in cash flows is assumed to arise in the event of default. Investments are determined to have suffered a significant increase in credit risk where they have been downgraded by three or more credit rating notches or equivalent since initial recognition, unless they retain an investment grade credit rating. They are determined to be credit-impaired when awarded a "D" credit rating or equivalent. As at 31 March 2023, £0 (2021: £0) of loss allowances related to treasury investments.

#### **Trade and Lease Receivables and Contract Assets**

The following analysis summarises the Council's trade and lease receivables, by due date. Only those receivables meeting the definition of a financial asset are included.

2021/22 £'000		2022/23 £'000
4,295	Neither past due or impaired	4,295
951	Less than two months	796
243	Two to six months	943
318	Six months to one year	21
792	More than one year	1,094
<b>8,533</b>	<b>Total Receivables</b>	<b>7,149</b>

Loss allowances on trade and lease receivables and contract assets have been calculated by reference to the Council's historic experience of default and adjusted for current and forecast economic conditions. Receivables are determined to have suffered a significant increase in credit risk where they are 30 or more days past due and they are determined to be credit-impaired where they are 90 or more days past due.

Receivables are written off to the Surplus or Deficit on the Provision of Services when the debtor are formally insolvent, but steps are still taken to collect sums owing. The amount written off but still subject to enforcement action as at 31st March 2023 is £25,000 (2021: £25,000).

### Loans, Financial Guarantees and Loan Commitments

In furtherance of the Council's service objectives, it has lent money to Farnborough International. It has also committed to lend money to Farnborough International should it be requested to do so at market rates of interest.

The amounts recognised on the balance sheet, and the Council's total exposure to credit risk from these instruments are:

	2021/22 £'000	Risk exposure £'000	2022/23 £'000	Risk exposure £'000
Company Loan – Loans at market rate	7,383	-	6,709	-
Company Loan – Loan commitment at market rate	-	-	-	-
<b>Total</b>	<b>7,383</b>	<b>-</b>	<b>6,709</b>	<b>-</b>

The Council manages the credit risk inherent in its loans for service purposes and loan commitments in line with its published Investment Strategy.

Loss allowances on loans for service purposes, financial guarantees and loan commitments have been calculated by reference to historic default data published by credit rating agencies and adjusted for current and forecast economic conditions. They are determined to have suffered a significant increase in credit risk where they are 30 or more days past due and they are determined to be credit-impaired where they are 90 or more days past due. Loans are written off to the Surplus or Deficit on the Provision of Services when they are two years past due, but steps are still taken to collect sums owing.

### Liquidity Risk

The Council manages its liquidity position through risk management procedures as referred to above, including the setting and approval of prudential indicators and the approval of the Annual Treasury Management Strategy as well as through cash flow management procedures. This seeks to ensure that cash is available as needed.

In the event of an unexpected cash requirement, the Council has ready access to borrowings from the money markets to cover any day-to-day cash flow need. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies re raised to cover annual expenditure.

There is no perceived risk that the Council will be unable to raise finance to meet its commitments.

### Refinancing and Maturity Risk

The Council maintains a significant investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to the maturing of longer- term financial assets. The approved limits placed on investments of greater than one year in duration, are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks, and the central treasury team address the operational risks within the approved parameters.

This includes monitoring the maturity profile of investments to ensure liquidity is available for the Council's day to day cash flow needs and the spread of longer term investments provide stability of maturities and returns in relation to the longer-term cash flow needs.

The Council has ready access to borrowing at favourable rates from the Public Works Loan Board 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 its financial assets and analysis of financial liabilities is as follows:

2021/22 £'000	Maturity Analysis of Financial Assets	2022/23 £'000
20,903	Less than one year	9,723
22	Between one and two years	27
13	Between two and three years	18
30,719	More than three years	29,151
<b>51,657</b>	<b>Total</b>	<b>38,919</b>

2021/22 £'000	Analysis of Financial Liabilities	2022/23 £'000
119,940	Less than one year	120,940
369	Between one and two years	369
369	Between two and three years	369
748	More than three years	998
<b>120,811</b>	<b>Total</b>	<b>122,676</b>

### Market Risks

#### Interest rate risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense will rise
- borrowings at fixed rates – the fair value of the liabilities will fall
- investments at variable rates – the interest income will rise
- investments at fixed rates – the fair value of the assets will fall.

Investments measured at amortised cost and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure Statement. However, 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 measured at fair value will be reflected in Other Comprehensive Income or the Surplus or Deficit on the Provision of Services as appropriate.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy and Capital Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From the strategy, a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The treasury team will monitor the market and forecast interest rates within the year to adjust exposures appropriately. For instance, in periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long-term returns. At 31 March 2023, £78.2m (2022: (£78.2m)) of net principal borrowed (i.e. borrowing net of investments) was exposed to fixed rates.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget during the year. This allows any adverse changes to be accommodated.

At 31st March 2023, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

Analysis of Financial Liabilities	2022/23 £'000
Increase interest receivable on variable rate investments	5
Impact on surplus/deficit on the provision of service	5

The impact of a 1% fall in interest rates would be to push interest rates below zero and therefore would mean no interest would be receivable in the year.

## Price Risk

The market prices of the Council's fixed rate bond investments and its units in pooled bond funds are governed by prevailing interest rates and the price risk associated with these instruments is managed alongside interest rate risk.

The Council's investment in a pooled property fund is subject to the risk of falling commercial property prices. This risk is limited by the Council's maximum exposure to property investments of £5m. A 5% fall in commercial property prices at 31st March 2023 would result in a £219k (2022: £226k) charge to Other Comprehensive Income and Expenditure which is then transferred to the Pooled Investment Funds Adjustment Account, when not elected.

The Council's investment in a pooled equity funds is subject to the risk of falling share prices. This risk is limited by the Council's maximum exposure to equity investments of £5m. A 5% fall in share prices at 31st March 2023 would result in a £294k (2022 £1,096k) charge to the Surplus or Deficit on the Provision of Services which is then transferred to the Pooled Investment Funds Adjustment Account, when not elected.

## Collection Fund

The Collection Fund (England) is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and business rates.

31 March 2022			31 March 2023			
Council Tax £'000	NNDR £'000	Total £'000	Collection Fund	Council Tax £'000	NNDR £'000	Total £'000
			<b>INCOME:</b>			
(60,321)		(60,321)	Council Tax Receivable	(63,190)		(63,190)
	(40,190)	(40,190)	Business Rates Receivable		(42,979)	(42,979)
<b>(60,321)</b>	<b>(40,190)</b>	<b>(100,511)</b>	<b>Total amounts to be credited</b>	<b>(63,190)</b>	<b>(42,979)</b>	<b>(106,169)</b>
			<b>EXPENDITURE:</b>			
			<b>Apportionment of Prev. Year Sur/Def:</b>			
	(13,034)	(13,034)	Central Government		(3,044)	(3,044)
(633)	(2,346)	(2,979)	Hampshire County Council	(73)	(548)	(621)
(100)	(10,427)	(10,527)	Rushmoor Borough Council	(12)	(2,435)	(2,447)
(106)		(106)	Police and Crime Comm. Hampshire	(12)		(12)
(33)	(261)	(294)	Hampshire Fire and Rescue	(4)	(61)	(65)
			<b>Precepts, demands and shares:</b>			
	24,843	24,843	Central Government		22,605	22,605
43,632	4,472	48,104	Hampshire County Council	45,614	4,068	49,682
6,927	19,874	26,801	Rushmoor Borough Council	7,196	18,084	25,280
7,316		7,316	Police and Crime Comm. Hampshire	7,755		7,755
2,276	497	2,773	Hampshire Fire and Rescue	2,474	452	2,926
			<b>Charges to Collection Fund:</b>			
		0	Write-offs of uncollectable amounts			0
1,446	653	2,099	Inc/(dec) in allowance for impairment	978	(34)	944
	(4,826)	(4,826)	Inc/(dec) in allowance for appeals		(2,154)	(2,154)
	119	119	Charge to General Fund for allowable collection costs for non-domestic rates		117	117
<b>60,725</b>	<b>19,565</b>	<b>80,290</b>	<b>Total amounts to be debited</b>	<b>63,916</b>	<b>37,050</b>	<b>100,966</b>
<b>404</b>	<b>(20,625)</b>	<b>(20,221)</b>	<b>(Surplus)/Deficit arising in year</b>	<b>726</b>	<b>(5,929)</b>	<b>(5,203)</b>
<b>(831)</b>	<b>26,027</b>	<b>25,196</b>	<b>(Surplus)/Deficit b/f at 1 April</b>	<b>(427)</b>	<b>5,402</b>	<b>4,975</b>
<b>(427)</b>	<b>5,402</b>	<b>4,975</b>	<b>(Surplus)/Deficit c/f at 31 March</b>	<b>299</b>	<b>(527)</b>	<b>(228)</b>
			<b>Allocated to;</b>			
	2,702	2,702	Central Government		(264)	(264)
(308)	486	178	Hampshire County Council	216	(47)	169
(45)	2,160	2,115	Rushmoor Borough Council	36	(211)	(175)
(57)		(57)	Police and Crime Comm. Hampshire	35		35
(17)	54	37	Hampshire Fire and Rescue	11	(5)	6
<b>(427)</b>	<b>5,402</b>	<b>4,975</b>	<b>Total</b>	<b>298</b>	<b>(527)</b>	<b>(229)</b>

## Notes to the Collection Fund

### 1. Council Tax Base

Council Tax derives from charges raised according to the value of residential properties which have been classified into 8 valuation bands estimating 1st April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Hampshire County Council, Police and Crime Commissioner, Fire and Rescue Authority and the Council for the forthcoming year and dividing this by the Council Tax base (the total number of properties in each band adjusted to convert the number to a Band D equivalent and adjusted for discounts: (32,018 for 2022/23). This basic amount of Council Tax for a Band D property (£1,861.76 for 2022/23) is multiplied by an appropriate ratio to produce the amount due for the bands A to H. Council Tax bills are based on the following dwellings and proportions.

	Discounted Equivalent Dwelling	Weighting	Band D Equivalent
Valuation Band A	840	6/9	560
Valuation Band B	6,238	7/9	4,852
Valuation Band C	12,623	8/9	11,220
Valuation Band D	7,144	9/9	7,144
Valuation Band E	3,618	11/9	4,422
Valuation Band F	1,102	13/9	1,592
Valuation Band G	282	15/9	470
Valuation Band H	9	18/9	18
Valuation Band O (Army)	1,740	-	1,740
<b>Total Band D Equivalents</b>			<b>32,018</b>

### 2. Income from Non-Domestic Rates

The Council collects non-domestic rates for its area, which are based on local rateable values multiplied by a uniform rate specified by the government. In 2013/14 the administration of NDR changed following the introduction of the business rates retention scheme, so instead of paying the NDR to the pool the local authority retains a share of the total collectable rates due. For Rushmoor this is 40%, Hampshire County Council 9%, Hampshire Fire and Rescue Authority 1% and the Government 50%.

The rateable value of properties at 31st March 2023 is £116,008,655 and the national non-domestic multiplier was 49.9p. This gives a potential business yield of £57.9million. The actual business rates collectable for 2022/23 after reliefs is £45.1million. In addition, there is an adjustment to the business rates income for the provision on appeals to the collection fund.

#### Business Rates Revaluation 2017

At revaluation, the Valuation Office Agency (VOA) adjusts the rateable value of business properties to reflect changes in the property market. The most recent revaluation came into effect in England and Wales on 1st April 2017, based on rateable values from 1st April 2015.

Across England as a whole, the revaluation was expected to lead to an 11% increase in the rateable value of the average non-domestic property, with changes unevenly distributed across the country.

The business rates multiplier was adjusted so that revaluation would be revenue neutral, after accounting for a forecast of the cost of appeals against the new values.

A complex package of reliefs was introduced to phase in the biggest increase in bills to ratepayers resulting from the revaluation.

The impact of revaluation on the amount of business rates retained by individual councils has been offset by changes to the redistributive "tariffs" and "top-ups" between councils, with the aim of leaving underlying budgets unaffected by revaluation.

### 3. Provision for Council Tax and NDR Bad or Doubtful Debts and NDR provision for valuation appeals

	2021/22	2022/23
<b>Council Tax</b>		
Provision at 1 <sup>st</sup> April	(2,347)	(3,592)
Provisions made in year	(1,445)	(978)
Written off in year	200	158
<b>Provision at 31<sup>st</sup> March</b>	<b>(3,592)</b>	<b>(4,412)</b>
<b>NNDR</b>		
Provision at 1 <sup>st</sup> April	(1,275)	(1,807)
Provisions made in year	(653)	34
Written off in year	121	478
<b>Provision at 31<sup>st</sup> March</b>	<b>(1,807)</b>	<b>(1,295)</b>
<b>NNDR Valuation Appeals</b>		
Provision at 1 <sup>st</sup> April	(11,200)	(6,374)
Provisions made in year	0	0
Written off in year	4,826	2,174
<b>Provision at 31<sup>st</sup> March</b>	<b>(6,374)</b>	<b>(4,200)</b>

Provisions for bad or doubtful debts are assessed annually and charged to the collection fund.

## **Annual Governance Statement 2022/23**

### **Introduction and Scope of Responsibility**

Rushmoor Borough Council (RBC) has approved and adopted a local code of corporate governance, which is consistent with the seven core principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) Framework 'Delivering good governance in Local Government'. A copy of RBC's adopted Code is on the Council's website:

(Local Code of Corporate Governance) RBC updates its code annually and evidence is collated and assessment for compliance by the Corporate Governance Group (CCG) and the Executive Leadership Team (ELT).

The Annual Governance Statement (AGS) 2022/23 states how the Council has complied with the Code and meets the requirements of the Accounts and Audit Regulations 2015, regulation 6 (1b), and as amended by the Accounts and Audit (coronavirus) (Amendment) regulations 2020, which requires all relevant authorities to prepare an Annual Governance Statement. It is subject to detailed review by the Corporate Governance, Audit and Standards Committee (CGAS Committee) and approval in advance of them agreeing the Statement of Accounts, into which the AGS is referred.

RBC is responsible for ensuring its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to plan to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency, and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, which include arrangements for the management of risk, whilst facilitating the effective exercise of its functions.

### **The Purpose of the Governance Framework**

The governance framework comprises the systems, processes, culture, and values by which the authority is directed and controlled. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process, designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised and to manage them efficiently, effectively, and economically.



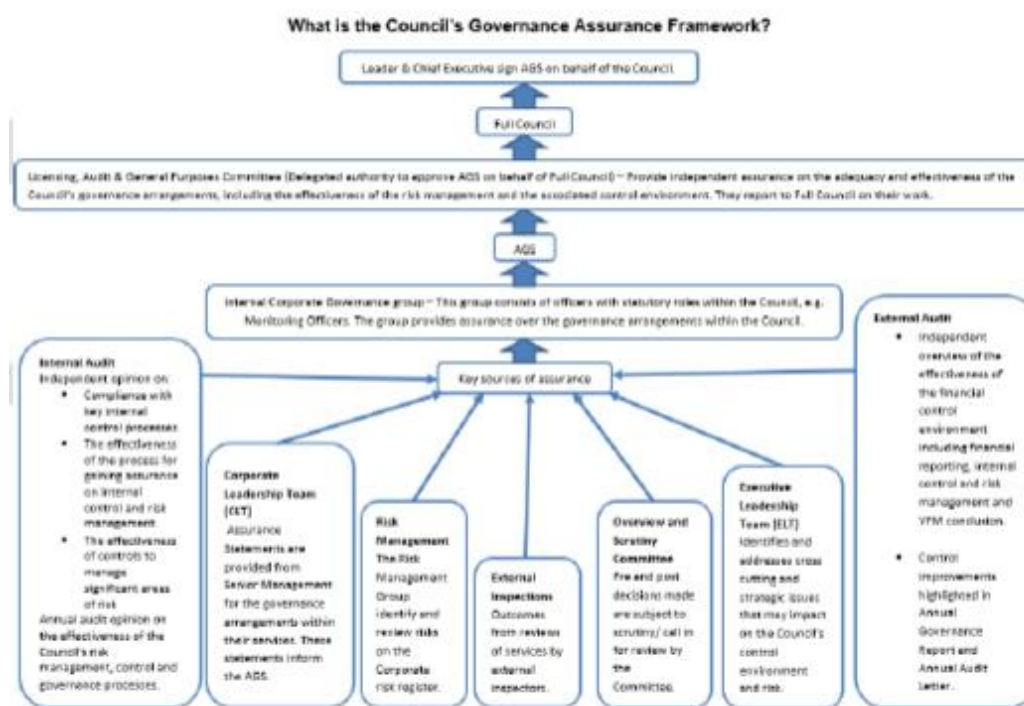
## What is the Annual Governance Statement (AGS)?

The Council is required by the Accounts and Audit Regulations 2015 to prepare and publish an Annual Governance Statement, to report publicly on the extent to which we comply with our own local Code of Corporate Governance, including how we have monitored the effectiveness of our arrangements in year and on any planned changes to our governance arrangements in the coming year. In this document the Council:

- acknowledges its responsibility for ensuring that there is a sound system of governance.
- summarises the key elements of the governance framework and the roles of those responsible for the development and maintenance of the governance environment.
- describes how the Council has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period;
- provides details of how the Council has responded to any issue(s) identified in last year's governance statement; and
- reports on any key governance matters identified from this review and provides a commitment to addressing them.

The Council's Governance Assurance Framework, which underpins the AGS, has been in place at the Council for the year ended 31 March 2023 and up to the date of approval of the AGS and Statement of Accounts.

## The Council's Process for Developing and Adopting the AGS



C o r p o r a t e G o v e r n a n c e	Council, Cabinet and Leader	<ul style="list-style-type: none"> <li>Adopting and making substantive changes to the constitution</li> <li>Approving or adopting the annual budget</li> <li>Agreeing and/or amending the Terms of Reference for Committees, deciding on their composition and appointing.</li> </ul>
	Overview and Scrutiny Committee	<ul style="list-style-type: none"> <li>Pre and post decisions made are subject to scrutiny/ call in for review by the Committee.</li> </ul>
	Corporate Governance, Audit and Standards Committee (CGAS)	<ul style="list-style-type: none"> <li>Provides independent assurance to the Council on the adequacy and effectiveness of the governance arrangements, risk management framework and internal control environment.</li> <li>Promotes high standards of Member conduct.</li> <li>Approves the Annual Statement of Accounts and Annual Governance Statement.</li> </ul>
	Risk Management	<ul style="list-style-type: none"> <li>The corporate risk register is regularly reviewed and monitored to ensure appropriate mitigation is in place.</li> <li>Service risk registers are regularly maintained and updated which are fed into the corporate risk register.</li> <li>Regular updates on risk management and the risk environment is provided to CGAS.</li> </ul>
	Corporate Governance Group (CGG)	<ul style="list-style-type: none"> <li>Officers with statutory roles within the Council e.g., the Monitoring officer and Section 151 officer, review and provide assurance over the governance arrangements within the Council including any constitutional changes or issues.</li> </ul>
	External assurances	<ul style="list-style-type: none"> <li>Assurances are obtained from external bodies e.g. compliance with PSN.</li> <li>Peer reviews</li> </ul>
	Information Governance Group (IGG)	<ul style="list-style-type: none"> <li>IGG develops and maintains an information governance framework for effective management of information.</li> <li>Authority to decide/recommend operational matters around all aspects of information governance and reports to CGG.</li> <li>Oversight of the Council's Cyber Security treatment plan.</li> </ul>
	Property, Major Projects and Regeneration Board	<ul style="list-style-type: none"> <li>Review of governance and risk management over major projects, for example Civic Quarter and Union Yard.</li> </ul>
C o r p o r a t e G o v e r n a n c e	Head of Paid Services	<ul style="list-style-type: none"> <li>The Chief Executive carries the responsibility for the proper management of RBC and for ensuring that the principles of good governance are reflected in sound management arrangements.</li> <li>Leads the Council's Management team in driving forward the Council's Strategic objectives.</li> </ul>
	Monitoring Officer	<ul style="list-style-type: none"> <li>Ensures compliance with established policies, procedures, laws and regulations.</li> <li>Monitors ethical standards.</li> <li>Reports actual or potential breaches of the law.</li> </ul>
	Section 151 Officer	<ul style="list-style-type: none"> <li>Develops a medium term financial strategy that is aligned with strategic priorities.</li> <li>Safeguards public money</li> <li>Promotes and deliver good financial management.</li> </ul>
	Executive Leadership Team (ELT)	<ul style="list-style-type: none"> <li>Implements the policy and budgetary framework set by the Council and provides advice to Committees and the Council on the development of future policy and budgetary issues and oversees the implementation of Council policy.</li> <li>Influences a corporate culture and fostering a culture of high ethical standards and integrity.</li> <li>Identifies and addresses cross cutting and strategic issues that may impact on the Council's control environment and risk.</li> </ul>
	Corporate Management Team (CMT)	<ul style="list-style-type: none"> <li>Responsible for developing, maintaining and implementing the Council's governance, risk and control framework. Including maintaining service risk registers.</li> <li>Contribute to the effective corporate management and governance of the Council.</li> <li>Provide assurance statements for the governance arrangements within their services which inform the Local Code of Corporate Governance and the AGS.</li> </ul>
	External Audit	<ul style="list-style-type: none"> <li>Audit/ review and report on the Council's financial statements (including the Annual Governance Statement), providing an opinion on the accounts and use of resources, concluding on the arrangements in place for securing economy, efficiency and effectiveness in the use of resources (the value for money conclusion).</li> </ul>
	Internal Audit	<ul style="list-style-type: none"> <li>Provides independent assurance and annual opinion on the adequacy and effectiveness of the Council's governance, risk management and control framework.</li> <li>Delivers an annual programme or risk-based audit activity.</li> <li>Makes recommendations for improvements in the management of the Council's risk, governance and control environment.</li> </ul>
	Property Investment Advisory Group	<ul style="list-style-type: none"> <li>Oversees the Council's commercial property.</li> </ul>

## Post Covid-19 Environment

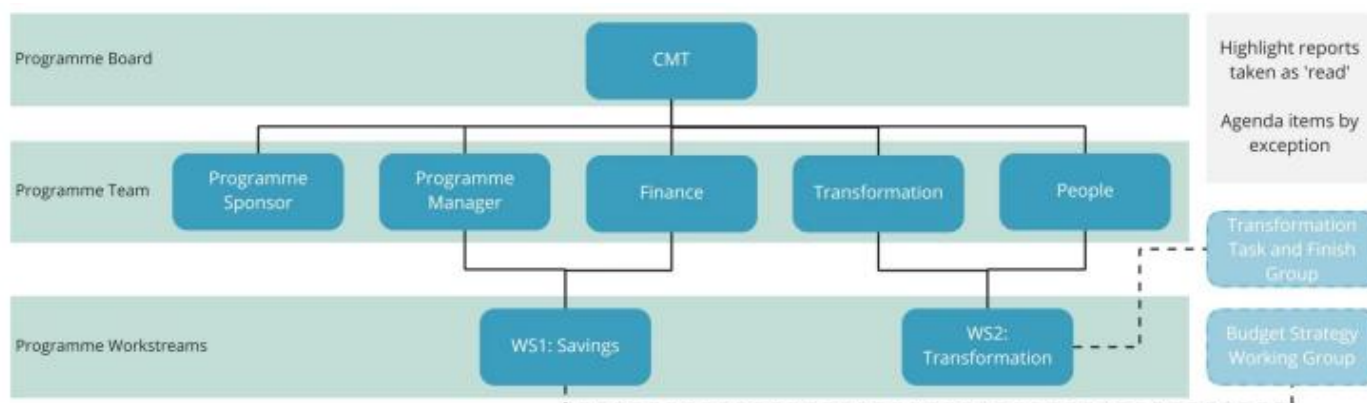
### Hybrid Working

Since the mandatory requirement for the Council to implement remote working during the Covid-19 pandemic the Council has now opted to continue to provide a hybrid working environment for employees. A hybrid approach is also being taken with non-decision-making committees where attendance can be in person or remote.

### Outcomes Based Budgeting (OBB)

The level of uncertainty around national policy issues (Levelling-up and the Local Government Finance Settlement) and the global economy makes it more difficult to predict the financial impact on the Council. The scale of the challenge currently faced for the Council in 2023/24 is c£3.250m. As a result, the Council's ELT and Service Managers have shared views with the Council's Cabinet on the most appropriate methodology to produce new savings and income at a level suited to the materiality of the budget gap.

The OBB approach was determined through consultation and engagement as the primary methodology to apply for addressing the budget gap for 2023/24 and future years. The OBB work has identified c£2.3m in potential savings in 2023/24, in addition to the £1.8m previously identified savings. The work towards realising these savings will be monitored throughout the year as set out below



Two budget reductions groups from Workstream 1:

1. Budget monitoring:
  - 69 items totalling £1.2 million
  - Items are low risk, low value and/or complete
  - Any variation to their respective budget/expenditure codes can be reported through budget monitoring in the usual way.
2. Programme monitoring:
  - 36 items totalling £1.9 million
  - These items are high risk, high value and/or have activity outstanding.
  - They may need to be applied or increased in 24/25.
  - They need to report more frequently to give us the opportunity to respond to any issues.
  - Any variation should be reported through a more frequent, but parallel governance arrangement to budget monitoring.

This approach maintains monitoring and reporting of all budget reductions, at a reduced administrative burden through a risk-based approach.

Those items which are more likely to vary, or whose variance would have a disproportionate impact, will continue to be more closely monitored.

### Levelling up fund

The Council has secured £20 million from the Governments Levelling up funding to develop a new leisure centre and cultural hub. As part of the regeneration of the Civic quarter. A project has been established and governance arrangement will be in place and regular meetings scheduled with Department for Levelling Up, Housing and Communities (DLUHC), to ensure that spending of this funding is in line with their requirements.

### External Audit

It is key to highlight that the Council has been working with the Council's External Auditors, Ernst and Young, in order to sign off the 2019/20 accounts. This has now been completed and the 2019/20 accounts signed off by EY as both a 'true and fair view' and 'compliant' with the CIPFA/LASAAC code of practice. Work has been undertaken by the Finance and Property teams to ensure that the process and record keeping for the remaining years are in line with the requirements of EY to ensure there are no unnecessary delays.

### Our Values



### How does the Council monitor and evaluate the effectiveness of its governance arrangements?

The Council reviews the effectiveness of its governance arrangements annually. The key sources of assurance that informs this review are:

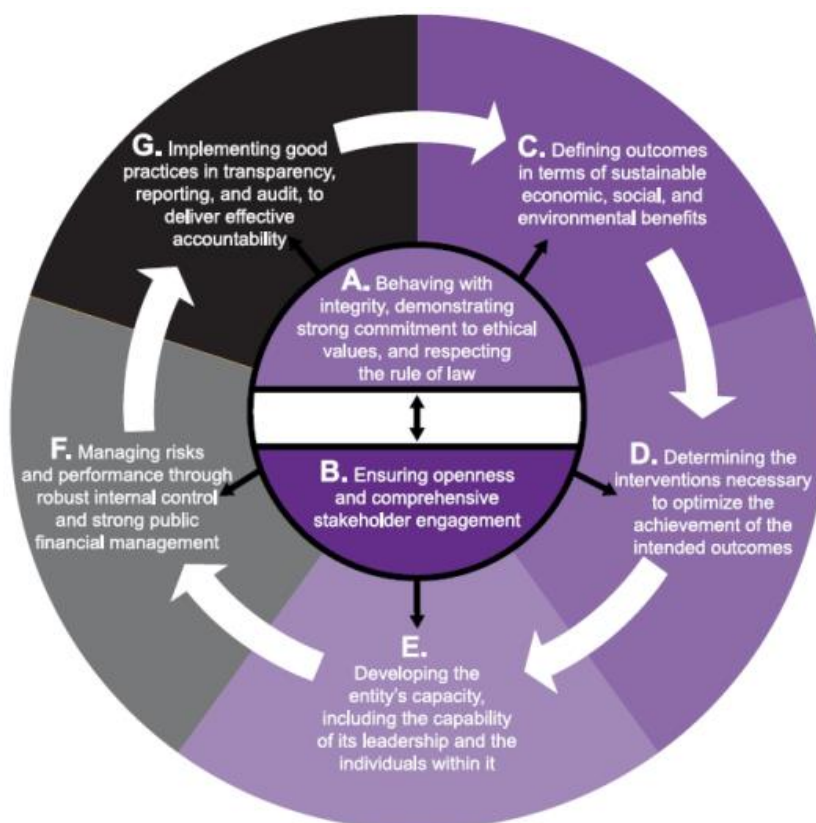
- The work of the Corporate Governance, Audit and Standards Committee (CGAS), Members and Senior Officers of the Council who have responsibility for good governance, as set out above in the diagram showing the overview of the Council's corporate governance framework.



- A statement of assurance is obtained from Heads of Service to confirm the governance arrangements in place within their service and any actions to be included within the AGS.
- Risk management reports and the corporate risk register is maintained and scrutinised by Corporate Management Team (CMT) quarterly and subsequently communicated to CGAS and the Corporate Governance Group.
- The Audit Manager's update reports on the internal audit activity, which provides an independent assurance that GRC is in place and provides an opinion on the effectiveness of these arrangements.
- Half yearly updates to the CGAS Committee monitoring the work carried out towards the governance actions identified in the previous year's AGS.
- Any comments made by External Audit or other external reviews.
- Internal Corporate Governance Group provides assurance over the governance arrangements within the Council.

### What are the key elements of RBC's Governance Framework?

The Council aims to achieve good standards of governance by adhering to the seven core principles, detailed below, which form the basis of the Council's code of Corporate Governance:



The following pages provide a summary of actions and behaviours taken by the Council in relation to each of these seven core principles and associated sub principles.

**PRINCIPLE A**

**Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**

<b>Sub principle</b>	<b>Demonstrated by;</b>
Behaving With Integrity	<ul style="list-style-type: none"> <li>• A code of conduct is in place for both Councillors and staff, both are contained within the Council's constitution. The codes outline the ethical standards and behaviours to be adopted and observed by elected Members and officers to ensure that Council business is conducted with fairness and integrity. There are processes in place to ensure that Members and Officers are adequately trained in matters relating to the Constitution.</li> <li>• A Member Constitution review group is in place to assist and review the Constitution as and when required.</li> <li>• The Council also has in place various policies, procedures and guidance including HR policies, Anti-fraud, Acceptable Use of IT, Declarations of Interest, and Gifts and Hospitality. All colleagues are made aware of any new policies or changes and training is provided as necessary and the Council has commenced a programme to ensure policies are reviewed on an annual basis.</li> <li>• Specific legal and regulatory requirements and/or Standards and Codes of Practice are maintained by staff for Membership of relevant professional bodies, including continuing professional development.</li> <li>• Where necessary the Council collaborates with other professionals for advice and guidance. For example, the Council appointed external professional advice from solicitors to support the legal work around property and construction for regeneration of Aldershot and Farnborough town centre.</li> <li>• Records of Executive Decision to evidence delegated authority are maintained for Regeneration.</li> <li>• A register of Member interests is published on the Council's website to ensure that any conflicts of interests are open and transparent. Furthermore, these are reviewed by the Corporate Governance Group on an ad hoc basis.</li> <li>• The Corporate Management Team has responsibility to ensure that decisions are made properly and that these are monitored by the Governance Group and Deputy Monitoring Officers.</li> <li>• Financial reports to relevant committees.</li> </ul>
Demonstrating strong commitment to ethical values	<ul style="list-style-type: none"> <li>• The Council has established a Governance Group, which includes the Monitoring Officer, Deputy Monitoring Officers, the Chief Financial Officer, the Assistant Chief Executive, IT Service Delivery Manager, the Information Governance Officer and the Audit Manager, to ensure that the Council works within its rules and that the necessary governance provisions are followed, and associated guidance, advice and training is provided.</li> <li>• The Council has adopted a Corporate Values and Behaviours Framework which sets out the attitudes and behaviours expected from staff. The four corporate values are Collaborate, Innovate, Brave and Integrity</li> <li>• Procurement processes are currently being reviewed to be made more robust to ensure high quality suppliers are selected and value for money is obtained.</li> <li>• The Member Development Group maintains a programme for Member training and development and the Council has secured the Charter for Member Development, managed by South East Employers. Re-accreditation was achieved in March 2020. Furthermore, specific training has been provided by South East Employers to the Overview and Scrutiny Committee on effective scrutiny.</li> <li>• Training has been provided to the Corporate Governance, Audit and Standards (CGAS) Committee to strengthen their focus. In addition to this an independent member has been appointed with an audit background to provide further support to the Committee and scrutiny of the Council's governance arrangements.</li> <li>• Member training is provided for Members to support them in their roles, and they are encouraged to attend training including on Equality, Diversity and inclusion.</li> <li>• A Champion for Equality and Diversity has been appointed for Cabinet and Equality &amp; Diversity Action Plan has been put in place as an outcome from the peer review work.</li> </ul>
Respecting The rule of law	<ul style="list-style-type: none"> <li>• The Constitution sets out responsibilities within the Council. This is maintained by the Corporate Manager – Democracy together with the Governance Group, to ensure that the Council's legal requirements are met, and the provisions are up to date. The last major review of the Constitution was carried out in 2019/20, and since then the Constitution has been updated on a regular basis as documents are reviewed and kept up to date. The Corporate Manager – Democracy maintains a schedule of updates made to the Constitution. During 2022/23 a Constitution Working Group considered a number of proposals for change to ensure that the Constitution continues to facilitate council business. On the recommendation of the CGAS Committee, the Council approved these changes and the adoption of a revised and updated Constitution in February 2023.</li> <li>• The Council has appointed the following officers as required: <ul style="list-style-type: none"> <li>- The Head of Paid Service (Chief Executive) – Overall accountability for the governance arrangements operating within the Council</li> <li>- The Monitoring Officer – Ensures decisions taken are within the law and the Council complies with the provisions of its Constitution.</li> <li>- The Chief Financial Officer – Principal finance adviser to the Council and is responsible for the proper administration of the Council's financial affairs and financial control environment.</li> </ul> </li> <li>• The Council's in-house legal service identifies and advises the Council on key elements of the law and their application. External legal advice is sought where necessary, for example, on specialist areas of law and high value matters.</li> </ul>

	<ul style="list-style-type: none"> <li>• The Council has commenced a programme to ensure compliance with all the mandatory publication requirements of the Local Government Transparency code. The Corporate Management Team own the elements of the code which are specific to their services while the Corporate Governance group have oversight.</li> <li>• The Corporate Health and Safety team collate breaches and liaise with appropriate partner organisations and authorities e.g. HSE</li> <li>• The Council is compliant with the governments Public Services Network (PSN) and the Council is working towards completing the implementation of a Cyber Security treatment plan in line with the 10 steps guidance from the National Cyber Security Centre (NCSC), with work to enhance ransomware defences, backup solutions, cloud delivery, identity management, business continuity and incident management for cyber security.</li> <li>• The Council has in place a specific Data Protection Officer and breaches are reported to the Information Commissioners Office (ICO) as appropriate.</li> </ul>
--	--

## PRINCIPLE B

### Ensuring openness and comprehensive stakeholder engagement

Sub principle	Demonstrated by;
Openness	<ul style="list-style-type: none"> <li>• The Council's policies and governance framework are published on the Council's website – this includes: <ul style="list-style-type: none"> <li>– The Constitution</li> <li>– Agenda and reports for all meetings within the Council's decision-making framework</li> <li>– Cabinet work programme</li> <li>– Annual budget</li> <li>– Pay Policy and Gender Pay Gap Statements</li> <li>– Record of Executive Decisions</li> <li>– Information required under the Transparency Code</li> <li>– Annual Statement of Accounts</li> </ul> </li> <li>• The Council's 3-year business plan is published on the council's website along with the monitoring of the actions towards the plan.</li> <li>• The Council regularly carry out consultations on major policy initiatives which is conducted in an open way with all consultations available on the Council's website.</li> <li>• Equality position statement reinforces how we will publish information to demonstrate compliance with the equality duty.</li> <li>• The Council has an up-to-date Freedom of Information Act 2000 publication scheme in place on its website with links to information and guidance for stakeholders</li> <li>• During 2022/23 the Council published 4 Arena magazines, to inform the community of the work and services carried out by the Council. However, due to the Council providing more of a digital offering in response to local appetite this will be reduced to 2 magazines being produced in the next financial year.</li> <li>• Contracts are managed with a partnership approach and decisions are made in an open and transparent way, including open book accounting processes.</li> </ul>
Engaging comprehensively with institutional stakeholders	<ul style="list-style-type: none"> <li>• The Council engages with institutional stakeholders on key aspects, for example the Council engaged with the Citizens Advice (CA) who produced a report on the cost of living in Rushmoor.</li> <li>• The Council regularly engages with other public services to a line our outcomes.</li> <li>• Regular informal consultation is undertaken with representatives of all public sector partners that have a presence or footprint within the Borough's area.</li> <li>• A statement of community involvement is published on the Council's website.</li> <li>• Formal and informal consultation is carried out with Members through a range of working groups.</li> <li>• As part of delivering regeneration projects and better use of assets there are regular interactions with organisations such as Homes England, Hampshire County Council, Enterprise M3 LEP, Defence Estates and major local landowners and appropriate services within the Council.</li> <li>• The Council adopted the Local Plan 2014-2032 on the 21 February 2019, which involved participation from numerous stakeholders. Details are published on the Council's website.</li> <li>• Local Enterprise Partnership (LEP) (Enterprise M3) – The Council has established good relationships and partnership arrangements as part of the involvement with the LEP.</li> <li>• A relationship management approach and system is in place. We now have an audit trail on contacts and have increased our levels of engagement through visits, meetings and working through partners. As part of the development of the Strategic Economic Framework strategic engagement to inform the framework was completed.</li> <li>• The Council supports the Prospect Estate Big Local (PEBL)</li> <li>• Re-negotiation of contracts based on open-book reviews for example on the Council's waste contract, which has regular involvement from the Portfolio Holder, the Cabinet and other elected members.</li> </ul>

Engaging with individual citizens and service users effectively	<ul style="list-style-type: none"> <li>• The Council has invested in a range of traditional, digital, and social media channels to enable regular contact, engagement, and consultation with its key stakeholder groups, including customer feedback surveys, workshops, consultation items on the Council's website and regular citizen consultation on both Borough-wide and place specific issues. There has been extensive consultation for the regeneration function including direct mailshots, public exhibitions, group meetings and presentations.</li> <li>• The new Council's website has been launched, which was informed by resident engagement and feedback on the old website.</li> <li>• We have effective arrangements in place to communicate and consult with relevant key stakeholders where appropriate and to fully consider/ use their feedback and/or complaints to help inform decisions. Furthermore, following a Peer Review the Council has established a process for undertaking regular citizen consultation on both Borough-wide and place specific issues.</li> <li>• The Council has actively engaged with the local community in the development of major regeneration projects across Aldershot (Union Yard) and Farnborough (Civic Quarter) via the Rushmoor Development Partnership through digital channels and drop-in sessions as part of the planning pre-application process.</li> <li>• Working with Ukrainian refugees who have arrived in the Borough since March 2022 to shape the offer of the Council to support the Homes for Ukraine scheme.</li> <li>• Business engagement – the council seeks to engage directly with local businesses to ensure that there is an understanding of local business needs. Underpinned by the aims and objectives of the council's Strategic Economic Framework, this engagement includes bi-annual business surveys, quarterly business forums with businesses and membership of/ regular engagement with, business representative organisations such as the Federation of Small Businesses and Hampshire Chambers of Commerce. A monthly business newsletter has also been developed to engage with local businesses and to provide a consultation mechanism.</li> <li>• Through the development of the Rushmoor Cultural Strategy and in its enabling role in seeking to increase arts and cultural engagement in Rushmoor, the council also engages with arts organisations, creative practitioners and artists directly. This has included consultation on the Rushmoor Cultural Strategy itself.</li> <li>• The Council has facilitated a cost-of-living workshop with key partners to understand the level of impact on residents, and identify where we can support and collectively make the biggest difference.</li> <li>• The Community &amp; Partnerships team have visited several warm hubs and food banks across the borough to talk to local people and organisers and see where can provide further support. In addition, we have shared cost of living information/where to get help on the website and provided leaflets and other information at local GP surgeries, libraries, and job centres.</li> <li>• The Cost of living continues to be a regular agenda item for the Supporting Communities working group</li> <li>• On 26th October 2021, a news article was published inviting residents to shape the future of Southwood Country Park starting a public consultation on the proposed refurbishments running until 12th November and further information was provided on the Rushmoor website alongside an online survey. There were also two drop-in sessions where residents could find out more about the proposals and chat to the team about the project. Finally, there have been regular updates on progress provided in the quarterly Arena publications and via online social media.</li> <li>• In May 22, local families were invited to vote for their preferred playground design and provide input to a Southwood Country Park playground online survey. The results were used to determine the final design and planning submission.</li> <li>• Examples of consultation exercises carried out during 2022/23 included: <ul style="list-style-type: none"> <li>- Community Safety Survey 2023</li> <li>- Living in Rushmoor – Tell us what you think (2022 resident survey)</li> <li>- Housing and Homelessness Prevention Strategy 2022-2027</li> <li>- Redan Hill Gardens playground</li> </ul> </li> <li>• A scheme is in place within the Council's Constitution to have public participation at Member meeting. Therefore, meetings of the Council and its Committees are open to members of the public to attend, with agendas and minutes being publicly available on the Council's website.</li> <li>• Principle Committee meetings are webcasted to engage with stakeholders via different mediums. Full Council is the only meeting which is not webcasted.</li> </ul>
---	---

### PRINCIPLE C

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

Sub principle	Demonstrated by;
Defining outcomes	<ul style="list-style-type: none"> <li>• The Council's plan has been developed with a 10 year 'vision' and a 3-year rolling business plan with objectives to assist with the achievement of the vision. The plan is shown on the council's website along with the monitoring of the actions towards the plan, which is updated and published on a quarterly basis. The results of the Residents Survey 2021 were considered as part of the 'evidence base' for the Council Plan 2022-25. A Regeneration &amp; Major Projects Programme is established and aligns to the Council Plan.</li> </ul>



	<ul style="list-style-type: none"> <li>• The Council plan draws upon key strategic documents which underpin the Council's work. The key strategies and plans are monitored, and performance reported to Cabinet on a half yearly basis. The key strategies and plans include: <ul style="list-style-type: none"> <li>- Climate change action plan 2020-2030</li> <li>- Supporting communities strategy and action plan</li> <li>- Equality, diversity and inclusion action plan</li> <li>- The local plan</li> <li>- Strategic economic framework</li> <li>- Joint municipal waste strategy</li> <li>- Procurement strategy</li> <li>- The People Strategy</li> <li>- Green infrastructure strategy</li> <li>- Farnborough Town Centre strategy</li> </ul> </li> <li>• Strategies and plans currently in development include: <ul style="list-style-type: none"> <li>- Aldershot Town Centre Strategy</li> <li>- Communications and Engagement strategy</li> <li>- Customer, Digital &amp; Technology strategy</li> <li>- Car Parking Strategy</li> <li>- Cultural Strategy</li> <li>- Housing and Homelessness Strategy</li> <li>- UK Shared Prosperity Fund Investment Plan</li> </ul> </li> <li>• To realise the delivery of the Council's priorities in line with the Council Plan the Council has developed a People Strategy which encourages the development of all our staff, ensuring that people are developed to realise their potential, that people are engaged and feel valued and supported, as well as the Council being an employer of choice. Underpinning these four themes are a number of outcomes which in turn leads to actions. These actions are reviewed and discussed every sixth months with the Transformation, Task and Finish Group. An example of these actions includes the development and launch of the Council's Values and Behaviours, a Service Manager Leadership Programme, supporting 13 apprentices to gain qualifications, encouraging regular feedback with the Engage 24/7 survey, launching a Menopause Framework for staff and encouraging more flexible working arrangements for staff as well as holding a Staff Showcase.</li> <li>• Following comprehensive resident and stakeholder consultation, the Council developed its priorities and measures of success with Members in a range of ways including discussions with individual portfolio holders, the Cabinet and the Policy and Project Advisory Board.</li> <li>• The Cost Reduction &amp; Efficiency Programme (CREP) was initiated to review significant expenditure across the Council's services with a view to making savings. It has since been subsumed by the Savings &amp; Transformation Programme (STP) and more recently the Outcomes Based Budgeting (OBB) approach was adopted to support the STP. A funding gap was identified, and to ensure a balanced budget for this financial year and the next an Outcomes Based Budgeting (OBB) approach was adopted. This was taken within a larger context of the Council's business plan. A governance framework to monitor the savings along with the Council's regular spend forecasts has been put into place and report regularly to the Corporate Management Team. In addition, section reporting on a risk-based approach will be included in the quarterly financial monitoring report to Cabinet.</li> <li>• Option appraisals are undertaken for all key decisions and are a standard part of the operations.</li> <li>• Governance arrangements have been clearly set out for Rushmoor Homes Limited (RHL). There is proper management of Board reporting and relationship with Council.</li> <li>• Service business plans are maintained and linked to the corporate plan to define the key areas for the service to deliver on within the year.</li> </ul>
Sustainable economic, social and environmental benefits	<ul style="list-style-type: none"> <li>• A template is in place for the Council's reports to Cabinet which require the consideration of business, Strategic, Economic, Legal, Financial and Equalities impact of the decisions being made and how decisions are to be made. All reports requiring executive decisions (except those exempt) are accessible via the Council's website. (Records of Executive Decisions)</li> <li>• A PESTLE analysis was carried out in order to contribute to the 10-year Council vision and rolling 3-year plan. This looks at how external moves will impact on the Council's plans and objectives. The Council's Policy and Performance team monitors place and organisational data to support the work.</li> <li>• Service and Project risk registers are regularly updated. Where necessary service level risks are submitted for inclusion on the Corporate Risk Register. Discussion of the corporate risks, including new risks identified are discussed quarterly at CMT. Services update their risk registers monthly via the central record for risk registers.</li> <li>• The Council has adopted and implemented the Local Plan 2014-2032 (adopted 21 February 2019). Details are published on the Council's website. Consultation was undertaken, and a proactive role was undertaken to engage as many residents and stakeholders as possible. Feedback from the consultation informed the submission of the Local Plan. Social, environmental and economic evidence was obtained to inform the development of the Local plan. The Local Plan is the basis together with the National Planning Policy Framework and associated guidance of all development decisions and therefore all decisions are informed by the consultation and evidence at a strategic level and assessed as to how they meet these requirements based on the specific application.</li> <li>• In November 2020, members of the council's Cabinet approved the council's Climate Change Action Plan 2020-2030. There are more than 90 actions in the plan, which will be updated in</li> </ul>

	<p>2023 and includes plans to increase recycling and reduce waste, including by introducing a weekly food waste collection service in 2021/22, ahead of the anticipated national introduction.</p> <ul style="list-style-type: none"> <li>• To look at how we make sure Aldershot and Farnborough town centre regeneration schemes include measures like energy efficient buildings, energy generation, and green transport</li> <li>• To involve local people in our efforts, including through things like community gardens and helping people get more involved in their local neighbourhoods</li> <li>• To make our own buildings more energy efficient, moving to green energy where possible, and to look at how our staff can work differently to reduce our impact on the environment</li> <li>• Rushmoor Development Partnership</li> </ul> <p>Through its business plan and site development plans the economic, social and environmental benefits of regeneration are quantified including:</p> <ul style="list-style-type: none"> <li>• Placemaking – ensuring the that the developments proposed provide enhancements to the vitality of the local community and the physical environs.</li> <li>• Sustainability – with the Climate Emergency declared by the Council the redevelopment of Farnborough town centre has been identified as offering the opportunity to display an exemplar approach to design, transportation and community facilities.</li> <li>• Financial returns – developments are viable and deliverable while still achieving community support for transforming the town centres.</li> <li>• Utilising external expertise – a partnership approach is taken to development making the most of the attributes of the respective partners in terms of risk, knowledge management, data assessment and communications. In addition, external advice has been sought to bolster officer capacity and expertise in deciding upon the best routes to deliver regeneration in terms of value for money.</li> </ul>
--	---

### PRINCIPLE D

**Determining the interventions necessary to optimise the achievement of the intended outcomes**

Sub principle	Demonstrated by;
Determining interventions	<ul style="list-style-type: none"> <li>• Arrangements are in place to ensure all options are considered before decisions are taken and service changes implemented. External / independent expertise is often used if the decision is of a complex technical nature. An example of this being the use of external experts for the Council's Union Yard Regeneration Project.</li> <li>• The Overview &amp; Scrutiny Committee considers the effective delivery of Council priorities and recommends interventions and remedies as appropriate.</li> <li>• Consideration of alternative courses of action for all decision making is undertaken.</li> <li>• The Corporate Governance Group consider legal/constitutional issues associated with decision making.</li> </ul>
Planning Interventions	<ul style="list-style-type: none"> <li>• At service level, priorities and objectives are encouraged to be SMART and these are underpinned by plans and, for major projects, there is significant emphasis on effective project management. The Council is investing in additional project management resources to ensure this.</li> <li>• The Corporate Manager -Legal Services and the Principal Solicitors are engaged in wider discussions with client teams on options for resourcing larger legal projects and higher profile actions to ensure these are resourced as efficiently as possible e.g., making use of the EM Lawshare framework discounted rates; considering alternatives to prosecution; considering the terms of a Public Space Protection Order; resourcing and managing external legal support for the regeneration projects.</li> </ul>
Optimising achievement of intended outcomes	<ul style="list-style-type: none"> <li>• Arrangements are in place to monitor operational and financial plans, priorities, KPI's, quality and targets and to report on progress, e.g. quarterly monitoring, budget monitoring.</li> <li>• The Council has several key partnerships with other local authorities and stakeholders in order to optimise the achievement of the Council's corporate plan.</li> <li>• The Council has in place more significant arrangements for project development, both internally and through the Member decision making structure. This has been achieved through the revised Member structure to include the following: <ul style="list-style-type: none"> <li>- Corporate Governance, Audit and Standards (CGAS) Committee, with specific roles to ensure effective governance</li> <li>- The Property Investment Advisory Group (PIAG) provides early consideration of projects prior to submission to the Cabinet. This group is supported by LSHIM who provide market-based assessments of acquisition, disposal, and asset performance.</li> <li>- The Overview and Scrutiny Committee is undertaking both pre- and post-decision scrutiny on a range of issues and projects. Examples of work undertaken by the Committee during 22/23 include: <ul style="list-style-type: none"> <li>• Oversight of the economic and environmental impact of Farnborough Airport</li> <li>• An understanding of the condition of property in the Borough in relation to damp and mould and its impact on local living conditions</li> <li>• An in-depth analysis of the impact of the "cost of living crisis" on local residents</li> <li>• Scrutiny of the Council's performance in managing its own property and assets</li> <li>• Oversight of the Council's plan for the provision and maintenance of playgrounds and play equipment within the Borough</li> <li>• An analysis and understanding of customer contact to the Council and how this has changed post pandemic</li> </ul> </li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>- The Regeneration and Major Projects Programme Board provides the oversight and key input into the delivery of projects and meets 6-weekly. Each project within the defined programme has an established resource structure across a number of disciplines within the Council to ensure the right course of action is taken.</li> <li>- The Rushmoor Development Partnership Board meets bi-monthly (every two months) to provide oversight and scrutiny of the projects being taken forward by the Joint Venture. The partnership is well governed by a partnership agreement, project plans and a decision-making structure culminating in a board made up of 50:50 public: private directors with reports to the Executive Director that are taken to Cabinet/Full Council as required.</li> </ul>
--	---

### PRINCIPLE E

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

Sub principle	Demonstrated by;
Developing the entity's capacity	<ul style="list-style-type: none"> <li>• The Council, where possible, collaborates with other authorities to share information and best practice and third parties, e.g. Hampshire &amp; Isle of Wight Chief Executive group and subsequent groups.</li> <li>• CMT actively carry out reviews of their services and plans during the year.</li> <li>• The Council regularly makes use of 'benchmarking' exercises and other research to support corporate priorities and work.</li> <li>• The property and regeneration service has historically been reliant on consultants for support on specific projects and to fill vacancies on an interim basis. A new structure has been approved in order to strengthen the Council's capacity and resilience by developing internal employees and create more of a succession pipeline to assist recruitment and retention.</li> <li>• The People strategy includes four themes which encourages the development of Council staff, ensuring that people are developed to realise their potential, that people are engaged and feel valued and supported, as well as the Council being an employer of choice.</li> <li>• The Council engages external consultants when additional resources or specialist resources are required to ensure the effective delivery of its services or projects.</li> <li>• The Council regularly supports the attendance of both executive and non-executive councillors at the LGA leadership essential courses and weekender events across a number of topic areas including finance, climate change and equalities.</li> </ul>
Developing the capability of entity's leadership and other individuals	<ul style="list-style-type: none"> <li>• Arrangements are in place to ensure staff have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and are able to update their knowledge on a continuing basis e.g., CPD through attendance at seminars/conferences, mandatory training courses via the Council's E-learning modules etc.</li> <li>• Development reviews are carried out annually. Within these reviews, training needs are identified and communicated to HR in order to ensure individuals are provided with the training they require for their role and identify any Council wide training which may be required.</li> <li>• The Council has engaged in 'learning at work week' encouraging all staff to participate.</li> <li>• The Council has adopted a Corporate Values and Behaviours Framework, which sets out the attitudes and behaviours expected from staff. The four corporate values are Collaborate, Innovate, Brave and Integrity.</li> <li>• The Council is providing leadership programmes and apprenticeship leadership programmes to support the continued professional development of staff. The Service Manager Leadership programme together with the senior team 360's, 121 coaching and development day are examples of leadership development, knowledge sharing whilst also strengthening collaboration. The annual development reviews and regular one to ones enable the Council to identify development and succession planning opportunities. The Council actively encourages the recruitment of apprentices and as well as promoting apprenticeship programmes to managers and staff. The Council is supporting 13 members of staff to gain apprenticeship qualifications.</li> <li>• Due to the Council working more commercially across services and the regeneration programme and other capital projects a wider range of skills was required which impacted on the required need from senior leaders and service managers. Therefore, the senior leadership team was reviewed. The Executive Leadership Team (ELT) was broadened to provide a renewed focus on the Council's priorities at an Executive level and the Corporate Management Team (CMT) was broadened to include existing managers to contribute to the leadership of the organisation and improve the diversity of input to corporate decision making.</li> <li>• The Council has introduced an Employee Assistance Programme to support health and wellbeing. Training courses are also offered for example a recent mental health awareness course through the Council's Occupational Health provider. Wellbeing weeks have also been introduced encouraging staff to participate, which have included a lunch time walk, a Menopause seminar and a choir session.</li> <li>• Yammer has been introduced to encourage staff communication, promote Council initiatives, knowledge sharing and staff activities and information.</li> <li>• The Council's constitution defines the statutory and distinctive roles of the Leader and other Councillors and sets out to whom decision making powers are delegated.</li> <li>• The Member Development Group maintains a programme for Member training and development and the Council has secured the Charter for Member Development, managed by South East Employers. Re-accreditation was achieved in March 2020. Furthermore, specific training has</li> </ul>

been provided by South East Employers to the Overview and Scrutiny Committee on effective scrutiny.

- The Council has a Corporate Governance, Audit & Standards Committee to provide a focus on all matters around corporate governance. The Committee has an independent member to assist with their roles and responsibilities as Members of CGAS.
- The Council subscribes to relevant professional bodies e.g., CIPFA publications

### PRINCIPLE F

**Managing risks and performance through robust internal control and strong public financial management**

Sub principle	Demonstrated by;
Managing risk	<ul style="list-style-type: none"> <li>• The Risk management policy has been embedded over 2021/22 and 2022/23. Work will continue to ensure the risk management process is further embedded within the Council. Cabinet receives quarterly reports covering both performance and risk. Heads of Service update their relevant service risk registers monthly and record these on a central database. Any service risks which are appropriate for the corporate risk register are escalated to the Corporate Management Team (CMT) for further review and consideration. Bi-monthly the risk registers are reviewed by CMT.</li> <li>• Where risks materialise the risk register is updated or processes to respond to the risk are updated following lessons learnt.</li> <li>• Furthermore, risks are more specifically considered within activities and decision-making reports taken to Cabinet.</li> <li>• The Council takes into account risks that could impact on the Medium-Term Financial Strategy, using scenario planning to understand potential impacts. The Council maintains a General Fund balance to £2m, together with a number of reserves to manage financial risk.</li> <li>• Service and Project risk registers are managed and updated regularly. Risk registers for all major capital projects are presented as part of the Regeneration, Property and Major Works Board.</li> <li>• Internal Audit provides a risk-based audit plan and reports on the effectiveness of risk management to the Corporate Governance, Audit and Standards (CGAS) Committee.</li> <li>• In recent years pressure has been placed on the County Council, and some of this pressure has flowed through to Districts. This poses some risks at a social level and within the budgets for the Council.</li> <li>• An exercise was carried out in September 2022 to test the Council's Emergency response plan. The findings found that overall, the exercise was well managed, some recommendations were made to further enhance the response plan. The plan will be updated to reflect the recommendations made. A workshop was also carried out in October 2022 to review the Council's business continuity plan.</li> <li>• IT Disaster Recover business continuity service/ plans have been reviewed and updated – the work was linked to the DLUHC cyber security treatment plan 2021/22 – 2022/23.</li> <li>• A new Cyber Security Stance was presented to the Corporate Management Team (Oct 2021), setting out the threat of cybercrime, the councils technology stance, work plans and mitigations. In addition, all staff attended a specific 'phishing' training and awareness session. IT follows End User Device (EUD) guidance issued by National Cyber Security Centre (NCSC) when implementing security solutions and endpoint operating systems. Council IT infrastructure is audited annually, and results passed to NCSC for review and further guidance on actions to take to maintain compliance (including annual PSN assessment). Recently the Council has been awarded funding from the DLUHC to improve its Cyber Security arrangements. A new cyber security programme has been established and the next steps are to develop the Cyber Incident Response Plan and test it. A recent internal cyber audit was conducted along with a LGA 360 Peer Review. The recommendations of both have recently been received and are being reviewed and adopted where appropriate. Priorities include a review of the Councils supply chain, security policy refresh, further cyber awareness training, cloud strategy development and assessment of the governments new cyber assessment framework.</li> </ul>
Managing Performance	<ul style="list-style-type: none"> <li>• Effective performance, financial and risk management arrangements are an integral part of all business activities, examples include: <ul style="list-style-type: none"> <li>- Option appraisals/ risk assessment</li> <li>- Day to day business / performance / service business planning arrangements/ quarterly reporting</li> <li>- Projects and programme management</li> <li>- Contractual and third-party arrangements (including shared risks)</li> <li>- Business continuity plans are in place, tested and communicated to staff as necessary</li> </ul> </li> <li>• The Council's management ensures day-to-day performance management is normal as part of the culture and through the Council's management teams there is a culture of robust challenge in place for all key decisions.</li> <li>• The creation and publication of the Council's 3-year business plan for 2022-25. The plan is published on the council's website along with the monitoring of the actions.</li> <li>• The Council has in place an Overview and Scrutiny Committee to encourage debate on policies, objectives and outcomes before, during and after decisions are made. They also review the quarterly monitoring of the Council plan.</li> </ul>
Robust internal control	<ul style="list-style-type: none"> <li>• All Rushmoor staff are responsible to some degree in the management of risk and adherence to internal controls in their day-to-day activities, from front line staff to Heads of Service (HoS), Executive Directors and the Chief Executive. Employees consider what might go wrong and take steps to reduce the likelihood or impact if it does by the use of internal controls.</li> </ul>

	<ul style="list-style-type: none"> <li>• Internal Audit provides an annual opinion on the effectiveness of the Council's governance, risk management and internal control environment. This assurance is obtained from involvement with relevant governance, risk management and internal review groups and outcomes from audit reviews carried out within the year. Details of these reviews and the annual opinion are reported to ELT and the CGAS Committee.</li> <li>• The Council, through the Audit and Investigation Team investigate potential fraud, corruption and maladministration and provide effective counter fraud arrangements within the Council.</li> <li>• The Council carries out relevant external compliance checks e.g., Fire, safety checks and Covid 19 measures</li> </ul>
Managing data	<ul style="list-style-type: none"> <li>• Effective arrangements are in place for the safe collection, storage, use and sharing of data with other bodies, including processes to safeguard personal data in line with GDPR requirements.</li> <li>• An information Governance Officer is in place and work is currently underway to update the Council's Information Security policies.</li> <li>• Effective arrangements are in place for the disposal, storage of legacy IT equipment. All hard disk-based systems are erased to HMG Infosec Standard 5 prior to disposal using accredited partners. IT equipment is stored in a locked storeroom when not in use awaiting disposal.</li> <li>• Information governance and data security e-learning modules are mandatory for all staff and Members on how to manage Council data.</li> <li>• Data breach logs are in place to record and enable review of breaches to ensure lessons are learnt and relevant action taken to prevent further breaches.</li> <li>• Data validation is an ongoing process and there are a number of year-end validation processes carried out particularly around the financial systems.</li> </ul> <p>In the past year, a new property system, Concerto, has been implemented, and a data validation exercise has been carried out to ensure that the data within the system is relevant, up to date and correct.</p> <ul style="list-style-type: none"> <li>• The Finance Manager (deputy S151 officer) is member of Information Governance Group and the Council's SIRO</li> </ul>
Strong public financial management	<ul style="list-style-type: none"> <li>• There are effective mechanisms in place for financial planning, budgetary control and reporting, including the management of financial risk.</li> <li>• External Audit review and report on the Council's financial statements providing an opinion on the accounts.</li> <li>• The Council is developing its programme to ensure compliance with the CIPFA Financial Management Code.</li> </ul>

**PRINCIPLE G**  
**Implementing good practices in transparency, reporting, and audit to deliver effective accountability**

Sub principle	Demonstrated by;
Assurance and effective accountability	<ul style="list-style-type: none"> <li>• The terms of reference and working arrangements of the CGAS Committee focus on ensuring transparency and effective audit of processes. Furthermore, an independent member has been appointed with specialist skills in audit to assist with the CGAS Committee.</li> <li>• There are arrangements in place for ensuring all agreed actions from peer reviews, internal audit, external audit, or other inspectorate work are implemented by Management. Work continues towards implement the actions from the peer review.</li> <li>• Risk based internal auditing provides ongoing assurance that the key risks are being managed.</li> <li>• A review and subsequent update of the Constitution has recently been carried out and reported to Council for adoption.</li> </ul>

### How has the Council Addressed the governance improvements actions from 2021/22?

The Annual Governance Statement 2021/22 contained the following key improvement actions. Details of the issues and how they have been addressed during the year are detailed below. Please note that where actions are ongoing these have been carried forward into the 2023/24 Action plan.

Governance issue	Action	Current Status
Compliance with the CIPFA Financial Management Code	The Executive Head of Finance will undertake an assessment of the Council's compliance with the CIPFA Financial Management Code during Q3 2021 and prepare an Action Plan on matters or areas for improvement. These will be included in subsequent reports to the Corporate Governance, Audit and Standards committee as part of the update on the Annual Governance Statement Action Plan	The Deputy S151 undertook a review, the Interim Executive Head of Finance further reviewed as part of Letter of Representation. A continual review of updates is now in place. COMPLETED

External Audit have yet to provide an opinion for the 2019/20 accounts.	The Executive Head of Finance will ensure that the necessary information is provided to the external auditors to enable them to finalise their opinion on the 2019/20 accounts.	The external auditors provided a clean audit opinion in March 2023, the accounts have now been signed. Plans for the audit for 2020/21 starting in June 2023 have been agreed. COMPLETED
Office 365 governance set-up (Information Governance Officer and IT Services Delivery Manager)	The main aim of this to ensure that the Council's data is protected, retained and handled appropriately. When Office365 was implemented across RBC governance policies were not developed and applied which needs rectifying. Currently engaging with Silversands to provision a set of activities for a Data Protection Pilot to help focus on how to control sharing of a sample data set stored in Office365, assisting in the definition of internal policies providing technical advice and design of technical controls to implement agreed policies. In addition to provision a set of activities for an Information Governance Pilot that will help to focus on retention requirements for a sample data set from the pilot department which will assist in the development of a corporate retention policy and to map this policy to technical controls available in Office365. Outcomes of these pilots can then be assessed and applied across the rest of RBC, if agreed.	The work started with Silversands in September 2022 with the pilot going live in March 2023. The pilot focus was on data loss prevention with document labelling as RBC has become a subscriber to LG Inform Plus, and adopted the LG Inform Plus Records Retention schedule. The pilot has just come to an end with the service area (HR and payroll). IG and IT are to have a follow up meeting with Silversands and discuss moving beyond the pilot. There will need to be further wider discussions about how to implement and roll out the document labelling functionality within Office365 council wide. This will need to be planned around other projects that IT will be supporting as there will need to be training delivered on the functionality, possible ongoing support. PROGRESSING
Ensuring comprehensive compliance around cyber security in line with the guidelines provided by the National Cyber Security Centre. (Head of IT)	Enhancing our Cyber security Strategy and formalisation of a cyber security action plan. This is being actioned by the Cyber Security Treatment Plan.	2023 PSN compliance achieved. DLUHC treatment plan, part 2 to be completed by Sept 2023. LGA Peer Review* – complete Internal audit – complete, 'Reasonable Assurance' Members briefings – complete Priorities from cyber security plan 2023/24; • Cyber supply chain review* • Cyber Incident Response Plan* • NCSC Cyber Security Framework – continued implementation • Training & awareness & policy refresh PROGRESSING
Implementing a Capital Strategy to comply with the revised Prudential Code and the Treasury Management Code of Practice (b/f from previous year)	Finalise development of the Asset Management Strategy which supports the approved annual Capital Strategy.	The Asset Management Plan was agreed by Cabinet in March 2023. Further work to ensure we are meeting our requirements under the transparency regulations will be undertaken in 2023/24. COMPLETED
Ensuring compliance with the mandatory elements of the Local Government Transparency Code	Relevant services to carry out the necessary work to ensure that the mandatory elements of the transparency code are appropriately published as required. The Corporate Governance Group will have oversight to ensure that this is implemented	Process for achieving this has now been agreed and will be implemented in 2023/24. This will include monitoring and reporting on compliance with the Transparency Code. PROGRESSING

### Governance issues identified for 2022/23

The review of the effectiveness of the Council's governance framework has identified the following actions that will need to be addressed during 2023/24, excluding the actions carried forward from 2022/23 as detailed above. The progress against these actions will be reviewed by the Corporate Governance Group and regularly reported to the Corporate Governance, Audit and Standards Committee.

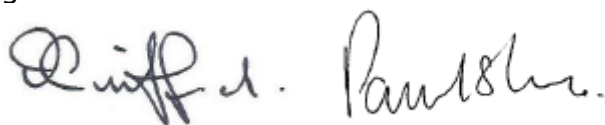


Governance issue	Action	Target Date	Lead Officer
External Audit have yet to provide an opinion for the 2020/21 or 2021/22 accounts.	The Interim Executive Head of Finance will ensure that the necessary information is provided to the external auditors to enable them to finalise their opinion for the 2020/21 and 2021/22 accounts.	2020/21 – To be finalised by the end of the financial year 2021/22 – preparation work to be underway this financial year.	Simon Little, Interim Executive Head of Finance and S151 Officer
Lack of robustness for the response to FOI requests resulting in the ICO judging against the Council due to lack of prompt response rather than the actual decision made not to provide certain information.	Check if automated processes can be introduced and alerts to Service Managers/Heads of Service to avoid missing statutory deadlines. Review the current system for logging FOIs and check whether it can be more robust (assuming no additional budget for 2023/2024)	Oct 23	Sophie Thorp, Corporate Manager – Legal Services
Ensure appropriate documentation is held within the Council for surveillance work.	Liaise with Service Managers and Heads of Service to ensure compliance with Regulation of Investigatory Powers Act (RIPA) or non-RIPA surveillance activities, carried out across the Council. Check documentation is correctly filled out and submitted by Service Teams to RIPA Coordinator (within Legal), as required by legislation.	Sep 23	Sophie Thorp, Corporate Manager – Legal Services
Ensure that all mandatory and statutory training for Elected Members and all staff is undertaken in a timely manner and regularly reviewed to ensure that it is maintained and up to date	Elected Member induction training programmes will be provided during the first year of a new Member's office to ensure all basic induction training is undertaken and specific training is tailored according to the Members designated roles and identified needs. Established Members needs will be assessed will be reviewed and provided as required. Staff annual mandatory training will be facilitated by the People Team who will record completion rates and report to CMT. Any further compliance actions required will be the responsibility of CMT members to address.	From election in May 23 and by 30 <sup>th</sup> Sept 23 Ongoing Individuals will complete training no later than annually from their start of service regular reporting to CMT will commence from June 23 onwards.	Corporate Manager – Democracy Corporate Manager – Democracy, in liaison with Member Development Group and Corporate Governance Group Enabled by Corporate Manager, People and performance managed and overseen by CMT

## Certification

To the best of our knowledge, the governance arrangements, as defined above and within the Council's Code of Corporate Governance, have been effectively operating during the year with the exception of those areas highlighted on page 29 above. We propose over the coming year to take steps to address the above matters identified above to further enhance our Governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation during the year and as part of our next annual review.

Signed:



**David Clifford**  
Leader of the Council

**Paul Shackley**  
Chief Executive

Date: June 2023

## Glossary

### Accounting Period

The period of time covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

### Accounting Policies

The specific principles, bases, conventions, rules and practices applied by the Council in preparing and presenting financial statements.

### Accruals

Sums included in the financial statements to recognise income or expenditure earned or incurred in the financial year, but for which actual payment had not been received or made as at 31 March.

### Accrued Interest

Interest accumulated but not yet received or paid.

### Actuarial

The appraisal of economic and demographic factors in order to estimate future pension liabilities.

### Actuarial Gains and Losses

For a defined benefit pension scheme, the changes in actuarial surpluses or deficits that arise because:

- Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- The actuarial assumptions have changed

### Agency Services

Services which are performed by or for other councils or bodies, where the council/body responsible for the service reimburses the council carrying out the work for the costs incurred.

### Amortisation

The apportionment (charging or writing off) of the cost of an intangible asset as an operational cost over the asset's estimated useful life.

### Amortised Cost

The amount at which a financial asset or financial liability is measured at initial recognition, less principal repayments and plus or minus any unamortised original premium or discount.

### Asset

An item having value to the Council in monetary terms. Assets are categorised as either current or non-current

- A current asset will be consumed or cease to have material value within the next financial year (e.g. cash);
- A non-current asset provides benefits to the Council and to the services it provides for a period of more than one year and may be tangible e.g. the Civic Centre, or intangible, e.g. computer software licence.

### Audit of Accounts

An independent examination of the Council's financial affairs.

### Authority/Local Authority

A Local Authority is an administrative body in local government, also referred to in the Statement of Accounts as a Council.

### Balance Sheet

A statement of the recorded assets, liabilities and other balances at the end of the accounting period.



**Billing Authority**

A local authority responsible for collecting the council tax and non-domestic rates in areas where there is a two-tier system of county and district councils.

**Borrowing**

Using cash provided by another party to pay for expenditure, on the basis of an agreement to repay the cash at a future point, usually incurring additional interest charges over and above the original amount.

**Budget**

The forecast of net revenue and capital expenditure over the accounting period.

**Capital Expenditure**

Expenditure on the acquisition of a fixed asset, which will be used in providing services beyond the current accounting period, or expenditure which adds to and not merely maintains the value of an existing fixed asset.

**Capital Financing**

Funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue contributions, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

**Capital Grants**

Grants received towards capital expenditure.

**Capital Programme**

The capital schemes the Council intends to carry out over a specific period of time.

**Capital Receipt**

The proceeds from the disposal of land or other fixed assets. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the government but they cannot be used to finance revenue expenditure.

**Collection Fund**

A separate fund that records the income and expenditure relating to Council Tax and non-domestic rates.

**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.

**Componentisation**

Component parts of a major asset may not have the same useful lives (i.e. they wear out or depreciate at different rates); therefore those components with a value that is significant in relation to the total value of the asset shall be depreciated separately. The purpose is to ensure that the depreciation charged in the Income & Expenditure Statement properly reflects the consumption of economic benefit.

**Comprehensive Income and Expenditure Statement (CIES)**

The account of the Council that reports the net cost for the year of the functions for which it is responsible and demonstrates how that cost has been financed from precepts, grants and other income.

**Consistency**

The concept that the accounting treatment of like items within an accounting period and from one period to the next are the same.

**Contingent Asset**

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control.

**Contingent Liability**

A contingent liability is either:

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control; or
- A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

**Corporate and Democratic Core**

The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The costs of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is, therefore, no logical basis for apportioning these costs to services.

**Council Tax**

A local tax on domestic property set by local authorities in order to meet their budget requirement.

**Council Tax Base**

The total number of properties within the local authority area expressed in terms of band D equivalents, incorporating discounts, deductions and exemptions.

**CIPFA**

The Chartered Institute of Public Finance and Accountancy.

**Current Assets**

Assets which may change in value on a day-to-day basis

**Current Service Cost (Pensions)**

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

**Defined Benefit Pension Scheme**

Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

**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 all physical deterioration and all relevant forms of obsolescence. It is used for specialist assets where no market exists.

**Depreciation**

The measure of the cost of wearing out, consumption or other reduction in the useful economic life of the Council's fixed assets during the accounting period, whether from use, the passage of time or obsolescence through technical or other changes.

**Direct Revenue Contributions**

Capital expenditure funded from revenue budgets. Also known as Revenue Contributions to Capital Outlay (RCCO).

**Discretionary Benefits (pensions)**

Retirement benefits, which the employer has no legal, contractual or constructive obligation to award and are awarded under the Council's discretionary powers such as the Local Government (Discretionary Payments) Regulations 1996.

**Doubtful Debt (also known as bad debt)**

A debt that the Council may not be able to recover. A provision is made in the accounts for doubtful debts each year based on the value and age of debts outstanding.

**Earmarked Reserves**

Reserves which are held by a Council for specified purposes.

**Events after the Balance Sheet date**

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

**Exceptional Items**

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

**Existing use Value (EUV)**

The amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction in its existing use; it is used for most PPE assets with a variation required for council dwellings.

**Expected Return on Pension Assets**

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

**Fair Value**

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction.

**Finance Lease**

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

**Financial Asset**

Any asset that is cash, a contractual right to receive cash or another financial asset from another party, or an equity instrument issued by another party, examples include bank deposits, bonds and stocks.

**Financial Instrument**

A financial asset that is tradable, for example, bank deposits and investments.

**Financial Liability**

An obligation to deliver cash or another financial asset.

**Funded Benefits**

The funded benefits are those payable by the Fund in accordance with The Local Government Pension Scheme Regulations 2013 (as amended and The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)

**General Fund**

The main revenue fund from which the Cost of Services is met.

**Going Concern**

The concept that the Statement of Accounts is prepared on the assumption that the Council will continue in operational existence for the foreseeable future.

**Government Grants**

Grants made by the government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Council. These grants may be specific to a particular scheme or may support the revenue spend of the Council in general.

**Held for Sale**

Asset held for sale are those assets where it is probable that the carrying value will be recovered principally through a sale transaction rather than through continuing use.

**Heritage Assets**

Assets that are held and maintained by an entity principally for their contribution to knowledge and culture. The key feature of heritage assets is that they have cultural, environmental or historical associations that make their preservation for future generations important.

**Highest & Best Use**

The highest and best use of the asset provides the maximum value to market participants through its use, taking into account the use of the asset that is physically possible, legally permissible and financially feasible.

**Historic Cost**

The amount originally paid for a fixed asset.

**Housing Capital Receipts Pool**

A proportion of receipts relating to housing disposal is payable to the Government in accordance with statutory requirements. This is known as housing capital receipts pooling.

**Housing Revenue Account (HRA)**

A separate account to the General Fund, which includes the income and expenditure arising from the provision of housing accommodation by the Council.

**IFRS**

International Financial Reporting Standards (IFRS) a global language for business affairs so that accounts are understandable and comparable across international boundaries.

**Impairment**

A reduction in the value of a fixed asset to below its recoverable amount, the higher of the asset's fair value less costs to sell and its value in use.

**Infrastructure Assets**

Fixed assets belonging to the Council that cannot be transferred or sold, on which expenditure is only recoverable by the continued use of the asset created. Examples are footpaths and coast protection defences.

**Intangible Assets**

An intangible (non-physical) item may be defined as an asset when access to the future economic benefits it represents is controlled by the reporting entity. This Council's intangible assets comprise computer software licences.

**Interest Cost (Pensions)**

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

**Investment Property**

Interests in land and/or buildings which are held solely to earn rentals or for capital appreciation or both. Investment Properties are valued at highest and best use and must be revalued every year.

**Investments (Pension Fund)**

The investments of the Pension Fund will be accounted for in the statements of that fund. However, authorities are also required to disclose, as part of the disclosure requirements relating to retirement benefits, the attributable share of the pension scheme assets associated with their underlying obligations.

**Joint Ventures**

An entity established with contractual or binding arrangements whereby two or more parties are committed to undertake an activity that is subject to their joint control, with strategic, financial and operating decisions relating to the activity requiring the unanimous consent of the parties sharing the control.

**Lease**

A contract for the hire of a specific asset. The lessor owns the asset but conveys the right to use the asset to the lessee for an agreed period of time in return for the payment of specified rentals. Leases may be either operating leases or finance leases.

**Liability**

A liability is where the Council owes payment to an individual or another organisation.

- A current liability is an amount which will become payable or could be called in within the next accounting period, e.g. creditors or cash overdrawn.
- A deferred liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

**Liquid Investment**

Current asset investments that are readily disposable by the Council without disrupting its business and are either:

- Readily convertible to known amounts of cash at or close to the carrying amount; or
- Traded in an active market.

**Major Repairs Reserve**

All local housing authorities are required to operate this reserve which is used to fund either capital expenditure relating to HRA dwellings or the repayment of housing debt.

**Market Participants**

Buyers and sellers in the principal (or most advantageous) market for an asset or liability. The principal market is that with the greatest volume and level of activity, whilst the most advantageous is the market that maximises the amount that would be received to sell the asset or paid to transfer the liability after taking into account transport and transaction cost.

**Market Value**

The amount at which a property would be exchanged between knowledgeable and willing parties in an arm's-length transaction.

**Materiality**

The concept that the Statement of Accounts should include all amounts which, if omitted, or misstated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

**MHCLG**

Ministry of Housing, Communities and Local Government, the main Government department dealing with local government, housing and community issues.

**Minimum Revenue Provision (MRP)**

The minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Council.

**Net Book Value**

The amount at which fixed assets are included in the Balance Sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation.

**Non-Domestic Rates (NDR)**

The Non-Domestic Rate is a levy on businesses, based on a national rate in the pound set by central government and multiplied by the assessed rateable value of the premises they occupy. In England it is collected by the Council on behalf of itself, central government and major preceptors.

**Non-Operational Assets**

Fixed assets held by the Council but not directly occupied, used or consumed in the delivery of services. Examples are investment properties, assets under construction or assets surplus to requirements pending sale or redevelopment.

**Observable Inputs**

Are those that are developed using market data, such as publicly available information about actual events or transactions, and that reflect the assumption that market participants would use when pricing the asset or liability.

**Operating Lease**

A lease where the ownership of the fixed asset remains with the lessor.

**Operational Assets**

Fixed assets held and occupied, used or consumed by the Council in the pursuit of its strategy and in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

**Orderly Transaction**

A transaction that assumes exposure to the market for a period before the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets or liabilities; it is not a forced transaction.

**Payables (also known as Creditors)**

Financial liabilities arising from a contractual obligation to pay cash in the future for goods or services or other benefits that have been received or supplied and have been invoiced or formally agreed with the supplier. They are only recognised when the goods or services are delivered or received by the Council.

**Past Service Cost (Pensions)**

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

**Pension Scheme Liabilities**

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

**Precept**

The levy made by precepting authorities by billing authorities, requiring the latter to collect income from Council Tax on their behalf.

**Precepting Authority**

An authority that sets a precept to be collected by a billing authority (Arun) through the Council Tax bill. West Sussex County Council and Sussex Police & Crime Commissioner are known as major precepting authorities. Parish/Town Councils are known as local precepting authorities.

**Prepayment**

An adjustment made in the financial statements for goods or services already paid which relate to the next financial year.

**Prior Year Adjustment**

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

**Property, Plant & Equipment (PPE)**

Tangible assets (i.e. assets with physical substance) that are held for use by the Council for the supply of services, for rental to others or for administrative purposes that are expected to be used for at least part of the succeeding financial year. These may be operational or non-operational.

**Provision**

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

**Public Works Loan Board (PWLB)**

A Central Government Agency, which provides loans for one year and above to authorities at interest rates only slightly higher than those at which the government can borrow itself.

**Rateable Value**

The annual assumed rental of a hereditament, which is used for NNDR purposes.

**Receivables (also known as Debtors)**

Financial assets not traded in an active market with fixed or determinable payments that are contractual rights to receive cash or cash equivalents. They are only recognised when goods or services have been transferred to the service recipient before the customer pays consideration or before payment is due.

**Related Parties**

There is a detailed definition of related parties in FRS 8. For the Council's purposes related parties are deemed to include the Council's members, the Chief Executive, its Directors and their close family and household members.

**Related Party Transactions**

The Statement of Recommended Practice requires the disclosure of any material transactions between the Council and related parties to ensure that stakeholders are aware when these transactions occur and the amount and implications of such.

**Remuneration**

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits. Received other than in cash. Pension contributions payable by the employer are excluded.

**Reserves**

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council. Some capital reserves such as the fixed asset restatement account cannot be used to meet current expenditure.

**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.

**Revenue Expenditure**

The day-to-day expenses of providing services.

**Revenue Expenditure Funded from Capital under Statute (REFCUS)**

Expenditure which ordinarily would be revenue but is statutorily defined as capital. Examples of REFCUS include grants of a capital nature such as disabled facility grants.

**Support Services Costs/Charges**

Expenditure on administrative and professional services and office accommodation, which is recharged to service users on a specified basis.

**Tangible Fixed Asset**

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

**Useful Economic Life (UEL)**

The period over which the Council will derive benefits from the use of a fixed asset.

**Unobservable Inputs**

Are inputs for which market data is not available and that are developed using the best information available to the Council about the assumptions that market participants would use when pricing the asset or liability.

**Unusable Reserve**

Those reserves that the Council may not use to fund the services it provides. This includes the Revaluation Reserve that holds the unrealised gains and losses on Property Plant and Equipment.

**Usable Reserve**

Those reserves that the Council may use to fund the services it provides, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use e.g. the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt.



**Contact:** Peter Vickers

**E-mail:** [peter.vickers@rushmoor.gov.uk](mailto:peter.vickers@rushmoor.gov.uk)

Maria Grindley  
Partner  
Ernst & Young LLP  
R+2 Blagrove Street  
READING  
RG1 1AZ

**Date:** TBC November 2024

Dear Maria

## **Letter of Representations: Audit of Group and Local Authority Financial Statements**

This letter of representations is provided in connection with your audit of the financial statements of *Rushmoor Borough Council* ("the Authority") for the three years ended *31<sup>st</sup> March 2021, 31<sup>st</sup> March 2022 and 31<sup>st</sup> March 2023*. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and parent Authority financial statements give a true and fair view of (or 'present fairly, in all material respects,') the authority financial position of Rushmoor Borough Council as of *31<sup>st</sup> March 2021, 31<sup>st</sup> March 2022 and 31<sup>st</sup> March 2023* and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the Authority, CIPFA LASAAC Codes of Practice on Local Authority Accounting in the United Kingdom 2020/21, 2021/22 and 2022/23 respectively (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).

We understand that the purpose of your audit of our Authority financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist. Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

### **A. Financial Statements and Financial Records**

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Authority, the

Accounts and Audit Regulations 2015 and the CIPFA LASAAC Codes of Practice on Local Authority Accounting in the United Kingdom 2020/21, 2021/22 and 2022/23 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).

2. We acknowledge, as members of management of the authority, our responsibility for the fair presentation of the consolidated and parent Authority financial statements. We believe the Authority financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Authority in accordance with the CIPFA LASAAC Codes of Practice on Local Authority Accounting in the United Kingdom 2020/21, 2021/22 and 2022/23 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)), and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the Authority financial statements are appropriately described in the Authority financial statements.
4. As members of management of the Authority, we believe that the Authority have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, 2021/22 and 2022/23 for the Authority that are free from material misstatement, whether due to fraud or error.
5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated and parent Authority financial statements taken as a whole. We have not corrected these differences because the Accounts for 2020/21, 2021/22 & 2022/23 are being disclaimed.
6. We confirm the Authority does not have securities (debt or equity) listed on a recognised exchange.
7. We have confirmed to you any changes in service organizations within the Authority since the last audited financial year.

**B. Non-compliance with laws and regulations, including fraud**

1. We acknowledge that we are responsible to determine that the Authority's business activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws or regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of a system of internal control to prevent and detect fraud and that we believe we have appropriately fulfilled those responsibilities.

3. We have disclosed to you the results of our assessment of the risk that the Authority financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud, that may have affected the Authority (regardless of the source or form and including without limitation, any allegations by “whistleblowers”), including non-compliance matters:
  - Involving financial improprieties
  - Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the Authority financial statements
  - Related to laws or regulations that have an indirect effect on amounts and disclosures in the Authority financial statements, but compliance with which may be fundamental to the operations of the [Group and] authority’s business, its ability to continue in business, or to avoid material penalties
  - Involving management, or employees who have significant roles in internal control, or others
  - In relation to any allegations of fraud, suspected fraud or other non- compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

**C. Information Provided and Completeness of Information and Transactions**

1. We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the Authority financial statements.
3. We have made available to you all minutes of the meetings of shareholders, directors and committees of directors (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the period to the most recent meeting.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Authority’s related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the [period] end. These transactions have been appropriately accounted for and disclosed in the Authority financial statements.

5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.
6. We have disclosed to you, and the authority has complied with, all aspects of contractual agreements that could have a material effect on the Authority financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. From the date of our last management representation letter through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorised access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorised access to our information technology systems is reasonably likely to have a material effect on the Authority financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.
8. We have disclosed to you, and provided you full access to information and any internal investigations relating to, unauthorized access to our information technology systems that has a material effect on the Authority financial statements, including disclosures.

**D. Liabilities and Contingencies**

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the Authority financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed all guarantees that we have given to third parties.

**E. Going Concern**

1. The Authority discloses all the matters of which we are aware that are relevant to the authority's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

**F. Subsequent Events**

1. There have been no events subsequent to period end which require adjustment of or disclosure in the consolidated and parent Authority financial statements or notes thereto.

#### **G. Group Audits**

1. There are no significant restrictions on our ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.
2. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst parent Authority, subsidiary undertakings and associated undertakings.

#### **H. Other information**

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the information contained within the Narrative Statement and also the Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

#### **I. Climate-related matters**

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered and the Authority have reflected these in the consolidated and parent financial statements.

Yours sincerely

**Councillor Alex Crawford**  
**Chair, Corporate Governance, Audit and Standards Committee**

# Rushmoor Borough Council Completion Report for Those Charged with Governance

Years ended 31 March 2021, 31  
March 2022 and 31 March 2023

Report issued - **XX** November 2024





Rushmoor Borough Council  
Corporate Governance, Audit and Standards Committee  
Farnborough Road,  
Farnborough GU14 7JU

XX Month 20XX

Dear Corporate Governance, Audit and Standards Committee

#### Completion Report for Those Charged With Governance

Attached is our Completion Report for Those Charged With Governance. The purpose of this report is to provide the Corporate Governance, Audit and Standards Committee of Rushmoor Borough Council (the Authority) with a detailed complete report covering our approach and outcomes of the 2020/21, 2021/22 and 2022/23 audits.

Given that Statutory Instrument (2024) No. 907 - "The Accounts and Audit (Amendment) Regulations 2024" (the SI) imposes a backstop date of 13 December 2024 by which date we are required to issue our opinion on the financial statements, we have considered whether the time constraints imposed by the backstop date mean that we cannot complete all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil all the objectives of all relevant ISAs (UK).

This decision is in line with ISA 200: Failure to Achieve an Objective 24.

If an objective in a relevant ISA (UK) cannot be achieved, the auditor shall evaluate whether this prevents the auditor from achieving the overall objectives of the auditor and thereby requires the auditor, in accordance with the ISAs (UK), to modify the auditor's opinion or withdraw from the engagement (where withdrawal is possible under applicable law or regulation). Failure to achieve an objective represents a significant matter requiring documentation in accordance with ISA (UK) 230 (Revised June 2016).4 (Ref: Para. A77&A78)

Taking the above into account, for the years ended 31 March 2023 we have determined that we cannot meet the objectives of the ISAs(UK) and we anticipate issuing a disclaimed audit report.

In completing our work for this audit year we have taken into account Statutory Instrument (2024) No. 907 - "The Accounts and Audit (Amendment) Regulations 2024", Local Authority Reset and Recovery Implementation Guidance. We have also taken into account the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice (including recent 2024 updates), the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. Against this backdrop, we have also considered the Committee's service expectations.

The Corporate Governance, Audit and Standards Committee, as the Authority's body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Authority's wider arrangements to support the delivery of a timely and efficient audit.

We consider and report on the adequacy of the Authority's external financial reporting arrangements and the effectiveness of the Corporate Governance, Audit and Standards Committee in fulfilling its role in those arrangements as part of our assessment of Value for Money arrangements and consider the use of other statutory reporting powers to draw attention to weaknesses in those arrangements where we consider it necessary to do so.

We draw the Corporate Governance, Audit and Standards Committee members and officers' attention to the Public Sector Audit Appointment Limited's Statement of Responsibilities (paragraphs 26-28) which clearly set out what is expected of audited bodies in preparing their financial statements (see Appendix F).

This report is intended solely for the information and use of the Corporate Governance, Audit and Standards Committee, and management, and is not intended to be and should not be used by anyone other than these specified parties.

Yours faithfully

Maria Grindley

Partner

For and on behalf of Ernst & Young LLP

Enc



# Contents

01

Executive Summary



02

Work Plan



03

Results and Findings



04

Value for Money



05

Appendices




Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website. The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA (<https://www.psaa.co.uk/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-july-2021/>) sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Corporate Governance, Audit and Standards Committee and management of Rushmoor Borough Council. Our work has been undertaken so that we might state to the Corporate Governance, Audit and Standards Committee and management of Rushmoor Borough Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Corporate Governance, Audit and Standards Committee and management of Rushmoor Borough Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



# 01 Executive Summary



# Executive Summary – System wide context

## Context for the audit – Department for Levelling-up, Housing and Communities (DLUHC) and Financial Reporting Council (FRC) measures to address local audit delays

Timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. It supports good decision making by local bodies and ensures transparency and accountability to local taxpayers. There is general agreement that the backlog in the publication of audited financial statements by local bodies has grown to an unacceptable level and there is a clear recognition that all stakeholders in the sector need to work together to address this. Reasons for the backlog across the system have been widely reported and include:

- ▶ Lack of capacity within the local authority financial accounting professions
- ▶ Increased complexity of reporting requirements within the sector
- ▶ Lack of capacity within audit firms with public sector experience
- ▶ Increased regulatory pressure on auditors, which in turn has increased the scope and extent of audit procedures performed

DLUHC has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop and implement measures to clear the backlog. Statutory Instrument (2024) No. 907 - “The Accounts and Audit (Amendment) Regulations 2024” (the SI), together with the updated NAO Code of Audit Practice 2024 and the Local Authority Reset and Recovery Implementation Guidance, which have all been developed to ensure auditor compliance with International Standards on Auditing (UK) (ISAs (UK)), consist of three phases:

- ▶ Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 13 December 2024.
- ▶ Phase 2: Recovery from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles.
- ▶ Phase 3: Reform involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.

As a result of the system wide implementation of backstop dates we anticipate issuing a disclaimed audit opinion on the Authority’s 2022/23 accounts. The proposed disclaimer of the Council’s 2022/23 accounts impacts the audit procedures that we have planned and undertaken to gain assurance on the 2022/23 financial statements and the form of the audit report.



# Executive Summary – Local context

## Local Background and Context

The position at this Council has developed over recent years resulting in unaudited financial statements for 31 March 2021, 2022 and 2023.

The main reasons for the Council's financial statements not being prepared, audited and signed to date include:

- ▶ Significant issues encountered during the Council's 2019/20 financial statement audit which started in September 2020 and did not conclude until April 2023.
- ▶ During our audit we identified the following which we documented for improvement in our July 2023 Annual Audit Letter:
  - ▶ Provision of property information: We reported on the critical delays in the provision of property information to support the material PPE and IP valuations in the Council's Balance Sheet. This included a lack of management challenge of key assumptions, and we recommended that management ensure that this challenge is factored into 2020/21 and future years;
  - ▶ Capacity of the finance department: Our audit team agreed a number of planned start dates and completion dates for aspects of the work with key finance staff contacts but there were consistent and ongoing delays due to officer work pressures e.g, the audit was also delayed in January 2021 and 2022 as officers needed to prioritise the production of the 2021/22 accounts, on many occasions, information promised to us has failed to meet agreed timelines;
  - ▶ Working papers and supporting documentation was not of the required standard to support the figures within the financial statements and had to be returned on a number of occasions for improvements to be made.
- ▶ Following completion of the 2019/20 financial statements we worked closely with the new Council staff in the finance team to try to complete the 2020/21 audit, and we managed to make a good start but started to find that the issues in the previous year were taking time for the new finance team to work through and therefore this, along with Council staff capacity and issues with getting reliable information from the system meant that we couldn't get the audit completed in time to meet the backstop date.
- ▶ The post pandemic timelines resulted in audit teams trying to move delayed audits on to completion, whilst finance teams were trying to catch up, deal with current priorities and plan for the future. This used a significant amount of our finite audit resource, leading to a lack of capacity to move onto the 2022/23 audit year.
- ▶ In addition to the specific issues at Rushmoor as set out above, there were a number of new technical issues and challenges to address during this period, including, accounting for infrastructure assets and taking into account the updated pension fund valuations, which added to the delays.
- ▶ The Authority has not been in a position to present draft statements of account for audit within the regulatory timeframe. Due to the issues raised above we were unable to complete the 2020/21 financial statements audit and in discussion with the Council it was agreed that they would focus on achieving the improvements needed and getting current years financial statements back on track.



# Executive Summary – Report structure and work completed

## Report structure and work completed

This report covers the work we have completed to meet the requirements of the International Standards on Auditing (UK&I), (ISAs) and the Local Audit Reset and Recovery Implementation Guidance (LARRIGs) along with the National Audit Office Value for Money Code (NAO VFM Code). It has been split into the following sections.

Section 1 - Executive Summary - this section setting out the national and local context and the structure of our report.

Section 2 - Work Plan - We have completed the following planning tasks:

- ▶ Required independence procedures.
- ▶ Set a level of materiality.
- ▶ Issued letters of inquiry to Management, Those Charged with Governance, the Head of Internal Audit and the Monitoring Officer.
- ▶ Updated our understanding of the business, including through review of responses to inquiry letters, minute review and in discussion in our internal planning meeting,
- ▶ Identified significant, inherent and other areas of higher risk or focus.
- ▶ Considered any other matters that may require reporting to regulators or which may result in a modification to the audit report e.g. non-compliance with laws and regulations, objections, significant weaknesses in arrangements for value for money, any matters that may result in the use of the auditor's powers.

Section 3 - Results and findings - Work completed to issue the disclaimer, findings and results:

- ▶ Review of the financial statements.
- ▶ Consideration of any matters that came to light during our planning and review procedures in relation to laws and regulations, fraud, related parties, litigation and claims, significant changes to contracts and systems, service organisations, which we report as appropriate.
- ▶ Reporting on any other matters that may require the use of the auditor's powers, formal reporting or a modification to the auditor's report e.g. non-compliance with laws and regulations, objections, significant weaknesses in arrangements for value for money, any matters that may result in the use of the auditor's powers.

Section 4 - Value for money reporting

- ▶ The value for money report covering the year to 31 March 2021, 2022, 2023.

Section 5 - Appendices



## 02 Work Plan



# Work Plan – Audit Scope

## Audit scope

This Completion report covers the work that we performed in relation to:

- ▶ Our audit opinion on whether the financial statements of the Council give a true and fair view of the financial position as at 31 March 2021; 31 March 2022 and 31 March 2023 and of the income and expenditure for the year then ended; and
- ▶ Our commentary on your arrangements to secure value for money in your use of resources for the relevant period. We include further details on VFM in Section 4.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- ▶ Strategic, operational and financial risks relevant to the financial statements;
- ▶ Developments in financial reporting and auditing standards;
- ▶ The quality of systems and processes;
- ▶ Changes in the business and regulatory environment; and,
- ▶ Management's views on all of the above.

Given that SI (2024) No. 907 - "The Accounts and Audit (Amendment) Regulations 2024 imposes a backstop date of 13 December 2024 by which date we are required to issue our opinion on the financial statements, we have considered whether the time constraints imposed by the backstop date mean that we cannot complete all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil all the objectives of all relevant ISAs (UK).

This decision is in line with ISA 200: Failure to Achieve an Objective 24.

If an objective in a relevant ISA (UK) cannot be achieved, the auditor shall evaluate whether this prevents the auditor from achieving the overall objectives of the auditor and thereby requires the auditor, in accordance with the ISAs (UK), to modify the auditor's opinion or withdraw from the engagement (where withdrawal is possible under applicable law or regulation). Failure to achieve an objective represents a significant matter requiring documentation in accordance with ISA (UK) 230

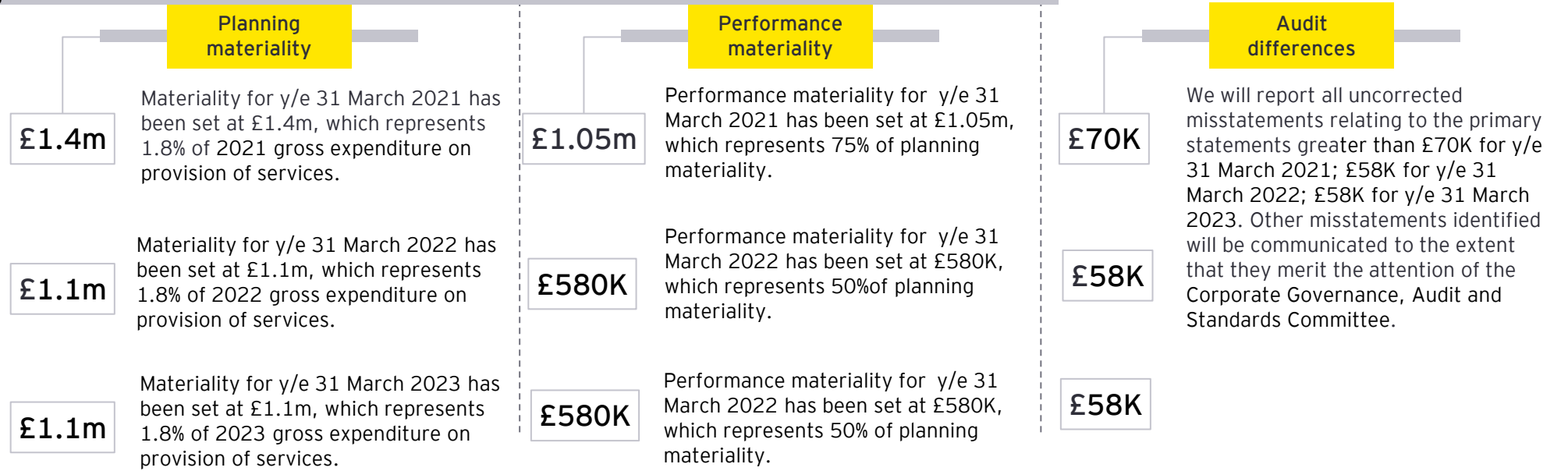
Revised June 2016).4 (Ref: Para. A77&A78)

Taking the above into account, for the years ended 31 March 2021; 31 March 2022; 31 March 2023 we have determined that we cannot meet the objectives of the ISAs(UK), and we anticipate issuing a disclaimed audit report.



# Work Plan - Materiality

## Materiality



In order to ascertain the significance of issues in the draft financial statements we have set materiality based on the 2019/20 audit year. We have considered updating this materiality for any key changes or known factors from that year of which there were none. We determined that our procedures would be performed using a materiality of £1.4m for 2020/21 and £1.1m for 2021/22 and 22/23.

These materiality levels have been set based on the main Authority financial statements - we have not considered group materiality. These levels are being used to assess our response to any issues identified in the Authority's financial statements.



# Work Plan – Significant, inherent and other risk areas

The following 'dashboard' summarises the significant accounting and auditing matters identified as part of our planning work. It seeks to provide Those Charged with Governance with an overview of our initial risk identification for the years

## Audit risks and areas of focus

Risk/area of focus	Applicable years	Risk identified	Change from PY	Details
Valuation of Land and Building -Property plant and equipment and Investment properties	All years covered by this report	Significant risk	No change in risk or focus	The value of Property, Plant and Equipment (PPE) and Investment Properties (IP) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet, covering both those assets that are revalued within the year and the continuing material accuracy of those valued in prior periods. There were a number of PPE adjustments during the prior year two years audit and we have therefore assessed the valuation of land and buildings as a significant risk for the 2020/21 financial statements.
Misstatement due to fraud or error	All years covered by this report	Fraud risk	No change in risk or focus	There is a risk that the financial statements as a whole are not free from material misstatement whether caused by fraud or error. We perform mandatory procedures regardless of specifically identified fraud risks.
Risk of fraud in revenue and expenditure recognition	All years covered by this report	Fraud Risk	No change / increase in risk or focus	Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.
Pension Liability Valuation	All years covered by this report	Inherent risk	No change in risk or focus	The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Hampshire County Council. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates. Additional audit procedures will be performed to ensure that the triennial valuation was considered when calculating the pension liability.
Going Concern	All years covered by this report	Inherent risk	No change in risk or focus	Going Concern Compliance with ISA 570. The revised standard increases the work we are required to perform when assessing whether the Council is a going concern. It means UK auditors will follow significantly stronger requirements than those required by current international standards; and we have therefore judged it appropriate to bring this to the attention of the Corporate Governance, Audit & Standards Committee.
Covid grant income	For 2020/2021	Inherent risk	New risk	The classification of grants in terms of whether the council is a principal or agent gives rise to a high inherent risk in the current year. Additional audit procedures will be performed to ensure the correct classification in terms of IAS 20

# Work Plan - Independence

Page 314

The FRC Ethical Standard 2019 and ISA (UK) 260 'Communication of audit matters with those charged with governance', requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

## Required communications

### Planning stage

- ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us;
- ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;
- ▶ The overall assessment of threats and safeguards;
- ▶ Information about the general policies and process within EY to maintain objectivity and independence

The IESBA Code requires EY to provide an independence assessment of any proposed non-audit service (NAS) to the PIE audit client and will need to obtain and document pre-concurrence from the Audit & Governance Committee/those charged with governance for the provision of all NAS prior to the commencement of the service (i.e., similar to obtaining a "pre-approval" to provide the service).

- ▶ All proposed NAS for PIE audit clients will be subject to a determination of whether the service might create a self-review threat (SRT), with no allowance for services related to amounts that are immaterial to the audited financial statements.

### Final stage

- ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;
- ▶ Details of non-audit/additional services provided and the fees charged in relation thereto;
- ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;
- ▶ Details of any non-audit/additional services to a UK PIE audit client where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner
- ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;
- ▶ Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; and
- ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of our work, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

# Work Plan - Independence

## Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Maria Grindley, your audit engagement partner for years ended 31 March 2021, 31 March 2022, and 31 March 2023, and the audit engagement team have not been compromised

## Self-interest threats

A self-interest threat arises when EY has financial or other interests in your company. Examples include where we have an investment in your company; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake those permitted non-audit/additional services set out in Section 5.40 of the FRC Ethical Standard 2019 (FRC ES), and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES and the services have been approved in accordance with your policy on pre-approval. In addition, when the ratio of non-audit fees to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by the FRC ES, and if necessary, agree additional safeguards or not accept the non-audit engagement. We will also discuss this with you.

At the time of writing, the current ratio of non-audit fees to audit fees is 0:1 2020/21, 2021/22 and 2022/23. No additional safeguards are required.

## Self-review threats

A self-review threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4. There are no other self-review threats at the date of this report.

## Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your company. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

## Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

## EY Transparency Report 2023

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the period ended 30 June 2023 and can be found here: [EY UK 2023 Transparency Report](#).





## 03 Results and findings

# Results and findings

## Status of the audit

Our audit work in respect of the Rushmoor Borough Council opinion is substantially complete. The following items relating to the completion of our audit procedures were outstanding at the date of this report.

- Completion of subsequent events procedures;
- Receipt of a signed management representation letter

Given that the audit process is still ongoing, we will continue to consider existing and new information which could influence our final audit opinion, a current draft is included in a later section of this report.

## Value for Money

Our value for money (VFM) work is complete and reported in Section 4 of this report. We identified a risk of significant weakness in respect of financial sustainability. Having updated and completed the planned procedures in these areas we did identify a significant weakness. See Section 4 of the report for further details.

## Audit differences

In the draft financial statements for 2021, 2022 and 2023, we have identified a number of differences in our review the statements. We have not completed audit work on these statements and therefore are not investigating or reporting on these further.

## Other Reporting Issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have no matters to report as a result of this work.

We have completed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts. We have no matters to report as a result of this work.



# Results and findings

## Areas of audit focus

In our Audit Plan we identified a number of key areas of focus for our audit of the financial report of Rushmoor Borough Council. We concluded we would disclaim the audit and therefore have not completed detailed audit testing on these areas but instead have reported any matters that came to light from the work we did complete.

We request that you review these and other matters set out in this report to ensure:

- ▶ There are no further considerations or matters that could impact these issues
- ▶ You concur with the resolution of the issue
- ▶ There are no further significant issues you are aware of to be considered before the financial report is finalised

There are no matters, other than those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit Committee or Full Council.

## Control observations

During the audit, our work has not identified any deficiencies in internal control:

## Independence

Further to our review of independence in section 2 of this report we have not identified any issues to bring to your attention..

## Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Council to consider it or to bring it to the attention of the public (i.e. "a report in the public interest").

We did not identify any issues which required us to issue a report in the public interest.



# Results and findings

## Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority's financial reporting process. They include the following:

- ▶ Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- ▶ Any significant difficulties encountered during the audit;
- ▶ Any significant matters arising from the audit that were discussed with management;
- ▶ Written representations we have requested;
- ▶ Expected modifications to the audit report;
- ▶ Any other matters significant to overseeing the financial reporting process;
- ▶ Findings and issues around the opening balance on initial audits (if applicable);
- ▶ Related parties;
- ▶ External confirmations;
- ▶ Going concern;
- ▶ Consideration of laws and regulations; and
- ▶ Group audits

We have no other matters to report

# Results and findings - Audit Report

Page 320

Draft audit report

[Placeholder for any items wished to be discussed with or highlighted to the Audit Committee. Delete if not appropriate]

Our opinion on the financial statements

- Use this blank page to copy/paste the contents of the audit report or users may insert a copy of the draft audit report

- Use this blank page to copy/paste the contents of the audit report or users may insert a copy of the draft audit report



# Results and findings - Audit Report (cont'd)

[Placeholder for any items wished to be discussed or highlighted to the Audit Committee. Delete if not appropriate]

## Our opinion on the financial statements

- Use this blank page to copy/paste the contents of the audit report or users may insert a copy of the draft audit report

- Use this blank page to copy/paste the contents of the audit report or users may insert a copy of the draft audit report



## 04 Value for Money



# VFM - Executive Summary

## Purpose

Auditors are required to be satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We do not issue a 'conclusion' or 'opinion', but where significant weaknesses are identified we will report by exception in the auditor's opinion on the financial statements. In doing so, we comply with the requirements of the 2020 Code of Audit Practice (the Code) and Auditor Guidance Note 3 (AGN 03). The Department for Levelling Up, Housing and Communities (DLUHC) as it was at the time, worked collaboratively with the Financial Reporting Council (FRC), as incoming shadow system leader, and other system partners, to develop measures to address the delay in local audit. We are continuing to report Value for Money (VFM) in line with our full responsibilities as set out in the 2020 Code to ensure a smooth transition to the 2023/24 audit year when auditors are required to meet the full Code reporting responsibilities. Our Interim Value for money report includes the detailed arrangements and processes underpinning the reporting criteria.

The purpose of this is to explain the work we have undertaken in respect of the period 1 April 2021 to 31 March 2023 and highlight any significant weaknesses identified along with recommendations for improvement. The commentary covers our findings for audit years 2021/22 and 2022/23.

The report sets out the following areas which have been assessed up to the point of issuing this report:

- Any identified risks of significant weakness, having regard to the three specified reporting criteria;
- An explanation of the planned responsive audit procedures to the significant risks identified; and
- Findings to date from our planned procedures.



# Executive Summary (continued)

Page 324

## Risks of Significant Weakness

In undertaking our procedures to understand the body's arrangements against the specified reporting criteria, we identify whether there are risks of significant weakness which require us to complete additional risk-based procedures. AGN 03 sets out considerations for auditors in completing and documenting their work and includes consideration of:

- our cumulative audit knowledge and experience as your auditor;
- reports from internal audit which may provide an indication of arrangements that are not operating effectively;
- our review of Council committee reports;
- meetings with key Officers;
- information from external sources; and
- evaluation of associated documentation through our regular engagement with Council's management and the finance team.

We completed our risk assessment procedures and identified a significant weaknesses in the Council's VFM arrangements for financial sustainability.

We set out our planned response to address the risk in the table below:

Description of risk identified	Work planned to address the risk of significant weakness
2022/23 Financial Sustainability The high level of short-term borrowings without sufficient income to finance the repayments as well as increase in interest costs have resulted in a financial uncertainty. The MTFS Equalisation reserve is being used to balance the budget in the short-term and will be depleted over the MTFS period leading to a deficit position during 2023/24	Review the cash flow forecast as well as the Financial Resilience Review done by CIPFA. Understand the future savings plans that is factored into the financial resilience review against the budget outturn report to determine if those savings plans are realistic. Ensure that the going concern note as disclosed in the updated accounts, reflects the financial uncertainty

# Executive Summary (continued)

## Reporting

Our commentary for 2020/21, 2021/22 and 2022/23 is set out over pages 25 to 27. The commentary on these pages summarises our understanding of the arrangements at the Council based on our evaluation of the evidence obtained in relation to the three reporting criteria (see table below) throughout 2020/21, 2021/22 and 2022/23.

In accordance with the NAO's 2020 Code, we are required to report a commentary against the three specified reporting criteria. The table below sets out the three reporting criteria, we identified a risk of significant weakness as part of our planning procedures in financial sustainability in 202/23, and, we have concluded that there is a significant weakness in the body's arrangements.

Reporting Criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
<b>Financial sustainability:</b> How the Council plans and manages its resources to ensure it can continue to deliver its services	Significant risk identified in 2022/23	Significant weakness identified in 2022/23
<b>Financial sustainability:</b> How the Council plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified in 2021/22 and 2020/21	No significant weakness identified in 2021/22 and 2020/21
<b>Governance:</b> How the Council ensures that it makes informed decisions and properly manages its risks	No significant risks identified	No significant weakness identified
<b>Improving economy, efficiency and effectiveness:</b> How the Council uses information about its costs and performance to improve the way it manages and delivers its services	No significant risks identified	No significant weakness identified

# Value for Money Commentary

Page 326

Financial Sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services

## Significant weakness identified

### **Financial Performance:**

The Council's budget for 2020/21 was significantly impacted by Covid-19 largely as a result of reduced income and additional expenditure following restrictions that were put in place in late March 2020 and continued during the financial year. This resulted in a core deficit of £905k before transfers to carry forward requests.

The impact of Covid-19 continued during 2021/22 although restrictions were eased and the focus moved towards the recovery phase. The impact on the Council's finances were mitigated by the provision of Covid funding from Government (£0.589m), with an overall projected surplus of £1.609m before transfers to carry forward requests and meant that the draw down from the Stability and Resilience Reserve was not required.

At the end of 2022/23, the council managed to break even based on the outturn report which was reported to Cabinet in July 2023. However, based on the review of the 2022/23 annual accounts, the council was highly geared with short-term borrowings of £115m, which is significantly high for the size of entity who have a net revenue budget of £12m. In addition, the latest Medium Term Finance Strategy and 2023-24 Budget Outturn presented to the council indicated a projected deficit in 2024/25 which will result in a drawdown of reserves.

### **Reserves:**

Rushmoors' General Fund Balances decreased in 2022/23 by £2.8 million as a result of the deficit position on the Provision of Services. The closing balance of the Councils' balance at the end of 2022/23 was £21.1 million (PY: £23.9 million). Usable Earmarked Reserves decreased by £2.8 million to £19.1 million (PY: £21.9 million).

### **Budgets and Medium-Term Financial Strategy (MTFS):**

An updated MTFS and Budget Strategy was presented to Cabinet in November 2022. The Strategy also considered developments in Capital Finance including the revisions to the Prudential Code and provisions set out in the Levelling Up and Regeneration Bill. The Council's MTFS 2024-2025 to 2027-28 was presented in February 2023. The budget estimates included several significant assumptions and risks and a set of savings targets to mitigate the deficit to bring the council back to a financially sustainable footing by 2027-28. At the time of preparation in February 2023 the MTFS was balanced for 2023-24 and 2024-25 with a budget shortfall of £2.0 million forecast from 2025-26. The 2024-25 budget was balanced using a £5.4m drawdown on reserves and the MTFS shows a cumulative £19.2m deficit over 4 years before mitigation, supported by a projected £10.6m of available reserves. The agreed directorate budget for 2023/24 was £12.4 million financed from a combination of Government Grants, Business Rates and Council Tax. This shortfall would be revised as further government announcements on future funding arrangements were made.

A review of the interest rate assumptions in the budget indicates the long-term borrowing interest rate will be closer to 4% compared with 3.1% factored into estimates. This will put further pressure on the council. In addition, the budget included £40m of capital receipts from the sale of assets. Work on the Financial Resilience review performed by CIPFA, indicates that it is unlikely that the council will achieve the full £40m of capital receipts from the sale of assets.

### **Conclusion:**

For 2022/23, based on the work performed, we have identified a significant weakness in the arrangements that we will be reporting by exception in relation to how the council plans and manages its resources to ensure that it can continue to deliver its services.

For 2020/21 and 2021/22 based on the work performed, the Council had proper arrangements in place in 2021/22 and 2020/21 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

### **Recommendation:**

Ensure that all action plans developed by the Council to bring the council back to a financially sustainable footing by 2027-28 is appropriately implemented.

# Value for Money Commentary (continued)

**Governance: How the Council ensures that it makes informed decisions and properly manages its risks**

**No significant weakness identified**

The Council continues to maintain adequate arrangements to monitor and gain assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud and corruption. There is regular reporting to Chief Officers and Council on all matters providing sufficient detail and data for scrutiny, oversight and decision making. This includes identification of any new opportunities, risks or issues, and their management. The Cabinet makes key decisions and recommendations to the Council on how we provide services for local people. It normally meets once a month. The council is Rushmoor's ultimate decision-making body and is made of all 39 elected councillors. The Corporate, Governance, Audit and standards Committee meets six times a year and makes decision on licensing and reviews the Annual Governance Statement.

A risk management strategy is in place to evaluate and identify risk. There are clearly defined processes to support robust decision making through the understanding of risk, whether an opportunity or threat exists and the likely impact. The Risk Register was developed to identify risks to the Council at a corporate level and is reviewed regularly by risk owners. This risk management framework is supported and informed by the work of the Council's Internal Audit function. The Head of Internal Audit's opinion for 2020/21 was a "limitation of scope". This limitation of scope has arisen because insufficient audits were completed, primarily due to issues with delivery of audits from the contract auditors and the lack of engagement and availability of resources within Council services. An overall audit opinion of reasonable to be provided on Rushmoor Borough Council's Governance, Risk Management, and Control framework was received in 2021/22 and 2022/23.

There is a collaborative process between senior management and members, specifically the budget strategy working group. The budget is built through an incremental process, reviewing assumptions and prior year's performance. Known pressures and savings are built in, and risk is considered alongside reserve levels.

The Council published their draft 2020/21, 2021/22 and 2022/23 financial statements for audit on the 30 July 2021, 31 August 2022 and 31 July 2023 respectively, in line with the Audit and Accounts regulations, and advertised and held an inspection period for members of the public in line with these regulations. Whilst the statements were prepared later this was due to delays in the previous year. We identified that the draft financial statements for all three years were not arithmetically correct and did not agree to the data in the general ledger however we have not completed an audit on those financial statements and have not reviewed the reasons for the differences. The accounts are prepared in line with the content required by the CIPFA Code in so far as the required disclosure requirements are met. The Council has carried out bank reconciliations during the year but there were reconciliation differences. Explanation for these differences were not provided to the team. Therefore, whilst financial statements have been prepared, there are some areas for improvement.

**Conclusion:** Based on the work performed, the Council had proper arrangements in place to ensure that it makes informed decisions and properly manages its risks.

**Recommendation:**

We recommend that management ensure that appropriate year end closing out procedures, which include performing reconciliations, are undertaken before the financial statements are published and that these improvements are taken through to future years.

# Value for Money Commentary (continued)

Page 328

Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services

No significant weakness identified

There is regular reporting to Chief Officers and to those charged with governance on all significant matters providing sufficient detail and data for scrutiny, oversight and decision making. This includes identification of any new opportunities, risks or issues, and their management. The finance reports communicate operational information, such as financial performance, performance against non-financial KPIs and any other relevant information.

The Council has a Corporate Plan in place which has four themes to cover both service targets and financial targets. Each theme has performance measures, and a Councillor and Officer lead who has responsibility for that measure. These measures are monitored regularly and reported upon quarterly to assess performance and identify areas for improvement.

The council undertook a Peer review in 2023/24 as well as a review by CIPFA on its Financial Resilience plan. The report endorsed the Financial Resilience Plan and highlighted that "The Council needs to reassert the importance and centrality of finance to the Council, addressing issues in relation to financial capacity and competencies and the robustness of financial management." It further states that, "The Council needs to implement the improvements in financial management discussed in this report and included in the Financial Resilience Plan as a matter of urgency given the importance of good practice financial management in underpinning financial control, supporting effective decision-making and delivering the planned path to financial sustainability."

The Annual Ombudsman Complaint Review Letter 2023 - Local Government and Social Care Ombudsman provides the Council with the evidence that the Council is responding well to complaints and is in effect a "clean bill of health" from a credible third party.

**Conclusion: Based on the work performed, the Council had proper arrangements in place in 2020/21, 2021/22 and 2022/23 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.**





## 05 Appendices

# Appendix A – Management representation letter

## Management representation letter

This is the draft management letter template which Management will tailor and send back signed and dated prior to the opinion being issued.

### Management Rep Letter

[To be prepared on the entity's letterhead]

[Date]

#### Ernst & Young

This letter of representations is provided in connection with your audit of the [consolidated and parent] Authority financial statements of [name of entity] ("the [Group and] authority") for the year ended [balance sheet date]. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and parent Authority financial statements give a true and fair view of (or 'present fairly, in all material respects,') the [Group and] authority financial position of [name of entity] as of [balance sheet date] and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the [Group and] the Authority, CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 20xx/xx (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).

We understand that the purpose of your audit of our [consolidated and parent] Authority financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist. Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

#### A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the [Group and the parent] Authority, the Accounts and Audit Regulations 2015 and the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 20xx/xx (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).
2. We acknowledge, as members of management of the [Group and] authority, our responsibility for the fair presentation of the consolidated and parent Authority financial statements. We believe the [consolidated and parent] Authority financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the [Group and parent] Authority in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 20xx/xx (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)), and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the [Group and] authority financial statements are appropriately described in the [Group and] authority financial statements.
4. As members of management of the [Group and] authority, we believe that the [Group and] authority have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with [applicable financial reporting framework] for the Group and [applicable financial reporting framework] for the Authority that are free from material misstatement, whether due to fraud or error.



# Appendix A – Management representation letter

## Management representation letter

This is the draft management letter template which Management will tailor and send back signed and dated prior to the opinion being issued.

## Management Rep Letter

5. *[When there are unadjusted audit differences in the current year]* We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated and parent Authority financial statements taken as a whole. We have not corrected these differences because *[specify reasons for not correcting misstatement]*.
6. *[When the comparative figures have been restated]* The comparative amounts have been restated to reflect the below matter(s) and appropriate note disclosure of this (these) restatement(s) has (have) also been included in the current year's consolidated and parent Authority financial statements. *[Add a paragraph providing a brief description of each matter giving rise to a restatement and the amount(s) concerned.]* There have been no significant errors or misstatements, or changes in accounting policies, other than the matters described above, that would require a restatement of the comparative amounts in the current year's consolidated and parent Authority financial statements. Other differences in the amounts shown as comparative amounts from the amounts in the consolidated and parent Authority financial statements for the year ended *[date]* are solely the result of reclassifications for comparative purposes.
7. We confirm the *[Group and]* authority does not have securities (debt or equity) listed on a recognized exchange.
8. We have confirmed to you any changes in service organizations within the *[Group and]* authority since the last audited financial year.

## B. Non-compliance with laws and regulations, including fraud

1. We acknowledge that we are responsible to determine that the *[Group and]* authority's business activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws or regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of a system of internal control to prevent and detect fraud and that we believe we have appropriately fulfilled those responsibilities.
3. We have disclosed to you the results of our assessment of the risk that the *[consolidated and parent]* Authority financial statements may be materially misstated as a result of fraud.
4. *[When management is aware of the occurrence of non-compliance with laws or regulations, or has received allegations of non-compliance with laws and regulations.]* We have disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with laws and regulations, including fraud, known to us that may have affected the *[Group or]* Authority (regardless of the source or form and including, without limitation, allegations by "whistle-blowers"), including non-compliance matters:
  - Involving financial improprieties
  - Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the *[consolidated and parent]* Authority financial statements
  - Related to laws or regulations that have an indirect effect on amounts and disclosures in the *[consolidated and parent]* Authority financial statements, but compliance with which may be fundamental to the operations of the *[Group and]* authority's business, its ability to continue in business, or to avoid material penalties

# Appendix A – Management representation letter

## Management representation letter

This is the draft management letter template which Management will tailor and send back signed and dated prior to the opinion being issued.

### Management Rep Letter

- Involving management, or employees who have significant roles in internal control, or others
- In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

#### C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and are reflected in the [consolidated and parent] Authority financial statements.

3. We have made available to you all minutes of the meetings of shareholders, directors and committees of directors (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the [period] to the most recent meeting on the following date: [list date].

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the [Group and] authority's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the [period] end. These transactions have been appropriately accounted for and disclosed in the [consolidated and parent] Authority financial statements.
5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with [applicable financial reporting framework].
6. We have disclosed to you, and the [Group and] authority has complied with, all aspects of contractual agreements that could have a material effect on the [consolidated and parent] Authority financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. From the date of our last management representation letter through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material effect on the [consolidated and parent] Authority financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

# Appendix A – Management representation letter

## Management representation letter

This is the draft management letter template which Management will tailor and send back signed and dated prior to the opinion being issued.

## Management Rep Letter

8. We have disclosed to you, and provided you full access to information and any internal investigations relating to, unauthorized access to our information technology systems that has a material effect on the [consolidated and parent] Authority financial statements, including disclosures.

### D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the [consolidated and parent] Authority financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note [X] to the consolidated and parent Authority financial statements all guarantees that we have given to third parties.

### E. Going Concern

1. Note [X] to the consolidated and parent Authority financial statements discloses all the matters of which we are aware that are relevant to the Group and authority's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

### F. Subsequent Events

1. Other than the events described in Note [X] to the [consolidated and parent] Authority financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the consolidated and parent Authority financial statements or notes thereto.

### G. Group audits

1. There are no significant restrictions on our ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.
2. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst parent Authority, subsidiary undertakings and associated undertakings.

### H. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the information contained within the Narrative Statement and also the Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

### I. Climate-related matters

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered and the [Group and] authority have reflected these in the consolidated and parent financial statements.

*Yours faithfully,*

(Chief Financial Officer/Finance Director)

(Chairman of the Audit Committee)

# Appendix B – Fees

Page 334

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

The original fees for these years were based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Council; and
- ▶ The Council has an effective control environment
- ▶ The Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See <https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>. In particular the Council should have regard to paragraphs 26 - 28 of the Statement of Responsibilities which clearly sets out what is expected of audited bodies in preparing their financial statements. These are set out in full on the previous page.

Due to the reset, the above clearly will not be achieved and we will be liaising with PSAA Ltd to discuss and agree fees.

	2022/23	2021/22	2020/21
	£	£	£
Scale Fee - Code Work	38,376	38,376	38,376
Other (Note 1)	TBC	TBC	TBC
<b>Total audit</b>	<b>TBC</b>	<b>TBC</b>	<b>TBC</b>
Other non-audit services not covered			
None	0	0	0
<b>Total other non-audit services</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total fees</b>	<b>TBC</b>	<b>TBC</b>	<b>TBC</b>

*All fees exclude VAT*

Note 1 - PSAA Ltd, in line with the joint statement issued DLUHC (as at that date) and the FRC is responsible for the determination of the final audit fee in respect of 2021/22 and 2022/23.

In doing so, PSAA Ltd will apply the principles that where auditors have worked in good faith to meet the requirements of the Code of Audit Practice in place at the time the work was conducted (and have reported on work that is no longer required), then they are due the appropriate fee for the work done, including where their procedures were necessary to conclude the audit by the legislatively imposed backstop date by way of a modified or disclaimed opinion and the body is due to pay the applicable fee.



# Appendix C – Required communications with the Audit Committee

We have detailed the communications that we must provide to the audit committee.

Our Reporting to you		
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	<p>Communication of:</p> <ul style="list-style-type: none"> <li>▶ The planned scope and timing of the audit</li> <li>▶ Any limitations on the planned work to be undertaken</li> <li>▶ The planned use of internal audit</li> <li>▶ The significant risks identified</li> </ul> <p>When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team</p>	This Completion report for Those Charged with Governance
Significant findings from the audit	<ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> <li>▶ Findings and issues regarding the opening balance on initial audits (delete if not an initial audit)</li> </ul>	This Completion report for Those Charged with Governance

# Appendix C – Required communications with the Audit Committee (cont'd)

Page 336

## Our Reporting to you

Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	This Completion report for Those Charged with Governance
Misstatements	<ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ Material misstatements corrected by management</li> </ul>	This Completion report for Those Charged with Governance
Fraud	<ul style="list-style-type: none"> <li>▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ul style="list-style-type: none"> <li>a. Management;</li> <li>b. Employees who have significant roles in internal control; or</li> <li>c. Others where the fraud results in a material misstatement in the financial statements</li> </ul> </li> <li>▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>▶ Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud</li> <li>▶ Any other matters related to fraud, relevant to Audit Committee responsibility</li> </ul>	This Completion report for Those Charged with Governance



# Appendix C – Required communications with the Audit Committee (cont'd)

## Our Reporting to you

Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity</li> </ul>	This Completion report for Those Charged with Governance
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence</p> <ul style="list-style-type: none"> <li>▶ Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</li> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul> <p>Communication whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place.</p>	This Completion report for Those Charged with Governance

# Appendix C – Required communications with the Audit Committee (cont'd)

Page 338

## Our Reporting to you

Required communications	What is reported?	When and where
External confirmations	<ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	This Completion report for Those Charged with Governance
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur</li> <li>▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of</li> </ul>	This Completion report for Those Charged with Governance
Internal controls	<ul style="list-style-type: none"> <li>▶ Significant deficiencies in internal controls identified during the audit</li> </ul>	This Completion report for Those Charged with Governance
Group audits	<ul style="list-style-type: none"> <li>▶ An overview of the type of work to be performed on the financial information of the components</li> <li>▶ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components</li> <li>▶ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work</li> <li>▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted</li> </ul>	This Completion report for Those Charged with Governance

# Appendix C – Required communications with the Audit Committee (cont'd)

## Our Reporting to you

Required communications	What is reported?	When and where
	<ul style="list-style-type: none"> <li>Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements</li> </ul>	This Completion report for Those Charged with Governance
Representations	Written representations we are requesting from management and/or those charged with governance	This Completion report for Those Charged with Governance
System of quality management	How the system of quality management (SQM) supports the consistent performance of a quality audit	This Completion report for Those Charged with Governance
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	This Completion report for Those Charged with Governance
Auditors report	<ul style="list-style-type: none"> <li>Key audit matters that we will include in our auditor's report</li> <li>Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	This Completion report for Those Charged with Governance

# Appendix D - Non-Compliance with Laws and Regulations (NOCLAR)

Page 340

## Non-Compliance with Laws and Regulations includes:

Any act or suspected act of omission or commission (intentional or otherwise) by the entity (including any third parties under the control of the entity such as subsidiaries, those charged with governance or management or an employee acting on behalf of the company), either intentional or unintentional, which are contrary to the prevailing laws or regulations

### Management Responsibilities:

"It is the responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations, including compliance with the provisions of laws and regulations that determine the reported amounts and disclosures in an entity's financial statements."

ISA 250A, para 3

"The directors' report must contain a statement to the effect that... so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information."

ISA 250A, para 3

"Management is responsible for communicating to us on a timely basis, to the extent that management or those charged with governance are aware, all instances of identified or suspected non-compliance with laws and regulations ..."

Audit Engagement Letter

Management's responsibilities are also set out in the International Ethics Standard Board of Accountants' International Code of Ethics (IESBA Code) Para 360.08

### Auditor Responsibilities

[The International Ethics Standard Board of Accountants' International Code of Ethics](#) (IESBA Code) section 360 sets out the scope and procedures in relation to responding to actual or suspected non-compliance with laws and regulations.

Professional accountancy organisations who are members of the International Federation of Accountants (IFAC), such as the Institute of Chartered Accountants in England and Wales (ICAEW) are required to adopt the IESBA Code of Ethics.

We as your auditor are required to comply with the Code by virtue of our registration with ICAEW.

"If the auditor becomes aware of information concerning an instance of non-compliance or suspected non-compliance with laws and regulations, the auditor shall obtain:

An understanding of the nature of the act and the circumstances in which it has occurred; and Further information to evaluate the possible effect on the financial statements

The auditor shall evaluate the implications of the identified or suspected non-compliance in relation to other aspects of the audit, including the auditor's risk assessment and the reliability of written representations, and take appropriate action."

ISA 250A, paras 19 and 22

### Examples of Non-Compliance with Laws and Regulations (NOCLAR)

#### Matter

- ▶ Suspected or known fraud or bribery
- ▶ Health and Safety incident
- ▶ Payment of an unlawful dividend
- ▶ Loss of personal data
- ▶ Allegation of discrimination in dismissal
- ▶ HMRC or other regulatory investigation
- ▶ Deliberate journal mis-posting or allegations of financial impropriety
- ▶ Transacting business with sanctioned individuals

#### Implication

- ▶ Potential fraud/breach of anti-bribery legislation
- ▶ Potential breach of section 2 of the Health and Safety at Work Act 1974
- ▶ Potential breach of Companies Act 2006
- ▶ Potential GDPR breach
- ▶ Potential non-compliance with employment laws
- ▶ Suspicion of non-compliance with laws/regulations
- ▶ Potential fraud / breach of Companies Act 2006
- ▶ Potential breach of sanctions regulations



# Appendix D - Non-Compliance with Laws and Regulations (NOCLAR) (cont'd)

## What are the implications of NOCLAR matters arising?

Depending on the nature and significance of the NOCLAR matter the following steps are likely to be required, involving additional input from both management and audit.

This can have an impact on overall achievability of audit timeline and fees.

Across our portfolio of audits we have seen a steady increase in NOCLAR matters that need to be addressed as part of the audit over the past 3 years



### Management response:

Timely communication of the matter to auditors (within a couple of days)

Determine who will carry out any investigation into the matter - in-house or external specialists or mix of both

Scope the investigation, in discussion with the auditors

Evaluate findings and agree next steps

Determine effect on financial statements including disclosures

Prepare a paper, summarising the outcome of the investigation and management's conclusions

Communicate the outcome to Those Charged With Governance (TCWG) and to us as your auditors. Report to regulators where required.

### Key Reminders:

- ▶ Make sure that all areas of the business are aware of what constitutes actual or potential non-compliance and associated requirements
- ▶ Communicate with us as your auditors on a timely basis - do not wait for scheduled audit catch-ups
- ▶ Engage external specialists where needed
- ▶ Ensure that your investigation assesses any wider potential impacts arising from the matter, not just the matter itself.
- ▶ Plan upfront and consider any impact on overall accounts preparation and audit timeline - discuss the implications with us as your auditor

### Audit response:

Initial assessment of the NOCLAR matter and its potential impact

Initial consultation with risk team to determine responsive procedures and the involvement of specialists

Understand and agree scope of management's investigation with support from specialists as needed

Evaluate findings and undertake appropriate audit procedures

Determine audit related impact including accounting and disclosure and audit opinion implications

Document and consult on the outcome of our procedures

Communicate the outcome with management, TCWG and where necessary other auditors within the group or regulators

# Appendix E – VFM – Summary of recommendations

Page 342

## Recommendations

The table below sets out the recommendations arising from the value for money work in the years covered in this report, 2020/21, 2021/22 to 2022/23. All recommendations have been agreed by management.

Issue	Recommendation	Management response
Financial Sustainability	Ensure that all action plans developed by the Council to bring the council back to a financially sustainable footing by 2027-28 is appropriately implemented	
Governance	Ensure that appropriate year end closing out procedures, which include performing reconciliations, are undertaken before the financial statements are published and that these improvements are taken forward to future years.	

# Appendix F – PSAA Statement of Responsibilities

As set out on the next page our fee is based on the assumption that the Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. In particular the Council should have regard to paragraphs 26-28 of the Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements. We set out these paragraphs in full below:

## ***Preparation of the statement of accounts***

*26. Audited bodies are expected to follow Good Industry Practice and applicable recommendations and guidance from CIPFA and, as applicable, other relevant organisations as to proper accounting procedures and controls, including in the preparation and review of working papers and financial statements.*

*27. In preparing their statement of accounts, audited bodies are expected to:*

- prepare realistic plans that include clear targets and achievable timetables for the production of the financial statements;*
- ensure that finance staff have access to appropriate resources to enable compliance with the requirements of the applicable financial framework, including having access to the current copy of the CIPFA/LASAAC Code, applicable disclosure checklists, and any other relevant CIPFA Codes.*
- assign responsibilities clearly to staff with the appropriate expertise and experience;*
- provide necessary resources to enable delivery of the plan;*
- maintain adequate documentation in support of the financial statements and, at the start of the audit, providing a complete set of working papers that provide an adequate explanation of the entries in those financial statements including the appropriateness of the accounting policies used and the judgements and estimates made by management;*
- ensure that senior management monitors, supervises and reviews work to meet agreed standards and deadlines;*
- ensure that a senior individual at top management level personally reviews and approves the financial statements before presentation to the auditor; and*
- during the course of the audit provide responses to auditor queries on a timely basis.*

*28. If draft financial statements and supporting working papers of appropriate quality are not available at the agreed start date of the audit, the auditor may be unable to meet the planned audit timetable and the start date of the audit will be delayed.*

# Appendix G – Other Communications

Page 344

## EY Transparency Report 2023

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the period ended 30 June 2023 and can be found here: [EY UK 2023 Transparency Report](#).



# EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via [ey.com/privacy](https://ey.com/privacy). EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit [ey.com](https://ey.com).

Ernst & Young LLP

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited.

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

© 2024 Ernst & Young LLP. Published in the UK.  
All Rights Reserved.

UKC-024050 (UK) 07/22. Creative UK.

ED None

Information in this publication is intended to provide only a general outline of the subjects covered. It should neither be regarded as comprehensive nor sufficient for making decisions, nor should it be used in place of professional advice. Ernst & Young LLP accepts no responsibility for any loss arising from any action taken or not taken by anyone using this material.

[ey.com/UK](https://ey.com/UK)

# Rushmoor Borough Council

## Value for Money Interim Report

Year(s) ended 31 March 2023, 31 March 2022 and  
31 March 2021

October 2024



Rushmoor Borough Council  
Council Offices,  
Farnborough Road,  
Farnborough,  
Hampshire.  
GU14 7JU

October 2024

Dear Audit and Accounts Committee Members

Value for Money Report 2022/23, 2021/22 and 2020/21

We are pleased to attach our interim commentary on the Value for Money (VFM) arrangements for Rushmoor Borough Council. This commentary explains the work we have undertaken during the year and highlights any significant weaknesses identified along with recommendations for improvement. The commentary covers our interim findings for audit years 2022/23.

The Department for Levelling Up, Housing and Communities (DLUHC) has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop measures to address the delay in local audit. The National Audit Office (NAO) issued a consultation on 8 February 2024 seeking views on changes to the Code of Audit Practice to support auditors to meet backstop dates and promote more timely reporting of their work on value for money arrangements. The consultation proposes to reduce the scope of the VFM reporting up to and including the 2022/23 financial year. At this stage, we are continuing to report VFM in line with our existing responsibilities as set out in the 2020 Code.

This report is intended solely for the information and use of the Audit Committee and management. It is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting on 27 November 2024.

Yours faithfully

Maria Grindley

Partner

For and on behalf of Ernst & Young LLP

Encl

# Contents

01

Executive  
Summary



02

Value for Money  
Commentary



03

Appendices



Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (<https://www.psaa.co.uk/auditquality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The “Terms of Appointment and further guidance (updated July 2021)” issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Audit & Governance Committee and management of Oxfordshire County Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit & Governance Committee and management of Oxfordshire County Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit & Governance Committee and management of Rushmoor Borough Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.





BOARDROOM

# 01 Executive Summary



# Executive Summary

Page 350

## Purpose

Auditors are required to be satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We do not issue a 'conclusion' or 'opinion', but where significant weaknesses are identified we will report by exception in the auditor's opinion on the financial statements. In addition, auditors provide an annual commentary on arrangements published as part of the Auditor's Annual Report. In doing so, we comply with the requirements of the 2020 Code of Audit Practice and Auditor Guidance Note 3 (AGN 03).

The purpose of this interim commentary is to explain the work we have undertaken during the year and highlights any significant weaknesses identified along with recommendations for improvement. The commentary covers our interim findings for audit year 2022/23. The NAO has stated that where VFM reporting is outstanding for more than one year, the auditor can issue one report covering all years.

The Department for Levelling Up, Housing and Communities (DLUHC) has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop measures to address the delay in local audit. As part of the NAO consultation issued on 8 February 2024, there is a proposal to reduce the scope of the VFM reporting up to and including the 2022/23 financial year. However, the consultation states that where auditors have begun or already undertaken work that no longer falls under the reduced scope (if agreed once the consultation closes), they may still report on it in accordance with Schedule 4. EY are continuing to report VFM in line with our existing responsibilities as set out in the 2020 Code to ensure a smooth transition to the 2023/24 audit year when auditors are required to meet the full Code reporting responsibilities.

The report sets out the following areas which have been assessed up to the point of issuing this interim report to the Audit Committee:

- Any identified risks of significant weakness, having regard to the three specified reporting criteria;
- An explanation of the planned responsive audit procedures to the significant risks identified;
- Findings to date from our planned procedures; and
- Summary of arrangements in place over the period covered by this report (Appendix A).

We will summarise our final view of the value for money arrangements as part of the Auditor's Annual Report once the audit report has been issued for 2022/23, 2021/22 and 2020/21.

# Executive Summary (continued)

## Risks of Significant Weakness

In undertaking our procedures to understand the body's arrangements against the specified reporting criteria, we identify whether there are risks of significant weakness which require us to complete additional risk-based procedures. AGN 03 sets out considerations for auditors in completing and documenting their work and includes consideration of:

- our cumulative audit knowledge and experience as your auditor;
- reports from internal audit which may provide an indication of arrangements that are not operating effectively;
- our review of Council committee reports;
- meetings with key Officers;
- information from external sources; and
- evaluation of associated documentation through our regular engagement with Council's management and the finance team.

We completed our risk assessment procedures and did not identify any significant weaknesses in the Council's VFM arrangements.

As a result, we have no matters to report by exception in this report at this stage of the audit and we will update our interim reporting as part of issuing the final commentary in the Auditor's Annual Report later in the year.

### Description of risk identified

#### 2022/23 Financial Sustainability

The high level of short-term borrowings without sufficient income to finance the repayments as well as increase in interest costs have resulted in a financial uncertainty.

The MTFs Equalisation reserve is being used to balance the budget in the short-term and will be depleted over the MTFs period leading to a deficit position during 2023/24

### Work planned to address the risk of significant weakness

Review the cash flow forecast as well as the Financial Resilience Review done by CIPFA.

Understand the future savings plans that is factored into the financial resilience review against the budget outturn report to determine if those savings plans are realistic.

Ensure that the going concern note as disclosed in the updated accounts, reflects the financial uncertainty



# Executive Summary (continued)

## Reporting

Our interim commentary for 2022/23, 2021/22 and 2020/21 is set out over pages 10 to 22. The interim commentary on these pages summarises our understanding of the arrangements at the Council based on our evaluation of the evidence obtained in relation to the three reporting criteria (see table below) throughout 2022/23, 2021/22 and 2020/21.

Appendix A includes the detailed arrangements and processes underpinning the reporting criteria. These were reported in our 2019/20 Annual Auditors Report and have been updated for 2022/23, 2021/22 and 2020/21.

In accordance with the NAO's 2020 Code, we are required to report a commentary against the three specified reporting criteria. The table below sets out the three reporting criteria, whether we identified a risk of significant weakness as part of our planning procedures, and whether, at the time of this interim report, we have concluded that there is a significant weakness in the body's arrangements.

Reporting Criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
<b>Financial sustainability:</b> How the Council plans and manages its resources to ensure it can continue to deliver its services	Significant risk identified in 2022/23	Significant weakness identified in 2022/23
<b>Financial sustainability:</b> How the Council plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified in 2021/22, 2020/21	No significant weakness identified in 2021/22, 2020/21
<b>Governance:</b> How the Council ensures that it makes informed decisions and properly manages its risks	No significant risks identified	No significant weakness identified
<b>Improving economy, efficiency and effectiveness:</b> How the Council uses information about its costs and performance to improve the way it manages and delivers its services	No significant risks identified	No significant weakness identified





# Executive Summary (continued)

## Independence

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Council, and its members and senior management and its affiliates, including all services provided by us and our network to the Council, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2020 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

## EY Transparency Report 2023

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2023:

[EY UK 2023 Transparency Report | EY UK](#)



## 02 Value for Money Commentary

# Value for Money Commentary

**Financial Sustainability:** How the Council plans and manages its resources to ensure it can continue to deliver its services

## Significant weakness identified

### **Financial Performance:**

The Council's budget for 2020/21 was significantly impacted by Covid-19 largely as a result of reduced income and additional expenditure following restrictions that were put in place in late March 2020 and continued during the financial year. This resulted in a core deficit of £905k before transfers to carry forward requests.

The impact of Covid-19 continued during 2021/22 although restrictions were eased and the focus moved towards the recovery phase. The impact on the Council's finances were mitigated by the provision of Covid funding from Government (£0.589m), with an overall projected surplus of £1.609m before transfers to carry forward requests and meant that the draw down from the Stability and Resilience Reserve was not required.

At the end of 2022/23, the council managed to break even based on the outturn report which was reported to Cabinet in July 2023. However, based on the review of the 2023/24 annual accounts, the council was highly geared with short-term borrowings of £115m, which is significantly high for the size of entity who have a net revenue budget of £12m. In addition, the latest Medium Term Finance Strategy and 2023-24 Budget Outturn presented to the council indicated a projected deficit in 2024/25 which will result in a drawdown of reserves.

### **Reserves:**

Rushmoors' General Fund Balances decreased in 2022/23 by £2.7 million as a result of the deficit position on the Provision of Services. The closing balance of the Councils' balance at the end of 2022/23 was £21.1 million (PY: £23.9 million). Usable Earmarked Reserves decreased by £2.8 million to £19.1 million (PY: £21.9 million).

### **Budgets and Medium-Term Financial Strategy (MTFS):**

An updated MTFS and Budget Strategy was presented to Cabinet in November 2022. The Strategy also considered developments in Capital Finance including the revisions to the Prudential Code and provisions set out in the Levelling Up and Regeneration Bill. The Council's MTFS 2024-2025 to 2027-28 was presented in February 2023. The budget estimates included several significant assumptions and risks and a set of savings targets to mitigate the deficit to bring the council back to a financially sustainable footing by 2027-28. At the time of preparation in February 2023 the MTFS was balanced for 2023-24 and 2024-25 with a budget shortfall of £2.0 million forecast from 2025-26. The 2024-25 budget was balanced using a £5.4m drawdown on reserves and the MTFS shows a cumulative £19.2m deficit over 4 years before mitigation, supported by a projected £10.6m of available reserves. The agreed directorate budget for 2023/24 was £12.4 million financed from a combination of Government Grants, Business Rates and Council Tax. This shortfall would be revised as further government announcements on future funding arrangements were made.

A review of the interest rate assumptions in the budget indicates the long-term borrowing interest rate will be closer to 4% compared with 3.1% factored into estimates. This will put further pressure on the council. In addition, the budget included £40m of capital receipts from the sale of assets. Work on the Financial Resilience review performed by CIPFA, indicates that it is unlikely that the council will achieve the full £40m of capital receipts from the sale of assets.

### **Conclusion:**

For 2022/23, based on the work performed, we have identified a significant weakness in the arrangements that we will be reporting by exception in relation to how the council plans and manages its resources to ensure that it can continue to deliver its services.

For 2020/21 and 2021/22 based on the work performed, the Council had proper arrangements in place in 2021/22 and 2020/21 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

### **Recommendation:**

Ensure that all action plans developed by the Council to bring the council back to a financially sustainable footing by 2027-28 is appropriately implemented.

# Value for Money Commentary (continued)

Page 356

## Governance: How the Council ensures that it makes informed decisions and properly manages its risks

### No Significant weakness identified

The Council continues to maintain adequate arrangements to monitor and gain assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud and corruption. There is regular reporting to Chief Officers and Council on all matters providing sufficient detail and data for scrutiny, oversight and decision making. This includes identification of any new opportunities, risks or issues, and their management. The Cabinet makes key decisions and recommendations to the Council on how we provide services for local people. It normally meets once a month. The council is Rushmoor's ultimate decision-making body and is made of all 39 elected councillors. The Corporate, Governance, Audit and standards Committee meets six times a year and makes decision on licensing and reviews the Annual Governance Statement.

A risk management strategy is in place to evaluate and identify risk. There are clearly defined processes to support robust decision making through the understanding of risk, whether an opportunity or threat exists and the likely impact. The Risk Register was developed to identify risks to the Council at a corporate level and is reviewed regularly by risk owners. This risk management framework is supported and informed by the work of the Council's Internal Audit function. The Head of Internal Audit's opinion for 2020/21 was a "limitation of scope". This limitation of scope has arisen because insufficient audits were completed, primarily due to issues with delivery of audits from the contract auditors and the lack of engagement and availability of resources within Council services. An overall audit opinion of reasonable to be provided on Rushmoor Borough Council's Governance, Risk Management, and Control framework was received in 2021/22 and 2022/23.

There is a collaborative process between senior management and members, specifically the budget strategy working group. The budget is built through an incremental process, reviewing assumptions and prior year's performance. Known pressures and savings are built in, and risk is considered alongside reserve levels.

The Council published their draft 2020/21, 2021/22 and 2022/23 financial statements for audit on the 30 July 2021, 31 August 2022 and 31 July 2023 respectively, in line with the Audit and Accounts regulations, and advertised and held an inspection period for members of the public in line with these regulations. Whilst the statements were prepared later this was due to delays in the previous year. We identified that the draft financial statements for all three years were not arithmetically correct and did not agree to the data in the general ledger however we have not completed an audit on those financial statements and have not reviewed the reasons for the differences. The accounts are prepared in line with the content required by the CIPFA Code in so far as the required disclosure requirements are met. The Council has carried out bank reconciliations during the year but there were reconciliation differences. Explanation for these differences were not provided to the team. Therefore, whilst financial statements have been prepared, there are some areas for improvement.

**Conclusion:** Based on the work performed, the Council had proper arrangements in place to ensure that it makes informed decisions and properly manages its risks.

#### Recommendation:

We recommend that management ensure that appropriate year end closing out procedures, which include performing reconciliations, are undertaken before the financial statements are published and that these improvements are taken through to future years.



# Value for Money Commentary (continued)

Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services

No significant weakness identified

There is regular reporting to Chief Officers and to those charged with governance on all significant matters providing sufficient detail and data for scrutiny, oversight and decision making. This includes identification of any new opportunities, risks or issues, and their management. The finance reports communicate operational information, such as financial performance, performance against non-financial KPIs and any other relevant information.

The Council has a Corporate Plan in place which has four themes to cover both service targets and financial targets. Each theme has performance measures, and a Councillor and Officer lead who has responsibility for that measure. These measures are monitored regularly and reported upon quarterly to assess performance and identify areas for improvement.

The council undertook a Peer review in 2023/24 as well as a review by CIPFA on its Financial Resilience plan. The report endorsed the Financial Resilience Plan and highlighted that "The Council needs to reassert the importance and centrality of finance to the Council, addressing issues in relation to financial capacity and competencies and the robustness of financial management." It further states that, "The Council needs to implement the improvements in financial management discussed in this report and included in the Financial Resilience Plan as a matter of urgency given the importance of good practice financial management in underpinning financial control, supporting effective decision-making and delivering the planned path to financial sustainability."

The Annual Ombudsman Complaint Review Letter 2023 - Local Government and Social Care Ombudsman provides the Council with the evidence that the Council is responding well to complaints and is in effect a "clean bill of health" from a credible third party.

**Conclusion:** Based on the work performed, the Council had proper arrangements in place in 2020/21, 2021/22 and 2022/23 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.



## 03 Appendices



# Appendix A - Summary of arrangements

## Financial Sustainability

We set out below the arrangements for the financial sustainability criteria covering the years 2020/21, 2021/22 to 2022/23.

### Reporting criteria considerations

### Arrangements in place

How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

The Council identifies financial pressures mainly through its annual budgeting process, and annual medium/long term plans. The 2022/23 annual budget sets out the key areas of focus in the next 12 months to deliver on targets. The council is legally required to set a balanced budget for the following financial year and remains balanced. As part of the budget setting process, each council agrees a five-year Medium Term Financial Plan (MTFP). As part of constructing the budget, managers are asked to identify pressures not just for the following financial year, but across all five years of the MTFP. Senior managers horizon scan for future pressures and opportunities and budgetary provision is identified as considered appropriate by the head of finance in consultation with fellow senior managers. The Council identifies financial pressures mainly through its annual budgeting process, and annual medium/long term plans. The 2022/23 annual budget, dated 8 February 2022 and sets out the key areas of focus in the next 12 months to deliver on targets. The council is legally required to set a balanced budget for the following financial year and remains balanced.

How the body plans to bridge its funding gaps and identifies achievable savings

The Council's core financial position is a balanced budget in 2022-23 (after utilisation of the MTFS Equalisation reserve and other transfers to reserves). However, there is a significant and increasing projected funding gap (prior to any further savings target) of £3.134m in 2022/23, rising to £4.056m in 2023/24 and is forecast to increase further to £4.177m in 2024/25. An important part of the Council's strategy for financial sustainability will be to continue to deliver efficiencies and savings over the coming years. The level of savings set out in the MTFS does not meet the funding gap identified.

The Council adopted a revised approach to its Savings Programme to address the funding gap identified in the February 2021 MTFS. The programme set out a revised process for how savings are identified, evaluated, and approved, with clearer reporting and monitoring and governance arrangements. This approach was approved by Cabinet during March 2021, with significant work being undertaken by officers and members over the course of the current financial year. The Savings and Transformation programme has developed a number of workstreams that help the Council achieve a robust, balanced, and proportionate reduction in cost/additional income. The programme has considered and reviewed service delivery options, organisational redesign programmes such as ICE, improved procurement outcomes, and how to embed a commercial approach to service delivery and improved utilisation of property and income-generating assets. The forecasted savings is £446k in 2021/22 and £978k in 2022/23.

Based on the review on the 22/23 budget outturn report, costs were higher than budgeted mainly due higher interest rates which impacted borrowing costs and interest income from RHL being lower than anticipated. In addition, higher than expected inflation and pay award all impacted the cost of services. The council has however achieved its savings target for the year.



# Appendix A - Summary of arrangements

Page 360

## Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the years 2020/21, 2021/22 to 2022/23.

Reporting criteria considerations	Arrangements in place
How the body plans to bridge its funding gaps and identifies achievable savings (cont.)	The “MTFS - Financial Resilience Plan” was developed and tabled to council in February 2024 and within the report identifies the scale and focus of the savings target required which amount to a reduction in the base budget of £4.040m; £2.000m in service cost reductions and £2.040m in Interest and MRP cost reductions. £40 m disposal of assets is needed to achieve the reduction in interest and MRP costs.
How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	<p>The Council utilises long term planning to support the sustainable delivery of services. The medium-term financial strategy indicates the impact from Covid-19 on service expenditure and income, and the continuation of constraints in government funding (both in terms of the level of funding and duration) means the budget and medium-term are subject to considerable uncertainty.</p> <p>Portfolio budgets have been updated for 2022/23, along with forecasts of Corporate Items. Inflationary provision has been included as a separate item. Fees and Charges have been reviewed in accordance with the approved the methodology for the annual review of fees and charges made for Council services. An increase of 5.0% has been reflected in fees and charges that are increased in-line with the annual increase in the RPIX inflation rate.</p> <p>In additional there is an element of investment in support services to build capacity across the Council to deliver Regeneration schemes such as Union Yard. A summary of the key budget changes is set out below. The proposed net expenditure budget across the portfolios for 2022/23 is £11.620m, a net increase of £1.493m over the Original Budget (OB) for 2021/22 (£10.127m).</p> <p>A decision was made by members in February 2021 to bring forward the closure of Farnborough Leisure Centre and concentrate resources on Aldershot Indoor Pools and Leisure Centre and the Lido. The contract cost for 2022/23 remains within the overall cost envelope agreed by members in February 2021 with an expectation that the net subsidy for operating the Lido will reduce given changes made to the operation of the service over last season.</p> <p>In addition, all supplementary expenditure will be reviewed individually prior to any formal decision and consideration will only be given to essential expenditure and agreed priority areas only.</p>

# Appendix A - Summary of arrangements

## Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the years 2020/21, 2021/22 to 2022/23.

Reporting criteria considerations	Arrangements in place
How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system	<p>The MTFS considers the impact of other council strategies and is discussed in the annual published MTFS document. Other financial strategies e.g., Treasury Management and Capital Investment Strategies are produced at the same time as the MTFS review and budget work and are cross checked for consistency in planning and reporting. As discussed above, financial planning considers the strategic and operational aspects of the Council Plan and Priority Plans as well as Service Plans. Partnership working and funding e.g., budgets and funding Business rates are collected by the Council, and the proceeds are shared between Rushmoor and Hampshire County Council, and with central Government to fund services.</p> <p>There is a performance team within the Council and partnership team. The management for this area is consulted through the budget process and throughout budget monitoring in year. Officers attend the LGA conferences, Solace work ships. There are plans for a peer review.</p>
How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans	<p>The Budget Strategy set a target for the General Fund balance to be maintained at a minimum of £2m, with the Stability and Resilience Reserve balance held at a level that would allow the Council to mitigate short-term fluctuations in income and expenditure (e.g., Business Rates, Government funding changes). Given the funding gap identified over the MTFS period, the Council must identify and deliver new savings to ensure this reserve is replenished.</p> <p>A number of earmarked reserves are held for specific purposes and to mitigate risk across the Council's budgets. Paragraphs 7.1 to 7.6 of the Revenue Budget, Capital Programme and Council Tax Level report to Cabinet set out the detailed position on the Council's balances and reserves. The council identified a threat to its future financial sustainability as is set out in the General Fund Budget 2024-25 and Medium-Term Financial Strategy 2024-25 to 2027-28 reported to Cabinet and the Council in February 2024 and commissioned CIPFA to undertake a review of its financial position. The recommendation by CIPFA is that the Council builds on the work to date and quickly develops a more detailed delivery plan which sets out clear timescales, actions and accountabilities setting out:</p> <ul style="list-style-type: none"><li>• The financial outcomes required as adjusted by the outturn, review of reserves and revised MTFS</li><li>• The subsequent actions to be taken and when decision are needed</li><li>• Reporting and monitoring arrangements to ensure Financial Resilience Plan is on target and there is good visibility on progress</li></ul> <p>The action plan should include detailed plans in relation to:</p> <p>Assets to be disposed of (at an individual asset level)</p> <p>Service cost reductions</p> <p>In addition, there is a corporate risk register, which included finance risk, is reviewed by the Audit, Risk and Governance Committee.</p>

# Appendix A - Summary of arrangements

Page 362

## Governance

We set out below the arrangements for the governance criteria covering the years 2020/21, 2021/22 to 2022/23.

Reporting criteria considerations	Arrangements in place
How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud	<p>A risk management strategy is in place to evaluate and identify risk. There are clearly defined processes to support robust decision making through the understanding of risk, whether an opportunity or threat exists and the likely impact. The Risk Register was developed to identify risks to the Council at a corporate level and is reviewed regularly by risk owners.</p> <p>The risks assessed are wider than just financial, due to the nature of the Council's activities. The risks are grouped into the following categories: Strategic Risks, Standing Corporate Risks and Escalated Services Risks. The Council assesses the impact of risks on a matrix of impact and probability, with a combined score produced to assess the importance of the risk. These risks are evaluated, and controls put in place to manage and mitigate the impact on the Council. There are currently 17 out of 33 risks with a High residual risk rating.</p> <p>Internal audit provides a useful mechanism to ensure procedures are followed and are appropriate to the relevant activity. Internal audit give an objective opinion to the Authority on whether the control environment is operating as expected. The report state whether the controls in place are suitable to mitigate risk and enhance the likelihood of achieving the overall aims of the service. Internal audit also helps identify risks that need attention and work with management to develop action plans to mitigate these risks. The Head of IA's opinion for 20/21 [Ref 20/21] was a "limitation of scope" Annual Audit Opinion on the overall adequacy and effectiveness of Rushmoor Borough Council's framework of governance, risk management and control ("GRC"). This limitation of scope has arisen because insufficient audits have been completed, primarily due to issues with delivery of audits from the contract auditors and the lack of engagement and availability of resources within Council services. Also, it should be understood that the Covid-19 pandemic has been a major factor in the disruption to the delivery of audits, especially with the move to more remote working. An overall audit opinion of reasonable to be provided on Rushmoor Borough Council's Governance, Risk Management, and Control framework was received in 2021/22 and 2022/23.</p> <p>The Council is also a member of the National Anti-Fraud Network (NAFN) which circulates information about frauds occurring in the sector, which are reviewed and action taken if necessary. The Council also a whistleblowing policy has in place.</p>



# Appendix A - Summary of arrangements

## Governance (continued)

We set out below the arrangements for the governance criteria covering the years 2020/21, 2021/22 to 2022/23.

Reporting criteria considerations	Arrangements in place
How the body approaches and carries out its annual budget setting process	<p>There is a collaborative process between senior management and members, specifically the budget strategy working group. The budget is built through a incremental process, reviewing assumptions and prior year's performance. Known pressures and savings are built in, and risk is considered alongside reserve levels.</p> <p>Comprehensive details of the Councils' Policy and Budget Framework has been noted in their Policy and Budget Framework</p>
How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed	<p>Steps taken by the Cabinet, a Cabinet committee, Cabinet Members, officers or joint arrangements discharging executive functions to implement Council policy shall normally not exceed those budgets allocated to each budget head. However, virements across and variations in budget heads will be allowed in accordance with the Financial Procedure Rules in Part 4 of this Constitution. Under the Local Government Act 2000 the Council has adopted the Cabinet form of governance. The Council's governance structure is laid down in its constitution, which sets out how the council operates, how decisions are made and the procedures that are followed.</p> <p>To conduct its business efficiently, the Council needs to ensure that it has sound financial management policies in place and that they are strictly adhered to. Part of this process is the establishment of Financial Procedure Rules that set out the financial policies of the Council.</p> <p>The Chief Finance Officer is responsible for selecting accounting policies as per CIPFA and ASB guidelines and ensuring that they are applied consistently.</p> <p>The Chief Finance Officer is responsible for ensuring that the annual statement of accounts is prepared in accordance with the Code of Practice on Local Council Accounting in the United Kingdom: A Statement of Recommended Practice (CIPFA/LASAAC). The Council or an appropriate committee is responsible for approving the annual statement of accounts.</p> <p>The Chief Finance Officer is responsible for the operation of the Council's accounting systems, the form of accounts and the supporting financial records. Any changes made by Executive Directors, Heads of Service, Corporate Managers and Service Managers to the existing financial systems, or the establishment of new systems must be approved by the Chief Finance Officer. However, Executive Directors, Heads of Service and Service Managers are responsible for the proper operation of financial processes in their own services.</p> <p>The Annual Governance Statement (AGS) is prepared under CIPFA - Delivering Good Governance in local government framework. The AGS is prepared by the Finance Manager, who receives CIPFA annual updates and professional advice from the Clerk and Treasurer. The Finance Manager reviews and updates based off previous year's AGS, adjusted for the introduction of any new guidance and legislation. The AGS is then reviewed by Chief Officers, Audit Committee, and the Authority Committee.</p>

# Appendix A - Summary of arrangements

Page 364

## Governance (continued)

We set out below the arrangements for the governance criteria covering the years 2020/21, 2021/22 to 2022/23.

Reporting criteria considerations	Arrangements in place
How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed	The Accounts and Audit Regulations 2015 require every local authority to maintain an adequate and effective internal audit. The Council will comply with this requirement. Based on the Internal audit report opinion on 2021/22 and 2022/23 reasonable related to Council's Governance, Risk Management and Control Framework. A limitation was issued in 2020/21.
How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee	There is regular reporting to Chief Officers and Council on all matters providing sufficient detail and data for scrutiny, oversight and decision making. This includes identification of any new opportunities, risks or issues, and their management. The Cabinet makes key decisions and recommendations to the Council on how we provide services for local people. It normally meets once a month. The council is Rushmoor's ultimate decision-making body and is made of all 39 elected councillors. The Corporate, Governance, Audit and standards Committee meets six times a year and makes decision on licensing and reviews the Annual Governance Statement.
How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)	There are Codes of Conduct that Members and Officers are required to adhere to (see <a href="https://www.rushmoor.gov.uk/your-council/about-rushmoor-borough-council/the-constitution/">https://www.rushmoor.gov.uk/your-council/about-rushmoor-borough-council/the-constitution/</a> ) and is covered in the Constitution in part 5. There are numerous internal policies that officers are required to understand and adhere to in carrying out their duties which are available on the intranet and reviewed on a regular basis e.g. gifts and hospitality rules, Anti-Fraud, Bribery and Corruption, Capability and staff appraisal processes. The Council has a Monitoring Officer (statutory post) who has responsibility for ensuring compliance with established policies, procedures, laws and regulation and reporting potential breaches of the law or maladministration to Council and/or Cabinet. There is a Standards Committee that deals with matters relating to member complaints. Complaints or concerns around staff conduct will be raised through the various routes e.g. for fraud or misconduct and the appropriate internal policy followed. Overarching this is the council's Constitution and The Local Code of Corporate Governance. Members are required to declare interests which are published on the council's website and complete the annual related party's declaration. All documents and policies on members conduct and interest can be found on the council's website: Staff are required to record personal financial and non-financial interests that could conflict with council business in the HR system - any interests require head of service approval. Internal audit regularly report on internal controls and risk management to management and Audit and Accounts Committee which would highlight weaknesses in controls or areas of risk concern.

# Appendix A - Summary of arrangements

## Improving economy, efficiency and effectiveness

We set out below the arrangements for Improving economy, efficiency and effectiveness criteria covering the years 2020/21, 2021/22 to 2022/23.

Reporting criteria considerations	Arrangements in place
How financial and performance information has been used to assess performance to identify areas for improvement	<p>There is regular reporting to Chief Officers and to those charged with governance on all significant matters providing sufficient detail and data for scrutiny, oversight and decision making. This includes identification of any new opportunities, risks or issues, and their management. The finance reports communicate operational information, such as financial performance, performance against non-financial KPIs and any other relevant information.</p> <p>A line-by-line budget review was conducted of budgets as part of the MTFS review and budgeting setting for 2022/23 (and again in 2023/24) which looked at in year spend and identifying areas for future pressures or savings.</p>
How the body evaluates the services it provides to assess performance and identify areas for improvement	<p>Based on the above, we have documented various considerations of how the Council evaluates the service and identify areas of improvement. These include the review of the Corporate Risk Register Budget monitoring reports and External Inspections.</p> <p>The Council has a Corporate Plan in place which has four themes which cover both service targets and financial targets. Each theme has performance measures, and a Councillor and Officer lead who has responsibility for that measure. These measures are monitored regularly and reported upon quarterly to assess performance and identify areas for improvement.</p>
How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve	<p>Included within the Council's corporate plan are performance measures in relation to working with partners. These are monitored by the council as part of the Corporate Plan performance monitoring as documented above.</p>

# Appendix A - Summary of arrangements

Page 366

## Improving economy, efficiency and effectiveness (continued)

We set out below the arrangements for Improving economy, efficiency and effectiveness criteria covering the years 2020/21, 2021/22 to 2022/23.

Reporting criteria considerations	Arrangements in place
How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits	<p>The Council has a procurement strategy approved by Cabinet, which includes a procurement action plan and an ethical procurement statement.</p> <p>This sets out a clear definition of procurement at the entities, the Council's vision for procurement and clear policies for procurements, including policies to reduce risk, to counter fraud and to work within relevant legislation.</p>





# Appendix B – Summary of recommendations

## Recommendations

The table below sets out the recommendations arising from the value for money work in the years covered in this report, 2020/21, 2021/22 to 2022/22. All recommendations have been agreed by management.

Issue	Recommendation	Management response
Financial Sustainability	Ensure that all action plans developed by the Council to bring the council back to a financially sustainable footing by 2027-28 is appropriately implemented	
Governance	Ensure that appropriate year end closing out procedures, which include performing reconciliations, are undertaken before the financial statements are published and that these improvements are taken forward to future years.	

## EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via [ey.com/privacy](https://ey.com/privacy). EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit [ey.com](https://ey.com).

Ernst & Young LLP

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited.

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

© 2022 Ernst & Young LLP. Published in the UK.  
All Rights Reserved.

UKC-024050 (UK) 07/22. Creative UK.

ED None

Information in this publication is intended to provide only a general outline of the subjects covered. It should neither be regarded as comprehensive nor sufficient for making decisions, nor should it be used in place of professional advice. Ernst & Young LLP accepts no responsibility for any loss arising from any action taken or not taken by anyone using this material.

[ey.com/uk](https://ey.com/uk)

## Provision of Internal Audit Services

### SUMMARY:

This report sets out a proposal to deliver the internal audit service using the Southern Internal Audit Partnership rather than resource internally to gain additional skills and independence.

### RECOMMENDATIONS:

Members are requested to:

- (i) Review and agree the proposal to contract the Chief Internal Audit function to SIAP.

## 1. INTRODUCTION

- 1.1 The Councils Constitution sets out in Part 3, Section 6 (Roles and Responsibilities of Council Decision Making Bodies) that it is the CGAS committees' responsibility to:

*"16. To review the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.*

*17. To approve significant changes to the risk-based internal audit plan and resource requirements.*

*18. To make appropriate enquiries of both management and the Executive Head of Finance to determine if there are any inappropriate scope or resource limitations, in respect of carrying out internal audit work."*

## 2. PURPOSE

- 2.1 This report sets out the proposal to move to an externally provided internal audit service.
- 2.2 The finance service review which is to be considered by Cabinet in November proposes a number of finance team changes of which the provision of audit is a part of.

### Appendix 1 – Cabinet Report – 26th November 2024 – Finance Service Development

## BACKGROUND

- 3.1 Internal audit is a statutory requirement and coded into the council's constitution as a key tenet of good governance. The service is currently led by the Service Manager - Audit, supported by two full time (vacant) auditor posts.

- 3.2 The Internal Audit service has been reviewed as part of the wider finance service review with a view to strengthen governance arrangements and service resilience.
- 3.3 Currently there are two vacant internal audit posts which have proven difficult to recruit to. To support the Service Manager – Audit to deliver the internal audit service, the council has been contracting some of the internal audits externally. In 2024/25 this is through SIAP (Southern Internal Audit Partnership) which is part of Hampshire County Council.
- 3.4 The current resourcing arrangement with SIAP has proven successful and a proposal has been developed for SIAP to deliver the full internal audit service as part of the finance capacity and capability review.
- 3.5 The proposal to move to SIAP gives the council access to a pool of staff. This provides benefits including:
- Increased independence from Council staff
  - Increased resilience
  - A wider skill base including IT and systems expertise
  - Wider experience of other council's processes and procedures

## **4 CONSULTATION**

- 4.1 Internal Staff consultation has taken place regarding the change in structure.
- 4.2 The Head of Paid Service has been consulted on these proposals and is satisfied that this solution is acceptable to address the challenges outlined in this report, including the legal implications and mitigations of the SIAP SLA resulting in putting the Service Manager – Audit post at risk.

## **5 IMPLICATIONS**

- 5.1 Risks have been documented above regarding the Internal Audit function. In addition, the attached Cabinet report gives the risks relating to the financial service.
- 5.2 Legal Comments have been included in the attached Cabinet report.
- 5.3 Financial and Resource  
The initial service agreement will be for 5 years with break clauses based upon specific performance metrics.

Strong internal audit helps to ensure the council has appropriate processes and procedures in place to deliver services and consider value for money.

- 5.4 Equalities Impact

Consideration has been given to the protected characteristics. There do not appear to be any qualities implications arising in respect of the decisions being taken by Cabinet with regard this report.

5.5 Other  
Not applicable.

8. CONCLUSIONS

The council must ensure it has adequate capacity and capability to enable strong internal audit and provide review of processes and governance.

**BACKGROUND DOCUMENTS:**

None

**CONTACT DETAILS:**

Head of Service: Peter Vickers – Executive Head of Finance, S151  
[peter.vickers@rushmoor.gov.uk](mailto:peter.vickers@rushmoor.gov.uk)

## **FINANCE SERVICE DEVELOPMENT**

### **SUMMARY AND RECOMMENDATIONS:**

This paper sets out the requirement for additional senior financial management and technical capacity and the functional re-alignment of existing accountancy capacity to ensure robust financial leadership and risk management of the Council's affairs.

Cabinet is requested to:

1. Approve the repurposing of the internal audit and financial services budgets in accordance with the Council's Financial Procedure Rules – Part 4, C10 virements: above £50,000 reserved for Cabinet, to achieve the finance service development plan proposed in this paper.
2. Approve the Council entering into an inter authority agreement for the provision of the internal audit service by Southern Internal Audit Partnership through a 5-year Service Level Agreement including the provision of the Chief Internal Audit function, in line with the Scheme of Delegation Part 3 Section 3 para 3.5.26: agreeing agency agreements with other local authorities for the delivery of services, subject to the agreement of the Corporate Governance, Audit and Standards Committee.

## **1. INTRODUCTION**

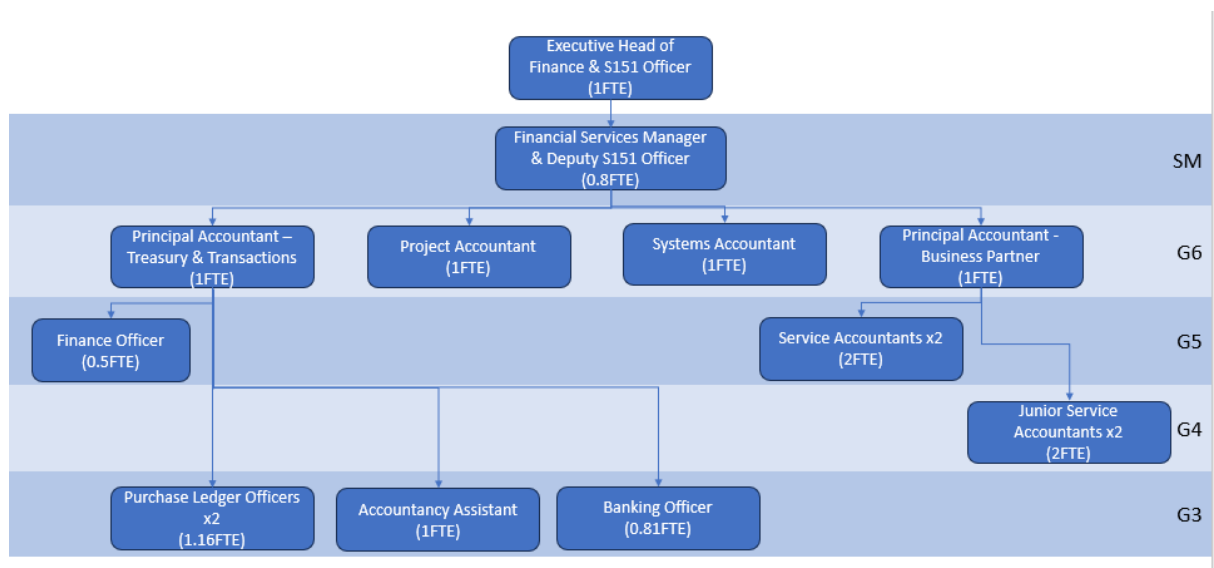
- 1.1. The Council's finance team structure and capacity must be fit for purpose to address the full range of financial disciplines required to support the functioning of the Council, including strategic and operational financial leadership, financial management, financial risk management and professional supervision of the finance team. The 2024-25 budget report approved at February Budget Council identified a need to rebuild financial capability, capacity, and resilience within the Council, and specifically within the finance team. This was further detailed and supported by the CIPFA report, and the Corporate Peer Challenge commissioned to underpin the Financial Recovery Plan. This paper proposes a response to this challenge specifically focusing on improving financial management, governance and decision making.

## **2. Current structure**

- 2.1. The finance team had been settled for a significant number of years (capacity and function), led by senior qualified local authority experienced accountants (i.e. Chartered, Certified – affiliated members of the Consultative Committee of Accounting Bodies - CCAB). The senior members of the team had a primary focus on technical accountancy and to a lesser extent on financial leadership and service development. The wider team consists of accounting technicians and administrators with varying degrees of experience and training. This was an appropriate structure and capacity for the Council after it had divested its housing stock (through LSVT) and contracted out refuse collection, street cleaning, leisure centre operations and parks and grounds maintenance, remaining with a much smaller and financially uncomplicated revenue funded low risk service offer, supported by a comfortable level of useable reserves.
- 2.2. The Council's financial affairs have rapidly become more complex in recent years (since 2017) due to its focus on significant regeneration projects and external partnerships, commercial asset acquisitions, and a housing company, all predominantly funded by borrowing. The change in focus evolved alongside a national context of increased complexity in central government regulation, rules-based grant funding, new and more complex accounting rules and regulations and statutory governance codes of compliance.
- 2.3. External audit scrutiny has become more demanding due to the Financial Reporting Council's (UK auditors and accounting institutes - CCAB governing body) response to several high-profile corporate failures (i.e. Patisserie Valerie, Sports Direct, Carillion, Credit Suisse and more recent ones). These failures were specifically attributed to issues pertaining to complex asset accounting, lease accounting, financing, and corporate governance, with the resulting additional audit regulations and higher auditing standards. The council is directly affected by these changes due to its significant asset base, technically complex commercial financial transactions and underlying financing, higher financial risk, and more challenging financial governance. Audit firms have struggled to resource the increased workload, in an ever-increasing difficult recruitment market resulting in a backlog of financial audits, which is a challenge for and a draw on the finance teams limited qualified capacity to resource.
- 2.4. The role of finance is central in identifying and managing strategic and operational financial risk and long-term financial planning. There are no aspects of council business isolated from financial risk, including areas such as treasury management compliance, borrowing, cashflow management, VAT and taxation compliance, contractual obligation, and procurement. The Council handles more than £150m of operational cashflow and £165m borrowing in any financial year, it makes long term high value financial commitments and is financially responsible and accountable to many different stakeholders. The council is always operating in a high-risk environment, with very limited reserves to mitigate the impact of any risk event materialising. Strategic and technical financial awareness is critical to ensure the council appropriately manages its risks and develops sustainable financial plans.



- 2.5. The Council has not secured sufficient appropriately skilled and experienced financial capacity to manage the council's financial affairs in response to the changes in its environment. In recent years, the team has experienced turnover of senior and experienced staff which has proven difficult to replace. The team has been partially resourced through internal recruitment and promotion of staff with insufficient experience (and not CCAB qualified) in financial management, technical accounting, and financial leadership, ultimately with an adverse impact on depth of knowledge, supervision and oversight, and effective financial management.
- 2.6. The current structure is shown in the diagram below.



- 2.7. The Head of Finance and Finance Manager are both CCAB qualified and experienced accountants, both new to the council in the last 12 months and currently the council's only senior strategic and operational technical capacity, as well as providing leadership, managerial support, and technical supervision for the wider team. It is crucial that the council has sufficient capacity to support strategic decision making, understand and analyse risk, identify, and advise on options, and understand implications of technical financial transactions and provide leadership to the council.
- 2.8. The balancing of the Council's revenue budget is challenging due to high inflation, contractual growth, a reduction in income and government funding, and high interest rates resulting in the need for several savings programs. Service managers have been responsible for managing their budgets, in accordance with the council's financial regulations and governance procedures, with limited business partnering support for service management. The limited financial leadership has resulted in an inability to provide timely and accurate financial management reporting and poor compliance with the financial regulations. Business partnering support from the finance team will require strengthening to effect improvement and enable effective ownership of service budgets.

- 2.9. Treasury management, cash flow and interest on borrowing are key risks due to the high level of short-term borrowing, and the uncertainty of interest rates. Managing this aspect of the council's cashflow and borrowing requires skill and experience to minimise interest cost, strategic treasury management oversight is limited without sufficient day to day treasury management capacity, this has resulted in significant unplanned interest costs. Treasury management requires experienced CCAB qualified finance capacity within the team.
- 2.10. The council has £235m of land and buildings across several hundred individual assets. Included within this are £134m of commercial assets (including over 100 tenants) generating £8m of lease income per year directly financing the revenue account and currently £48m of assets under construction (Union Yard and Civic Quarter). The asset base represents the biggest financial risk in the council's revenue account as identified in the February 2024-25 budget report to Full Council due to the high values of individual leases, rent free and void periods, service charges and maintenance costs, requiring much closer financial management. The council must develop, maintain, and manage a long term planned maintenance schedule including detailed financing plans. Significant expenditure on the asset base is effectively "investment" in the individual assets and should be appraised as such with clear reasons for the investment and appropriately identifying effective "best Value" affordable options for the council. The finance team does not have any dedicated capacity at present to cover off the technical accounting and financial management of the asset base and the council has yet to develop a long term planned maintenance programme or robust financial reporting to manage the commercial asset portfolio and necessary investment decisions.
- 2.11. Governance and compliance are the bedrock of sound financial administration and management, this has not been sufficiently addressed and therefore somewhat left behind. Financial governance is increasingly being codified into statute and requires external audit confirmation of compliance through our external auditors annual Value for Money reporting. Key financial aspects of the council's constitution require updating and to be maintained and promulgated across the council.
- 2.12. The council does not have in-house capacity to lead on technical year end accounting, production of the annual Statement of Accounts and external audit and a plethora of financial reporting returns to various government departments. Aside from being a statutory requirement, these reports are the basis of the governments assessment of financial support provided to the council. Production of the Statement of Accounts requires experience and up to date detailed knowledge of accounting standards, several CIPFA Codes of Practice, government directives and statutes. Information is required from across the whole council and external experts such as asset and financial instrument valuers and actuaries, in specified formats, must be accurate and verifiable. This is a logistical challenge that is constantly rolling from year to year without a break. This work has previously been resourced and lead by the Head of Finance and Finance Manager, at the expense of other priorities.

- 2.13. Over the last year, technical capacity has been secured by the engagement of an experienced qualified interim to lead on the 2023-24 financial year end accounts and audit, LGFutures engaged to provide the complex collection fund accounting and Arlingclose to assist with treasury management and capital financing, accounting, and reporting. This has been an effective stop gap strategy. It does come at a high financial cost and is not embedded within the finance team.
- 2.14. The adverse impact of all the above has resulted in the inability to produce accurate and timely in-year financial management reporting, reduced financial governance compliance (i.e. key control account reconciliations, compliance with financial regulations, codes of practice, develop and document best practice, comply with internal audit agreed actions), no in-house capacity to lead on technical year end accounting and production of the annual Statement of Account, over exposure to financial risk on the commercial asset portfolio, treasury management and the balance sheet, and under resourced strategic financial oversight and risk management.

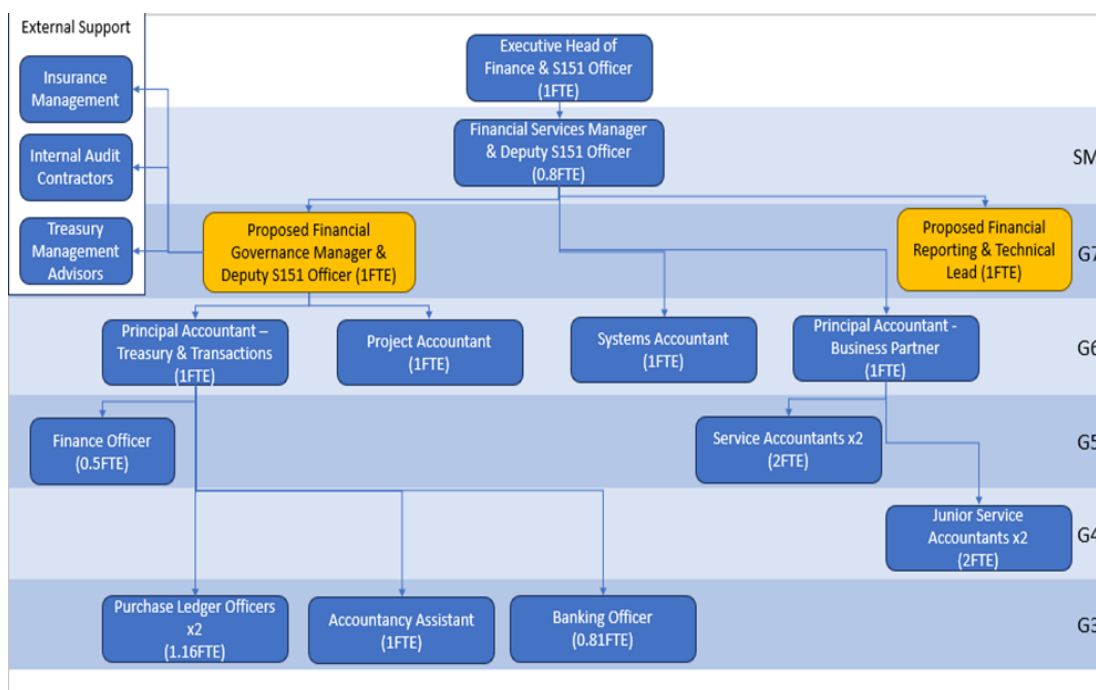
### **Internal Audit**

- 2.15. Internal audit is a statutory requirement and coded into the council's constitution as a key tenet of good governance. The service is led by the Service Manager - Audit, supported by two full time (vacant) auditor posts.
- 2.16. The Service Manager – Audit is required to provide an annual assurance assessment to the Corporate Governance, Audit and Standards Committee on the soundness of the council's governance arrangements, based predominantly upon the audit evidence gathered through completion of the annual audit programme.
- 2.17. The two vacant internal audit posts have proven difficult to recruit to. Alternative audit capacity has been procured from several councils in the last two years with limited success due to their own resourcing priorities. In the last financial year, a robust service level agreement (SLA) has been negotiated with Southern Internal Audit Partnership (SIAP), part of Hampshire County Council. The council has been trialling an SLA with SIAP resourcing the 2024-25 audit programme and has proven to be successful, especially due to their significant and varied resource capacity and Cabinet is being asked to approve the partnership agreement with SIAP for a five-year SLA, with a recommendation from the Corporate Governance and Standards Committee.
- 2.18. The Service Manager - Audit's annual assurance assessment has highlighted that the council's governance arrangements are challenging, with significant improvements required. Factoring in the finance team resourcing situation, the underlying issues require a wider focus on governance and compliance to resolve the situation from within the senior finance capacity. The Service Manager - Audit role is a proactive part of the council's assurance and risk management system and must remain independent preventing the use of this professional capacity in an operational role without causing a conflict of interest. This can be resolved through engaging SIAP to provide the independent

assurance statement and fulfilling the statutory duties of the Service Manager - Audit. This will result in deletion of the Service Manager – Audit role from the council's establishment as part of the wider finance team capacity and capability review proposals in the detail below.

### **Proposed capacity and capability changes**

- 2.19. The council has a significant financial challenge, the required capacity and capability of the finance team must be resourced within exiting budget provision.
- 2.20. Additional senior finance capacity is required to provide the technical experience, knowledge and support for the finance team and services. The council must address the technical deficit as described above and as a top priority, re-establish and develop business partnering to support service managers and deliver robust and timely financial reporting.
- 2.21. The Internal Audit service has been reviewed to strengthen governance arrangements and service resilience. The current resourcing arrangement with SIAP has proven successful and a proposal has been developed for SIAP to deliver the full internal audit service as part of the finance capacity and capability review.
- 2.22. The Service Manager - Audit post will be at risk and therefore a meaningful consultation on the proposed service changes will be done in line with the council's human resource policies, which includes ringfencing suitable vacant posts for at-risk posts to apply for. Cabinet is requested to approve the proposed SLA with SIAP to deliver the Internal Audit function.
- 2.23. The finance service will be strengthened by the addition of two senior accountant posts, one post will lead on managing financial governance, and the second post will lead on statutory and technical accounting.
- 2.24. The proposed structure is given in the diagram below:



- 2.25. The current internal audit budget is £197,901. SIAP have quoted £96,000 for the provision of audit services to cover the annual audit programme and the provision the Service Manager – Audit’s statutory duty. The balance of the internal audit budget is proposed to be vired to fund the changes in the finance service and £16,823 to fund investigation capacity (fly tipping) in the Environmental team. LGFutures have been engaged to support with the Collection Fund (local taxation) accounting, and the annual licence fee for the recently procured ledger budget management module. Cabinet is requested to approve the proposed virements.

	Budget 2024/25	Staff	SIAP	LG Futures	Budget Investigation module	Revised budget
<b>Finance Support Services</b>						
Establishment	767,856	174,648		(8,000)	(4,500)	930,004
Integra budget module					4,500	4,500
Professional Consultancy	14,000			8,000		22,000
Staff - Temp	89,570	(89,570)				0
<b>Internal Audit</b>						0
Establishment	193,943	(81,120)	(96,000)		(16,823)	0
SIAP contract	0		96,000			96,000
Environmental Investigations					16,823	16,823
Staff non pay	3,958	(3,958)				0
<b>Grand Total</b>	<b>1,069,327</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,069,327</b>

- 2.26. Once the current management review is complete business partnering will be further developed with the objective of improving financial governance, accuracy, timeliness, and support services to be more confident in owning their financial responsibilities. This will entail a review and alignment of the existing finance team capacity to address this challenge.

- 2.27. The finance system has been in place for many years and has not been fully configured to support financial management. The council has embedded an experienced systems accountant into the finance team, enabling further development of the ledger system and implementation of a budget management module that is currently being rolled out to all services.

### **Alternative Options**

- 2.28. This proposal has been developed utilising external expertise for insurance administration (London Borough of Sutton), internal audit (SIAP), collection fund accounting (LGFutures) and treasury management support (Arlingclose). The alternative will be to attempt to resource these skills through recruiting officer posts. This would be a challenge to achieve and less effective in managing these niche activities.

### **Consultation**

- 2.29. The finance team and Service Manager - Audit will be formally consulted as part of the restructure process. Corporate Governance, Audit and Standards committee have been consulted on 21<sup>st</sup> November meeting including a presentation from SIAP.
- 2.30. The Head of Paid Service has been consulted on these proposals and is satisfied that this solution is acceptable to address the challenges outlined in this report, including the legal implications and mitigations of the SIAP SLA resulting in putting the Service Manager – Audit post at risk.

## **3. IMPLICATIONS**

### **Risks**

- 3.1. Risks have been documented in the narrative of this report. In addition, the Council engaged CIPFA to undertake a financial resilience review, their findings included the risks to the council of not establishing appropriate financial skills and capacity. The CIPFA report can be accessed on the July Council agenda.

### **Legal Implications**

- 3.2. Section 151 of the Local Government Act 1972 states that every local authority must make arrangements for the proper administration of their financial affairs.
- 3.3. Pursuant to sections 9E, 9EA, 9EB of the Local Government Act 2000 the Secretary of State may make provision to permit local authorities to make arrangements for the discharge of their functions by another local authority and under Section 101(5) of the Local Government Act 1972 for the discharge of any of their functions jointly which are the responsibility of the Cabinet or Executive of a local authority. The Local Authorities (Arrangements for the Discharge of Functions) (England) Regulations 2012 permit such arrangements.

- 3.4. In accordance with sections 101 and 111 of the Local Government Act 1972, and section 3 of the Local Government Act 1999, a number of local authorities have already agreed to enter into a collaboration agreement to establish a relationship between the authorities in relation to the provision of an Internal Audit service.
- 3.5. The proposed structural changes may have TUPE implications (Transfer of Undertakings (Protection of Employment)) and external advice should be sought from an employment specialist and budgeted for accordingly.
- 3.6. The Procurement Act 2024 is due to come into effect from 24<sup>th</sup> February 2025, and until this date, the existing procurement rules as explained above will apply.

Comments approved by S Thorp, Corporate Manager, Legal Services.

### **Financial and Resource Implications**

- 3.7. The initial service agreement will be for 5 years with break clauses based upon specific performance metrics.
- 3.8. The financial implications of the proposed structure changes are covered in the report.

### **Equalities Impact Implications**

- 3.9. Consideration has been given to the protected characteristics. There do not appear to be any qualities implications arising in respect of the decisions being taken by Cabinet with regard this report.

## **4. CONCLUSIONS**

- 4.1. The council must ensure it has adequate capacity and capability to enable the Chief Finance Officer to properly administer the Council's financial affairs. This paper sets out the requirement for additional senior financial management and technical capacity and the functional re-alignment of existing accountancy capacity to ensure robust financial leadership and risk management of the council's affairs.

### **LIST OF APPENDICES/ANNEXES:**

none

### **BACKGROUND DOCUMENTS:**

None

### **CONTACT DETAILS:**

**Report Author** – Peter Vickers, Section 151, [peter.vickers@rushmoor.gov.uk](mailto:peter.vickers@rushmoor.gov.uk)

**Head of Service** – as above.



## **Insurance Arrangements**

### **SUMMARY:**

The council is currently tendering its insurance arrangement for 2025-26 and this year has an alternative challenge to the usual single option of approaching Local Authority insurance providers with an alternative insurance model. Both options were shared with the September Cabinet for approval to enter into a collaborative agreement to join the integrated insurance service led by London Borough Sutton (as the preferred mechanism for the provision of insurance) subject to a satisfactory proposal being received in September and agreed by the Executive Head of Finance following consultation with the Corporate Manager – Legal, the Leader as Portfolio Holder - Finance and the Chair of CGAS to proceed.

CGAS Terms of Reference tasks the committee with oversight of satisfactory insurance provision as part of its risk management mandate.

### **RECOMMENDATIONS:**

Members are requested to:

- (i) Review the LBS insurance proposal to confirm its suitability to satisfy the council's insurance requirement.

## **1. INTRODUCTION**

- 1.1 The Council's insurance contractual arrangements expire on 31st March 2025. The Council must ensure it achieves value for money and compliance with its procurement rules through periodic tendering of the insurance contract and reviewing the adequacy of its insurance requirements in line with the insurance strategy.

## **2. PURPOSE**

- 2.1 This report sets out the two alternative models for the councils' insurance provision.

## **BACKGROUND**

- 3.1 The appended Cabinet report describes both insurance models currently being evaluated. The council has received a proposal from LBS and is awaiting the outcome of the HIF tender route, due in December.
- 3.2 The committee will receive a presentation from LBS senior insurance managers and have an opportunity to explore this alternative approach to securing the councils insurance arrangement. It is appropriate for the committee to satisfy itself on the proposed alternative insurance arrangement.

## **4 CONSULTATION**

- 4.1 This is the CGAS consultation on the insurance proposal as per the Cabinet approval. The Cabinet considered Report No. FIN2414, which set out a proposal in relation to the process by which the Council would procure its insurance services in the future. The Cabinet discussed this and expressed support for the LBS approach being progressed, so long as the proposal received remonstrated best value for the Council.

## **5 IMPLICATIONS**

- 5.1 Risks  
Covered in the Cabinet report.
- 5.2 Legal  
Covered in the Cabinet report.
- 5.3 Financial and Resource  
Covered in the Cabinet report.
- 5.4 Equalities Impact  
No direct implications.

## **8. CONCLUSIONS**

- 8.1 Insurance is a significant cost to the council and is of strategic importance, it is important that the council achieves Value for Money and secures the best mitigation possible to provide insurance premium stability to positively contribute to the MTFS deficit challenge.

### **BACKGROUND DOCUMENTS:**

**Cabinet Report No. FIN2414: Insurance Arrangement - appended**

### **CONTACT DETAILS:**

Report Author: Peter Vickers

Head of Service: Peter Vickers – Executive Head of Finance, S151  
[peter.vickers@rushmoor.gov.uk](mailto:peter.vickers@rushmoor.gov.uk)

**10 September 2024**

**KEY DECISION? No**

## **INSURANCE PROVISION**

### **SUMMARY AND RECOMMENDATIONS:**

The 3-year insurance framework call off contract expires on 31<sup>st</sup> March 2025 and is due to be re-procured. The Council has a choice to continue to participate in a joint Hampshire district and borough wide tender process through the Hampshire Insurance Forum (HIF) or alternatively join an insurance collaboration led by London Borough of Sutton (LBS). The council must decide by the end of September on which route it will take. Once committed to the HIF tender process the council cannot withdraw due to the implications on the other participants.

LBS operates an integrated insurance services (since 2012) for itself and seven Surrey local authorities, to manage insurance administration, jointly procure insurance and pool the insurance policies excess through a collaboration agreement. LBS procures external insurance (for all parties to the collaboration) through a nine London borough consortium to gain economies of scale.

Pooled excess reduces the external policy premiums that would otherwise not be practicably possible for a single council without taking on excessive financial risk. This proposal is expected to secure a cost saving through economies of scale, increased administrative capacity, expertise, and improved business continuity without impacting on the council's overall insured risk exposure.

The HIF is not able to offer the insurance policy excess pooling to achieve equivalent economies of scale or capacity to manage the Council's insurance administration.

Detailed due diligence by LBS to develop an insurance proposal is due to be concluded in September and a decision is required on which route to take to renew the Council's insurance arrangements. The resourcing of the insurance administration is also a factor that must be considered.

Cabinet is requested to approve:

1. the collaborative agreement to join the integrated insurance service led by LBS (as the preferred mechanism for the provision of insurance) subject to a satisfactory proposal being received in September and agreed by the Executive Head of Finance following consultation with the Corporate Manager – Legal, the Leader as Portfolio Holder - Finance and the Chair of CGAS to proceed.

2. the additional provision of one-off funding of £15,000 to allow LBS to support the Council's insurance administration until the new arrangements are in place to be funded from the stability and resilience reserve.
3. subject to the collaboration proposal not being acceptable to proceed with the Hampshire Insurance Forum approach outlined within the report.

## **1. INTRODUCTION**

- 1.1. The Council's insurance contractual arrangements expire on 31<sup>st</sup> March 2025. The Council must ensure it achieves value for money and compliance with its procurement rules through periodic tendering of the insurance contract and reviewing the adequacy of its insurance requirements in line with the insurance strategy.

## **2. INSURANCE ARRANGEMENTS**

- 2.1. The Council's insurance strategy objectives are:
  - To protect the Council from the impact of unforeseen losses,
  - To achieve a financially prudent balance between self-insuring of claims (i.e., insurance excess limits) and the purchase of external insurance protection,
  - Ensure the Council obtains an adequate level of insurance, and
  - To monitor trends and contribute to risk management initiatives to reduce the cost and frequency of insurable losses.
- 2.2. The Council secures its insurance requirements through Gallaghers, the Council's insurance broker to manage annual policy renewals, new insurance placement, and technical queries. The Council's insurance policies are currently with Protector and Zurich Municipal. The full schedule is provided in appendix one.
- 2.3. Gallaghers is contracted as the broker for the Hampshire Insurance Forum, (HIF) consisting of the eleven Hampshire district and borough councils. Insurance is tendered collectively via the broker on behalf of the HIF on a 3 year call off contract with an annual renewal review, with each council contracting individually with the insurers. Insurance policies were last tendered under Official Journal of the European Union (OJEU) Regulations, for a term of 3 years from April 2020, with an option to extend by up to 2 years. The insurance term has expired and must be retendered.
- 2.4. The HIF will begin a tender exercise in October through Gallaghers, to ensure the insurance renewal is completed for before April 2025. In preparation, a significant amount of due diligence has been completed internally to update asset details, valuations, and other relevant service-related information to review the adequacy of insurance requirements and inform policy pricing.
- 2.5. The finance service is responsible for insurance administration, which involves liaison with Gallaghers, Protector and Zurich to maintain insurance data,

administer specific claims and maintain up to date insurance cover. The officer capacity responsible for and experienced in insurance administration left the council at the last finance team restructure, with the work reverting to the finance manager. This has proven to be inadequate resulting in a significant amount of work to update insurance schedules and cover, and this capacity deficit will have to be resolved. Experienced administrative support has been unsuccessfully sought from the HIF members due to a general lack of experienced insurance administrative capacity across Hampshire.

- 2.6. There is an alternative insurance arrangement to the HIF tender process available to the Council from the London Borough of Sutton (LBS). LBS has an integrated insurance service model that operates on the basis that LBS assumes insurance responsibility for participating councils' risks, through a combination of self-insuring and placing external insurance to limit its own exposure to catastrophe risks.
- 2.7. The Council will delegate its insurance function to LBS as the lead authority, including claims handling and negotiation and LBS will assume financial risk for the Council's claims within the collaborative insurance programme. Claims up to the value of £500,000 for Liability, £250,000 for Property and £100,000 for Motor will be handed by LBS pooled insurance excess fund, claims over this value will be handled by the external policies. The pooled fund is underwritten by LBS supported by a regular actuarial assessment and has a protection mechanism (see collaboration terms in appendix two). The Council will contribute to the LBS pooled fund based upon its claims record.
- 2.8. In comparison, the council's current insurance model has policy excess(self-insured) of up to £5,000 on a single claim funded directly from unbudgeted revenue, there is no insurance reserve to call upon, with LBS the Council will not have any insurance excess to fund. The annual charge for participation in the Integrated Insurance Service will consist of a contribution to the pooled fund, an allocation of the underwritten insurance premium and a charge for the insurance bureau, providing in year budget certainty.
- 2.9. The combination of high value insurance policy excess and jointly purchasing insurance through a consortium of 9 other London Boroughs affords LBS significant purchasing power to achieve economies of scale and premium stability well beyond the ability of individual district and borough councils to manage premiums through increased excess.
- 2.10. The LBS insurance offer includes an insurance administration bureau with direct links to the Council's services priced into the charge. The service will be delivered by the LBS team, rather than having any borough-specific staff. This provides a depth and breadth of technical insurance knowledge and advice, risk management and trend analysis advice. The HIF tender route to contract directly with insurers will require budget growth of Circa £20,000 to adequately administer insurance, and this does not provide any depth of technical insurance knowledge or experience.

2.11. The administration capacity is required to cover the following administrative work:

- Assistance with relevant FOI requests, complaints and members enquiries;
- Provision of management reports and data;
- Meetings with key claim generating services to discuss operational risk management and claim performance;
- Responding to internal requests for insurance advice or cover amendments;
- Procurement of insurance policies and related services in accordance with public procurement rules;
- Management of the Claims Portal;
- Gather information internally from services in respect of claims handling information and preparation of insurance policy renewals.

2.12. Participation in the HIF tender process requires a decision by the end of September to commit to the HIF joint tender. Once committed to the HIF tender process the council will be contractually committed because later withdrawal will impact the tender detail and pricing. LBS are due to provide a formal insurance proposal as outlined in Appendix Two by mid-September in time to make a decision on the council's future insurance provision.

2.13. LBS have proposed to commence managing the Council's insurance programme and claims from 1 October 2024 to 31 March 2025, at a cost of £15,000, as phase one of the collaboration agreement. This cost will then be integral to the annual charge if the proposal proceeds to phase two as described in appendix two.

2.14. The table below provides on overview comparison between the two routes:

<b>Comparison of HIF insurance tender process to LBS offer</b>		
	<b>HIF</b>	<b>LBS</b>
Insurance excess	Up to £5k unbudgeted cost per claim	No policy excess
Policy liability limits	Various dependant upon policy	Will be equivalent or better
Administration support	None - HIF members for general advice, will require officer capacity circa £20,000 budget growth.	Full administrative support included
Contract term:	Likely 3+1+1 years call off contract: no break clauses	5 years, break clauses within parameters/performance
Indemnity for negligence or omission	None - all on the Council	LBS indemnifies as Lead authority

2.15. The key criteria for the decision must be based upon the overall cost of insurance being within current budget (or less) including the cost of the administrative process, the ability to achieve medium term (5 year) premium stability, avoid above inflation annual insurance price increase shocks and the value for money of the overall insurance arrangements between the two options. A full comparison of the Insurance liabilities/indemnities will be completed as part of the final due diligence once the LBS proposal is received. Not less than current terms will be acceptable.

- 2.16. The Executive Head of Finance has worked with LBS for 5 years and procured the LBS service on behalf of Waverley Borough Council in 2020. LBS performance was reviewed annually by the participating Surrey borough and district councils Section 151 officers' group. The service provided has proven to be Value for Money through insurance budget reduction, significant cost increase avoidance, establishment cost saving and has achieved the objectives set out in this paper.
- 2.17. Contractual arrangements are covered in the legal section below and appendix two.

### **Alternative Options**

- 2.18. There are limited options available for procuring insurance, managing the cost of insurance and mitigating risk.
- 2.19. The council has two options, continue with the HIF tender and contract directly with specific insurers for the necessary insurance covers or contract with LBS to join the Integrated Insurance Service including the insurance administration bureau. It is possible to procure directly from an insurance framework as a direct approach to market, this would take approximately 4 months. This is not a viable option as it would require the acquisition of a broker and approach to the same pool of insurers open to Local Authority business as the HIF and LBS with no economies of scale or ability to increase insurance excess without significantly higher financial risk, to competitively reduce premiums.

### **Consultation**

- 2.20. Cabinet and CGAS will be consulted on this proposal with an opportunity to discuss the proposal with LBS insurance manager prior to a final decision.

## **3. IMPLICATIONS**

### **Risks**

- 3.1. Insurance is a key component of risk management. The council has a statutory obligation to ensure adequate insurance provision. Failure to adequately insure could result in a significant financial detriment to the Council in the event of an insurable risk event materialising. Not agreeing a course of action as proposed in this report will result in the likelihood of not having adequate provision in place by 1<sup>st</sup> April 2025 or potentially more expensive insurance premiums due to limited time and ability to negotiate.
- 3.2. A review of LBS's MTFS shows that it is a financially stable authority, its net revenue budget for 2023/24 was £161.2m with an outturn surplus of £306,000 and for 2024/25 its net revenue budget is £174.2m and has usable reserves of £163m. The council has the expected demographic and inflation cost pressures in line with other councils. A balance budget was set for 2024-25 and its MTFS forecasts a budget deficit of £31m over the following 2 years predominantly



related to the Dedicated Schools Grant (DSG) and Special Educational Needs transport and therapies costs funded from the General Fund.

- 3.3. LBS, the Council and Surrey districts and boroughs cover similar functions and services, they have similar demographics and a wide range of urban and rural geography. LBS therefore has an in-depth understanding of the risk profile of all the authorities and experience of working with them since 2012. The council has no unique features from an insurance risk perspective that would incur any complication based upon the in-depth review completed by LBS.
- 3.4. The in-depth review by LBS also included a review of all claims over the last ten years including the policy detail of all current insurance policies. The outcome of this review will inform the collaboration proposal and pricing.
- 3.5. LBS will indemnify the Council against any loss occasioned as a result of negligence or omission as Lead Authority in respect of conducting the Council insurances covered under the collaboration agreement. In addition, LBS will not indemnify the Council against any losses or damages incurred which would not be insured under the operative sections of the external insurance policies placed by LBS for the benefit of itself and its partners, including the Council. If there is no external insurance policy in place for any risk and the cover is included within the terms of this Collaboration Agreement, a market standard local authority worded policy will be used.
- 3.6. Exit clauses – if the Council suffers a deteriorating claims experience or premium increase that results in the agreement to exit the collaboration, there is a six-month window to procure alternative insurance or at least test the market against a revised LBS pricing. Whilst LBS will manage insurance losses on behalf of the Council which pre-date this Collaboration Agreement, those losses are to be funded by the Council in accordance with the terms, conditions, and exceptions of the Council previous contracts of insurance. Decisions to agree settlement will be referred with recommendations by LBS to the Executive Head of Finance.
- 3.7. In the event of a withdrawal the Integrated Insurance Service will remain liable for any claims with an incident date within the collaboration period.

### **Legal Implications**

- 3.8. Finance regulations D3 to D6 require the Chief Finance Officer to ensure appropriate insurance cover in accordance with statutory requirements for known insurable risks and assets owned and/or used in connection with the Council's activities and regularly review the Council's insurances with the appropriate Executive Directors, Heads of Service, Corporate Managers and Service Managers.
- 3.9. In relation to the London Borough of Sutton (LBS) insurance option, under the Public Contracts Regulations 2015, section 37, local authorities, as contracting authorities, may purchase works, goods or services from or through a central purchasing body. Where they make such purchases, they

are deemed to have complied with public procurement regulations, to the extent that the central purchasing body has complied with the rules. A central purchasing body includes a contracting authority that acquires supplies and/or services (such as insurance) intended for contracting authorities.

- 3.10. Pursuant to sections 9E, 9EA, 9EB of the Local Government Act 2000 the Secretary of State may make provision to permit local authorities to make arrangements for the discharge of their functions by another local authority and under Section 101(5) of the Local Government Act 1972 for the discharge of any of their functions jointly which are the responsibility of the Cabinet or Executive of a local authority. The Local Authorities (Arrangements for the Discharge of Functions) (England) Regulations 2012 permit such arrangements.
- 3.11. In accordance with sections 101 and 111 of the Local Government Act 1972, and section 3 of the Local Government Act 1999, a number of local authorities have already agreed to enter into a collaboration agreement to establish a relationship between the authorities in relation to the provision of an integrated insurance service.
- 3.12. In relation to the direct tender option, the Public Procurement rules and Contract Standing Orders must be followed in the normal way.
- 3.13. The Procurement Act 2024 is due to come into effect from 28 October 2024, and until this date, the existing procurement rules as explained above will apply.
- 3.14. There are no TUPE issues to consider as there are no posts affected.

Comments approved by Corporate Manager, Legal Services.

### **Financial and Resource Implications**

- 3.15. The initial service agreement will be for 5 years with break clauses based upon specific financial parameters set out in appendix two.
- 3.16. The annual charge for participation in the Integrated Insurance Service will consist of a contribution to the pooled fund, an allocation of the underwritten insurance premium and a charge for the insurance bureau. This information will be provided by mid-September. The Council's 2024-25 insurance budget is £364,000. Full detail is on appendix one.
- 3.17. The cost of the LBS insurance administrative bureau is expected to be contained within the within the 2024-25 LBS insurance charge. The Council does not have a dedicated insurance administration budget resulting from an efficiency saving in the last finance team restructure. This has proven to be ineffective and will require budget growth of circa £20,000 if the HIF procurement route is pursued.
- 3.18. The LBS collaboration agreement will be managed by the Executive Head of Finance, claims administration will be managed by LBS and the annual data

updates such as rebuild cost valuation of assets will be covered within the rolling 5-year annual valuation process for the Financial Statements.

### **Equalities Impact Implications**

- 3.19. Consideration has been given to the protected characteristics. There do not appear to be any equalities implications arising in respect of the decisions being taken by Cabinet with regard this report.

### **Other**

- 3.20. Insurance is a significant cost to the council and is of strategic importance, it is important that the council achieves Value for Money and secures the best mitigation possible to provide insurance premium stability to positively contribute to the MTFS deficit challenge.

## **4. CONCLUSIONS**

- 4.1. The Council must ensure it has adequate insurance provision. The call-off procurement framework contract is due to expire and be re-procured. The Council has two options to proceed.
- 4.2. It is in the best interest of the council to maximise its overall value for money on its insurance arrangements including future premium stability and cost of administration.

### **LIST OF APPENDICES/ANNEXES:**

Appendix One: Insurance schedule

Appendix Two: Sutton Insurance proposal

### **BACKGROUND DOCUMENTS:**

None

### **CONTACT DETAILS:**

**Report Author** – Peter Vickers, Section 151, Peter.Vickers@Rushmoor.gov.uk

**Head of Service** – as above.

## Appendix One: Insurance schedule

		2023-24		2024-25	
Insurer	Insurance:		Additional: The Meads	Total	Total
Zurich	Fidelity	6,439		6,439	7,083
Zurich	Engineering Ins	12,134	4,001	16,135	17,219
Zurich	LA Combined	5,880	518	6,398	7,038
Protector	Combined Liability	108,290		108,290	119,119
Chaucer	Terrorism	12,601	10,827	23,428	25,771
Protector	Commercial Combined	17,126		17,126	18,839
Protector	Property Damage	38,980	89,732	128,712	141,068
Protector	Fleet	4,894		4,894	5,383
		206,345	105,077	311,422	341,521
Plus insurance premium tax 2024-25		£22,520			

## Appendix Two: Sutton Insurance proposal

Rushmoor Borough Council (Rushmoor) has approached Sutton Council (Sutton) to undertake a due diligence process to explore an integrated insurance service between the two parties. Sutton already operates integrated insurance services for seven local authorities, namely Epsom and Ewell Borough Council, Surrey Heath Borough Council, Reigate and Banstead Borough Council, Tandridge District Council, Waverley Borough Council, Mole Valley District Council and Spelthorne Borough Council. These arrangements operate on the basis that Sutton self-insures the other party's risks and then places external insurance to limit its exposure to catastrophe risks. No profit is made by Sutton but the other parties contribute to Sutton's insurance costs, which in turn reduces its own insurance overhead. All parties benefit from various economies of scale and the pooling of risks. The partners primarily benefit through premium stability - in some cases, savings - and access to Sutton's expert in-house claims handling and technical insurance services. The existing integrated insurance services began as five-year agreements with specific cancellation clauses linked to the performance of the service. These middle-term agreements are necessary to implement the necessary operational risk initiatives to create a sustainable insurance programme.

Sutton is currently completing a due diligence review to:

1. Review Rushmoor's current insurance programme;
2. Analyse Rushmoor's claims experience to estimate the required self-insurance funding;
3. Interrogate previously handled claims to find possible areas for improvement;
4. Calculate the cost of the potential integrated insurance service; and
5. Conclude if any such service would be in the mutual benefit of both parties.

Sutton has already reviewed Rushmoor's policy schedules and found no endorsement or other term that would restrict its ability to make a proposal. Sutton is currently awaiting premium indications from its insurers so the financial aspect of the proposal can be completed. However it is hoped it will present an opportunity for Rushmoor to

make an immediate financial saving, whilst benefiting from enhanced policy cover and claims handling service. In addition to the lower initial cost of an integrated service, there is potential for further savings once Sutton has implemented its claims handling methodology and incorporated Rushmoor's risks into future procurement exercises.

If the partnership proceeds, Sutton proposes that implementation would be as follows:

- Sutton commences managing Rushmoor's insurance programme and claims from 1 October 2024 to 31 March 2025, at a cost of £15,000, as phase one of the partnership agreement;
- Rushmoor allows all of its policies to expire on 31 March 2025, creating a Rushmoor programme end date of 31 March 2025.
- Rushmoor delegates responsibility for its insurance service to Sutton under the Local Authority Act 1972.
- Sutton incorporates Rushmoor's risks from 1 April 2025 (phase two).
- At that point Sutton will have the financial risk for Rushmoor's claims according to its own insurance programme (currently £500,000 for Liability, £250,000 for Property and £100,000 for Motor). Sutton's external insurers will cover any costs beyond this up to the policy limits. Rushmoor will only be liable for claim payments up to a small departmental excess - to avoid pound swapping.
- Rushmoor's insurers will continue to handle claims with an incident date prior to 1 April 2025 (i.e. up to the expiry date of their cover) however, as part of the agreement, Sutton will manage those claims on Rushmoor's behalf.
- Sutton will then self-handle all claims with an incident date of 1 April 2025 or later (i.e. from the date Rushmoor is covered under the Sutton programme).
- Sutton will handle all claims internally up to its policy excess (all except catastrophe claims).
- Rushmoor's arrangement with Sutton will mirror the existing arrangements it has with the other borough and district councils in the programme.

Throughout and after implementation, Sutton's service for Rushmoor will also include:

- Assistance with relevant FOI requests, complaints and members enquiries;
- Provision of management reports and data as agreed;
- Attendance at biannual service review meetings with Rushmoor (or more frequently if required);
- Meetings with key claim generating services to discuss operational risk management and claim performance;
- Responding to internal requests for insurance advice or cover amendments;
- Procurement of insurance policies and related services in accordance with public procurement rules;
- Assistance with internal and external information to ensure that future enquiries are made direct to Sutton;
- Management of the Claims Portal;
- Reasonable use of resources to gather information internally from Rushmoor in respect of claims handling information and preparation of insurance policy renewals.

Sutton will deliver this within its existing staff structure. The service will be delivered by the team as a whole, rather than having any borough-specific staff. It is envisaged

the service will be delivered both from Sutton's Civic Offices and remotely and there will be flexible working arrangements to ensure there is a claims handling presence within Rushmoor if face-to-face meetings are required, for example, to take a witness statement.

Sutton will estimate a cost for year one and the charge will be subject to annual review from thereon. Sutton will provide Rushmoor with a detailed report setting out the basis of the charge. The charge will include:

- a contribution to Sutton's self-insurance fund,
- a share of the external insurance premiums, and
- a proportion of the service costs.

The charge could decrease if external premiums are reduced or the claims experience improves to justify such a reduction. It could also increase for reasons outside of Sutton's control that would impact all insured irrespective of this agreement. For example, a hardening insurance market that increases the cost of external insurance or an Insurance Premium Tax increase.

Regardless of the cause, both parties may withdraw from the agreement if any of the following situations arise:

1. Sutton's self-insured losses exceed 150% of the total internal funding requirement for the current or preceding periods of insurance, giving six months' notice.
2. The annual charge to Rushmoor exceeds 120% of the preceding charge, giving three months' notice.
3. Either party materially breaches its obligations under the agreement and fails to rectify the breach within a reasonable time.

This proposal is for an initial term until **31 March 2030**. Following that minimum period, the agreement will continue until either party withdraws or formally extends the minimum term. The collaboration agreement will follow the basis used for Sutton's existing borough and district council agreements. Any request for significant changes to the agreement must be resolved prior to the service commencing. The agreement will detail the service standards both parties are required to uphold. Sutton will ensure that all claims correspondence is processed/responded to within seven working days and that all claims are handled in accordance with the civil procedure rules, including the pre-action protocols. If there is not a relevant protocol, the claim will be handled in accordance with the timescales contained in the pre-action protocol for personal injury claims. Technical-based correspondence or any other queries will be dealt with according to the urgency of the matter.

Rushmoor will be responsible for immediately passing all correspondence regarding actual or potential insurance claims unanswered to Sutton. In addition, Rushmoor must respond to all reasonable requests for information in defence of insurance claims within 15 days (5 days for motor) of the request. If required, Rushmoor's officers may be required to provide witness evidence and those officers must assist the investigation and be made available to attend court service to give evidence if so requested. Rushmoor is recommended to retain some internal resources to act as key

contact and conduit for information that Sutton cannot source directly and to undertake certain annual and other tasks such as recharging and being the contract manager. How this element is provided is at Rushmoor's sole discretion.

Rushmoor will benefit from:

- A more robust in-house claims handling service that may improve its claims experience.
- Economies of scale when purchasing external insurance policies (Sutton currently procures via joint exercises on behalf of ten local authorities);
- Increased resilience to provide the insurance services.
- A joined-up approach to risk management across Sutton and all the other councils.
- Higher insurance policy limits and best in market policy wordings.

Sutton will benefit from:

- Sharing its service costs and external insurance premiums across a wider base;
- Diversifying the risks covered by its self-insurance fund;
- Increased resilience to provide the insurance services.



Corporate Governance, Audit and Standards  
Committee  
21<sup>st</sup> November 2024

EXECUTIVE HEAD OF FINANCE  
REPORT NO: FIN2417

## TREASURY MANAGEMENT AND NON-TREASURY INVESTMENT OPERATIONS 2024/25 – Quarter 2

### SUMMARY:

This report sets out the activities of the Treasury Management and non-Treasury Investment Operations for quarter 2 in the financial year 2024/25, and reports on compliance with Prudential Indicators.

### RECOMMENDATIONS:

Members are requested to:

- (i) Make any recommendations, as appropriate, to the Cabinet on the contents of this report in relation to the treasury management and non-treasury investment operations carried out during 2024/25.

## 1. INTRODUCTION

- 1.1 This report sets out the Treasury Management and Non-Treasury Investment operation performance for Quarter 2 2024/25. This report is a statutory requirement under the CIPFA Code of Practice on Treasury Management.
- 1.2 Full Council approved the Annual Treasury Management Strategy and Non-Treasury Investment Strategy for the financial year 2024/25 in February 2024. The Council's treasury management activity is underpinned by CIPFA's Code of Practice on Treasury Management 2021 ("the Code") and is fully incorporated into the Council's adopted strategy.

## 2. PURPOSE

- 2.1 This report sets out compliance with the strategy and performance against Prudential Indicators to the end of September 2024/25 within appendices (1-4):

### Appendix 1

- The **Treasury Management operations** which sets out how the Council's treasury service operated during the period to September 2024;
- The **Treasury Management Borrowing** which sets out the Council's borrowing during the period to September 2024, and;
- The **Treasury Management Investments** which sets out the Council's Treasury Management investment operations for the period to September 2024.

## **Appendix 2**

- the **Prudential indicators** performance is compared to the indicators set out in the Annual Capital Strategy for the year 2024/25.

## **Appendix 3**

- The list of borrowing counterparties as at end of September 2024.

## **Appendix 4**

- Market commentary regarding from the Council's treasury management advisors Arlingclose

### **3 BACKGROUND**

- 3.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) have issued guidance on the aims and requirements of a Capital Strategy focusing on a whole organisation approach to prudent, sustainable, and resilient local government investment.
- 3.2 CIPFA have also issued two professional Codes of Practice to which the Council is required to "have regard to". These Codes provide frameworks that are designed to support local strategic planning, local asset management planning and proper option appraisal:
- The Prudential Code – developed to support local authorities in taking decisions around their capital investment programmes. The objectives of the Prudential Code are to ensure, within a clear reporting framework, that a local authority's capital expenditure plans and investment plans are affordable and proportionate; that all external borrowing and other long-term liabilities are within prudent and sustainable levels; that the risks associated with investments for commercial purposes are proportionate to their financial capacity; and that treasury management decisions are taken in accordance with good professional practice.
  - The Treasury Management Code - Treasury Management is defined as 'The management of the organisation's borrowing, investments, and cash flows, including its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks'.
- 3.3 The primary purpose of the treasury management operation is to ensure that cash flow is adequately planned, with cash being available when it is needed to deliver the Council's services. The secondary function of the treasury management operation is the funding of the Council's capital programme and manage cashflow requirements over a longer-term period.
- 3.4 Non-treasury investment operations should ensure that all investments made primarily for service reasons. Then, second to this, the function of investment management is to generate returns.
- 3.5 This quarterly report provides an additional update and includes the requirement in the 2021 Code of quarterly reporting of the treasury management prudential indicators.

## 4 POOLED FUNDS

- 4.1 Accounting Standard IFRS9 impact – The statutory override for pooled funds in England – requires change in value of the original capital invested (i.e., current market price resulting in gains and losses) to be held as a value on the Balance Sheet until the fund is sold (i.e., when the gain or loss becomes real) – is set to end in 2025-26, i.e., the last year it will be in place will be 2024-25. The long-term pooled funds investment is currently valued below cost, i.e. at a loss if they were to be redeemed. The council must make a revenue provision for the change in value each year from 2025-26. At current valuation this will be £968k.

Fund:	Cash Invested	Value October	Unrealised loss
Threadneedle Investments	2,000	1,906	(94)
M&G Investments Strategic Corporate Bond Fund	4,000	3,505	(495)
Schroders Income Maximiser	5,000	4,705	(295)
Aegon Diversified Monthly Income Fund	2,000	1,917	(83)
	13,000	12,032	(968)

- 4.2 In the previous quarter it was decided to give notice on the CCLA fund to mitigate some of the losses incurred from the UBS fund. Due to the 6 months' notice period required there is an element of risk that remains as the final value could go up or down by the end of the 6 month period.

## 5 CONCLUSIONS ON THE TREASURY MANAGEMENT AND NON-TREASURY INVESTMENT OPERATIONS DURING 2024/25

- 5.1 All treasury activity was conducted within the approved Treasury Management Practices (TMP's).
- 5.2 The majority of borrowing is currently short term and will remain so until Public Works Loan Board (PWLb) interest rate reduces to a level that will enable longer term affordable borrowing to be secured.

## 6 KEY RISKS

- 6.1 The Council has borrowed substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Authority's treasury management strategy.
- 6.2 The key risks to the Councils delivery of successful treasury and non-treasury investment options include:
- Inflation levels  
Inflation rates are now reducing after a prolonged period of increased levels
  - Bank of England Base rate  
Base rate as of writing has reduced to 4.75%. Expectations are that this will reduce further, however a slow reduction is anticipated
  - Delivery of Capital Programme

- Will impact borrowing requirements and timing will impact rates achievable for both borrowing and investments during the years
- Changes in Valuation of Pooled Funds
  - From 2025/26 will impact bottom line of General Fund

Contact Details:

Report author:

Rosie Plaistowe-Melham – Services Manager Finance

01252 398037

[rosie.plaistowe@rushmoor.gov.uk](mailto:rosie.plaistowe@rushmoor.gov.uk)

Head of Service:

Peter Vickers - Executive Head of Finance

## Treasury Management Report Q2 2024/25

### Introduction

The Council applies the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code). This quarterly report provides an update of the treasury management prudential indicators. The non-treasury prudential indicators are included in Appendix 2.

The Council's treasury management strategy for 2024/25 was approved at the Council meeting on 22 February 2024. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Council's treasury management strategy.

### Local Context

On 31<sup>st</sup> March 2024, the Council had net borrowing of £140.8m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while balance sheet resources are the underlying resources available for investment. These factors are summarised in Table 1 below.

Table 1: Balance Sheet Summary

	<b>2024-25 Estimate</b>	<b>31.3.24 Actual £m</b>	<b>31.3.25 Forecast £m</b>
General Fund CFR	167.9	167.6	171.0
Less: Other debt liabilities (leases)	0.8	1.0	0.7
<b>Borrowing CFR</b>	<b>167.1</b>	<b>166.6</b>	<b>170.3</b>
Less: Internal borrowing (surplus cashflow timing difference)	5.0	4.6	25.1
<b>External borrowing</b>	<b>162.1</b>	<b>162.0</b>	<b>145.2</b>
Less: Balance sheet resources (mostly pooled funds)	26.7	43.2	18.0
<b>Net borrowing</b>	<b>135.4</b>	<b>118.8</b>	<b>127.2</b>

The treasury management position at 30<sup>th</sup> September and the change over the quarter is shown in Table 2 below.

Table 2: Treasury Management Summary

	<b>31.3.24 Balance £m</b>	<b>Movement £m</b>	<b>30.9.24 Balance £m</b>	<b>30.9.24 Rate %</b>
Long-term borrowing				
- Other (local authorities)	5.0	(3.0)	2.0	5.10%
Short-term borrowing	157.0	(16.5)	140.5	5.17%
<b>Total borrowing</b>	<b>162.0</b>	<b>(19.5)</b>	<b>142.5</b>	
Long-term investments	21.9	(5.0)	16.9	5.58%
Short-term investments	15.0	(15.0)	0.0	n/a
Cash and cash equivalents	6.3	4	10.3	5.16%

<b>Total investments</b>	<b>43.2</b>	<b>(16.0)</b>	<b>27.2</b>	
<b>Net borrowing</b>	<b>118.8</b>	<b>(3.5)</b>	<b>115.3</b>	

### **Borrowing Strategy and Activity**

As outlined in the treasury strategy, the Council's chief objective when borrowing has been to strike an appropriately risk balance between securing lower interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective. The Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. At the present time short term interest rates are higher than long term interest rates.

After substantial rises in interest rates since 2021 many central banks have now begun to reduce rates, albeit slowly. Gilt yields are volatile, data from the US continues to impact global bond markets including UK gilt yields.

The PWLB certainty rate for 10-year maturity loans was 4.80% at the beginning of the year and currently 5.26%. Rates for 20-year maturity loans was 5.01% to currently 5.83%, and 50-year maturity loans from 4.88% to 5.60%.

Whilst the cost of short-term borrowing from other local authorities spiked to around 7% in late March 2024, primarily due a less cash available during the last month of the financial year, as expected shorter-term rates reverted to a more normal range and were generally around 5.00% - 5.25%.

CIPFA's 2021 Prudential Code is clear that local authorities must not borrow to invest primarily for financial return and that it is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement and so may lead to new borrowing, unless directly and primarily related to the functions of the Council. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield unless these loans are for refinancing purposes. The Council has no new plans to borrow to invest primarily for financial return.

The Council currently holds £148m in commercial property investments of which the majority were primarily for financial return and were purchased prior to the change in the CIPFA Prudential Code. Before undertaking further additional borrowing the Council will review the options for exiting these investments.

### **Loans Portfolio**

At 30<sup>th</sup> September the Council held £142.5m of loans, (a decrease of £19.5m on 31<sup>st</sup> March 2024), as part of its strategy for funding previous and current years' capital programmes. Outstanding loans on 30<sup>th</sup> September 2024 are summarised in Table 3A below.

**Table 3A: Borrowing Position**

	<b>31.3.24 Balance £m</b>	<b>Net Movement £m</b>	<b>30.9.24 Balance £m</b>	<b>30.9.24 Weighted Average Rate %</b>	<b>30.9.24 Weighted Average Maturity (years)</b>
Local authorities (long-term)	5.0	(3.0)	2.0	5.10%	2.00
Local authorities (short-term)	157.0	(16.5)	140.5	5.16%	1.00
<b>Total borrowing</b>	<b>162.0</b>	<b>(19.5)</b>	<b>142.5</b>		

The average rate on the Council's short-term loans at 30<sup>th</sup> September 2024 on £140.5m was 5.16%, this compares with 5.13% on £145m loans 3 months ago.

**Table 3B: Long-dated Loans borrowed**

	<b>Amount £m</b>	<b>Rate %</b>	<b>Period (Years)</b>
Horsham District Council	2.0	5.10	2
<b>Total borrowing</b>	<b>2.0</b>		

The Council's new borrowing decisions to replace existing borrowing as current loans mature are determined by a cashflow projection.

### **Forward starting loans**

To enable certainty of cost to be achieved without suffering a cost of carry in the intervening period, the Council arranged £10m of forward starting loans with fixed interest rates of 4.70% for the delivery of cash in the following 2 months' time, details of which are below.

**Table 3C: Forward starting loans**

	<b>Amount £m</b>	<b>Rate %</b>	<b>Loan Period (Years)</b>	<b>Forward Period (Months)</b>
Furness Building Society	5	4.70%	1	2
Lancashire Combined Fire Authority	5	4.70%	1	2
<b>Total borrowing</b>	<b>10</b>	<b>4.70%</b>		

There remains a strong argument for diversifying funding sources, particularly if rates can be achieved on alternatives which are below PWLB rates. The Council will evaluate and pursue these lower cost solutions and opportunities with its advisor Arlingclose. There has not been any opportunities identified to date.

### **Other Debt Activity (not applicable for Q2)**

### **Treasury Investment Activity**

The CIPFA Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes (revised in 2021) defines treasury management investments as investments that arise from the organisation's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.

The Council holds some invested funds, representing income received in advance of expenditure plus balances and reserves held. The investment position is shown in table 4 below.

**Table 4: Treasury Investment Position**

	<b>31.3.24 Balance £m</b>	<b>Net Movement £m</b>	<b>30.9.24 Balance £m</b>	<b>30.9.24 Income Return %</b>
Banks & building societies	(0.3)	0.7	0.4	5.14
Local authorities	15	(15)	0	n/a
Money Market Funds	6.6	3.3	9.9	4.90-5



Other Pooled Funds				
- <i>Strategic bond funds</i>	6		6	4.34
- <i>Equity income funds</i>	5		5	10.09
- <i>Property funds</i>	3.9		3.9	4.54
- <i>Multi asset income funds</i>	7	(5)	2	3.72
<b>Total investments</b>	43.2	(16)	27.2	

Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

As demonstrated by the liability benchmark in this report, the Council expects to be a long-term borrower and new treasury investments are therefore primarily made to manage day-to-day cash flows using short-term low risk instruments. The existing portfolio of strategic pooled funds will be maintained to diversify risk into different sectors and boost investment income.

Bank Rate reduced from 5.25% to 4.75% in November 2024 with short term interest rates largely being around these levels. The rates on money market were between 4.90% and 5%.

The progression of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking in Table 5 below.

Table 5: Investment Benchmarking – Treasury investments managed in-house

	<b>Credit Score</b>	<b>Credit Rating</b>	<b>Bail-in Exposure</b>	<b>Weighted Average Maturity (days)</b>	<b>Rate of Return %</b>
31.03.2024	5.34	A+	30%	16	5.69%
30.09.2024	4.89	A+	100%	1	5.30%
<b>Similar LAs</b>	<b>4.62</b>	<b>A+</b>	<b>60%</b>	<b>52</b>	<b>4.85%</b>
<b>All LAs</b>	<b>4.60</b>	<b>A+</b>	<b>61%</b>	<b>11</b>	<b>4.90%</b>

### **Externally Managed Pooled Funds**

£17.4m of the Council's investments is invested in externally managed strategic pooled funds where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability.

The first six months of 2024/25 were marked by ongoing market volatility and had a marginal negative effect on the combined value of the Council's strategic funds since March 2024. The change in the Council's funds' capital values and income return over the 6-month period is shown in Table 4.

The Council has budgeted £1.24m income from these investments in 2024/25. Income due up to 30<sup>th</sup> September was £533k. UBS fund had a realised loss of £1.37m. A portion of the CCLA fund was sold to mitigate some of these losses which reduced the realised loss to £1.27m. Considering the unrealised gain the net affect was £968k unrealised losses during the quarter.

Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's medium- to long-term

investment objectives are regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over a three- to five-year minimum period total returns will exceed cash interest rates.

### **Statutory override**

In April 2023 the Ministry for Housing, Communities and Local Government published the full outcome of the consultation on the extension of the statutory override on accounting for gains and losses on pooled investment funds. The override has been extended for 2 years until 31st March 2025, but no other changes have been made; whether the override will be extended beyond the new date is unknown but commentary to the consultation outcome suggests not.

The long-term pooled funds investment is currently valued below cost, i.e. at a loss if they were to be redeemed. The council must make a revenue provision for the change in value each year from 2025-26. At current valuation this will be £968k.

<b>Fund:</b>	<b>Cash Invested</b>	<b>Value October</b>	<b>Unrealised Loss</b>
Threadneedle Investments	2,000	1,906	(94)
M&G Investments Strategic Corporate Bond Fund	4,000	3,505	(495)
Schroders Income Maximiser	5,000	4,705	(295)
Aegon Diversified Monthly Income Fund	2,000	1,917	(83)
	<b>13,000</b>	<b>12,032</b>	<b>(968)</b>

### **Non-Treasury Investments**

The definition of investments in the Treasury Management Code now covers all the financial assets of the Council as well as other non-financial assets which the Council holds primarily for financial return. Investments that do not meet the definition of treasury management investments (i.e. management of surplus cash) are categorised as either for service purposes (made explicitly to further service objectives) and or for commercial purposes (made primarily for financial return).

Investment Guidance issued by the Department for Levelling Up Housing and Communities (DLUHC) and Welsh Government also includes within the definition of investments all such assets held partially or wholly for financial return.

The Council also held £155.9m of such investments in:

- directly owned property £148m
- loans to local businesses and landlords £6.5m
- subsidiaries £1.4m

A full list of the Council's non-treasury investments is available.

### **Treasury Performance**

The Council measures the financial performance of its treasury management activities both in terms of its impact on the revenue budget and its relationship to benchmark interest rates.

### **MRP Regulations**

On 10<sup>th</sup> April 2024 amended legislation and revised statutory guidance were published on Minimum Revenue Provision (MRP). The majority of the changes take effect from the 2025/26 financial year, although there is a requirement that for capital loans given on or after 7<sup>th</sup> May 2024 sufficient MRP

must be charged so that the outstanding Capital Financing Requirement (CFR) in respect of the loan is no higher than the principal outstanding less the Expected Credit Loss (ECL) charge for that loan.

The regulations also require that local authorities cannot exclude any amount of their CFR from their MRP calculation unless by an exception set out in law. Capital receipts cannot be used to directly replace, in whole or part, the prudent charge to revenue for MRP (there are specific exceptions for capital loans and leased assets).

### **Compliance**

The S151 Officer reports that all treasury management activities undertaken during the half year complied fully with the principles in the Treasury Management Code and the Council's approved Treasury Management Strategy. Compliance with specific investment limits is demonstrated in table 7 below.

**Table 7: Investment Limits**

	<b>30.9.24 Actual</b>	<b>2024/25 Limit</b>	<b>Complied?</b>
Any group of pooled funds under the same management	5	15	Yes
Negotiable instruments held in a broker's nominee account	0	15	Yes
Limit per foreign countries	0	6	Yes

Compliance with the Authorised Limit and Operational Boundary for external debt is demonstrated in table 8 below.

**Table 8: Debt and the Authorised Limit and Operational Boundary**

	<b>30.9.24 Actual</b>	<b>2024/25 Operational Boundary</b>	<b>2024/25 Authorised Limit</b>	<b>Complied?</b>
Borrowing	142.5	170	200	Yes
Leases	1	1.8	2	Yes
<b>Total debt</b>	<b>143.5</b>	<b>171.8</b>	<b>202</b>	Yes

Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.

### **Treasury Management Prudential Indicators**

As required by the 2021 CIPFA Treasury Management Code, the Council monitors and measures the following treasury management prudential indicators.

#### **1. Liability Benchmark**

This indicator compares the Council's actual existing borrowing against a liability benchmark that has been calculated to show the lowest risk level of borrowing. The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. It represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue

plans while keeping treasury investments at the minimum level of £25m required to manage day-to-day cash flow.

	<b>31.3.24 Actual</b>	<b>31.3.25 Forecast</b>	<b>31.3.26 Forecast</b>	<b>31.3.27 Forecast</b>
Loans CFR	166.4	169.8	144.1	130.8
Less: Balance sheet resources	-45.4	-40.1	-35.4	-30.7
<b>Net loans requirement</b>	<b>121</b>	<b>129.7</b>	<b>108.6</b>	<b>100.1</b>
Plus: Liquidity allowance	25	25	25	25
<b>Liability benchmark</b>	<b>146</b>	<b>154.7</b>	<b>133.6</b>	<b>125.1</b>
<b>Existing borrowing</b>	<b>162</b>	<b>99</b>	<b>7</b>	<b>5</b>

Following on from the medium-term forecast above, the long-term liability benchmark assumes capital expenditure funded by borrowing, minimum revenue provision on new capital expenditure based on variable year asset lives and income, expenditure and reserves all increasing by inflation. This is shown in the chart below together with the maturity profile of the Council's existing borrowing.

#### Rushmoor BC

	Actual	Forecasts		£m							
Position at 31 March	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Loans CFR	166.4	169.8	144.1	130.8	129.8	124.2	123.7	123.2	122.6	122.0	121.3
External borrowing	-162.0	-99.0	-7.0	-5.0	-5.0	-5.0	-5.0	-5.0	-5.0	-5.0	-5.0
Internal (over) borrowing	4.4	70.8	137.1	125.8	124.8	119.2	118.7	118.2	117.6	117.0	116.3
Balance sheet resources	-45.4	-40.1	-35.4	-30.7	-30.7	-31.4	-32.2	-32.9	-33.7	-34.5	-35.4
Investments (new borrowing)	41.0	-30.7	-101.6	-95.1	-94.2	-87.8	-86.5	-85.2	-83.8	-82.4	-80.9
Treasury investments	41.0	25.0	25.0	25.0	25.0	25.6	26.3	26.9	27.6	28.3	29.0
New borrowing	0.0	55.7	126.6	120.1	119.2	113.4	112.8	112.1	111.4	110.7	109.9
Net loans requirement	121.0	129.7	108.6	100.1	99.2	92.8	91.5	90.2	88.8	87.4	85.9
Liquidity allowance	25.0	25.0	25.0	25.0	25.0	25.6	26.3	26.9	27.6	28.3	29.0
Liability benchmark	146.0	154.7	133.6	125.1	124.2	118.4	117.8	117.1	116.4	115.7	114.9

Whilst borrowing may be above the liability benchmark, strategies involving borrowing which is significantly above the liability benchmark carry higher risk.

## 2. Maturity Structure of Borrowing

This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing were:

	<b>Upper Limit</b>	<b>Lower Limit</b>	<b>30.9.24 Actual</b>	<b>Complied?</b>
Under 12 months	100%	0%	96.4%	Yes
12 months and within 24 months	100%	0%	3.6%	Yes
24 months and within 5 years	100%	0%	0%	Yes
5 years and within 10 years	100%	0%	0%	Yes
10 years and above	100%	0%	0%	Yes

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

### 3. Long-term Treasury Management Investments

The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on the long-term treasury management limits are:

	2024/25	2025/26	2026/27
Limit on principal invested beyond year end	£40m	£40m	£30m
Actual principal invested beyond year end	£13m	£13m	£13m
Complied?	Yes	Yes	Yes

Long-term investments with no fixed maturity date include strategic pooled funds, real estate investment trusts and directly held equity but exclude money market funds and bank accounts with no fixed maturity date as these are considered short-term.

### Additional indicators

#### Security

The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating and credit score of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

	2024/25 Target	30.9.24 Actual	Complied?
Portfolio average credit rating	A+	A+	Yes
Portfolio average credit score	5.0	4.89	Yes

#### Liquidity

The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without additional borrowing.

	30.9.24 Actual	2024/25 Target	Complied?
Total cash available within 3 months	£10.25m	£5m	Yes

#### Interest Rate Exposures

This indicator is set to control the Council's exposure to interest rate risk.

Although important information for the Council to consider, the Council is currently unable to influence performance against this measure. The Council requires the higher level of borrowing for cashflow and committed capital expenditure. Once the council is in a position to pay the current level of debt down, more options will be available to the council regarding its treasury management function.

Interest rate risk indicator	2024/25 Target	30.9.24 Actual	Complied?
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	£2.0m	£2.0m	Yes

Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	£2.0m	£2.0m	Yes
--	-------	-------	-----

For context, the changes in interest rates during the quarter were:

	<b>31/3/24</b>	<b>30/9/24</b>
Bank Rate	5.25%	5.00%
1-year PWLB certainty rate, maturity loans	5.36%	4.95%
5-year PWLB certainty rate, maturity loans	4.68%	4.55%
10-year PWLB certainty rate, maturity loans	4.74%	4.79%
20-year PWLB certainty rate, maturity loans	5.18%	5.27%
50-year PWLB certainty rate, maturity loans	5.01%	5.13%

The impact of a change in interest rates is calculated on the assumption that maturing loans and investment will be replaced at new market rates.

Whilst outside of the quarter being reported, the most up to date rates provided by Arlingclose as at 11<sup>th</sup> November 2024 are shown below:

	<b>11/11/24</b>
Bank Rate	4.75%
1-year PWLB certainty rate, maturity loans	4.95%
5-year PWLB certainty rate, maturity loans	4.30%
10-year PWLB certainty rate, maturity loans	4.41%
20-year PWLB certainty rate, maturity loans	4.84%
50-year PWLB certainty rate, maturity loans	4.35%

## Prudential Indicators Q2 2024/25

The Authority measures and manages its capital expenditure, borrowing with references to the following indicators.

It is now a requirement of the CIPFA Prudential Code that these are reported on a quarterly basis.

### Capital Expenditure

The Authority has undertaken and is planning capital expenditure as summarised below:

	2023/24 actual	2024/25 forecast	2025/26 budget	2026/27 budget
Capital expenditure	34.6	16.1	6.6	1.3

The main General Fund capital projects to date have included Union Yard, and Aldershot Crematorium.

### Capital Financing Requirement

The Authority's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt.

*The actual CFR is calculated on an annual basis.*

	31.3.2024 actual	31.3.2025 forecast	31.3.2026 forecast	31.3.2027 forecast
CFR	167.6	171.0	144.1	130.8

**Gross Debt and the Capital Financing Requirement:** Statutory guidance is that debt should remain below the capital financing requirement, except in the short term. The Authority has complied and expects to continue to comply with this requirement in the medium term as is shown below.

	31.3.2024 actual	31.3.2025 forecast	31.3.2026 forecast	31.3.2027 forecast	Debt at 30.9.2024
Debt (incl. PFI & leases)	162.0	145.9	132	107.2	143.5
Capital Financing Requirement	167.6	171.0	149.0	137.2	

**Debt and the Authorised Limit and Operational Boundary:** The Authority is legally obliged to set an affordable borrowing limit (also termed the Authorised Limit for external debt) each year. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit.

	Debt at 30.6.24	2024/25 Authorised Limit	2024/25 Operational Boundary	Complied?
Borrowing	142.5	200.0	170.0	Yes
Leases	1.0	2.0	1.8	Yes
<b>Total debt</b>	<b>143.5</b>	<b>202.0</b>	<b>171.8</b>	Yes



Since the operational boundary is a management tool for in-year monitoring it is not significant if the boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.

**Net Income from Commercial and Service Investments to Net Revenue Stream:** The Authority's income from commercial and service investments as a proportion of its net revenue stream has been and is expected to be as indicated below.

	2023/24 actual	2024/25 forecast	2025/26 forecast	2026/27 forecast
Total net income from service and commercial investments	7.1	8.0	9.5	9.5
Proportion of net revenue stream	57.2%	60.6%	69.9%	65.5%

**Proportion of Financing Costs to Net Revenue Stream:** Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue.

The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

	2023/24 actual	2024/25 forecast	2025/26 forecast	2026/27 forecast
Financing costs (£m)	6.9	7.2	5.1	3.3
Proportion of net revenue stream	55.55%	62.11%	44.64%	28.93%

**Treasury Management Indicators:** These indicators (Liability Benchmark, Maturity Structure of Borrowing, Long-Term Treasury Management Investments) are within the Treasury Management Report Q1 2024/25 at Appendix 1.

**LIST OF DEBT COUNTERPARTIES AS AT 30 SEPTEMBER 2024**

	<b>Amount</b>
Vale of White Horse District Council	5,000,000
North Ayrshire Council	5,000,000
West of England Combined Authority	10,000,000
Hyndburn District Council	2,000,000
South Oxfordshire District Council	5,000,000
West Yorkshire Combined Authority	5,000,000
Furness Building Society	7,500,000
Renfrewshire Council	5,000,000
Warwickshire County Council	5,000,000
West Midlands Combined Authority	10,000,000
Havant Borough Council	5,000,000
West Midlands Combined Authority	5,000,000
Crawley Borough Council	3,000,000
Northern Ireland Housing Executive	3,000,000
Test Valley Borough Council	5,000,000
South Oxfordshire District Council	5,000,000
Rushcliffe Borough Council	5,000,000
Bolton Metropolitan Borough Council	5,000,000
Oxfordshire County Council	5,000,000
Oxfordshire County Council	5,000,000
Oxfordshire County Council	5,000,000
West Yorkshire Combined Authority	7,000,000
Northern Ireland Housing Executive	5,000,000
East Lindsey District Council	3,000,000
Gloucestershire County Council	5,000,000
Test Valley Borough Council	5,000,000
Thames Valley PCC	5,000,000
Horsham District Council	2,000,000
	<b><u>142,500,000</u></b>

## **External Context**

### **Economic background**

UK headline consumer price inflation remained around the Bank of England (BoE) target later in the period, falling from an annual rate of 3.2% in March to 2.0% in May and then rebounding marginally to June to 2.2% in July and August, as was expected, due to base effects from energy prices. Core and services price inflation remained higher at 3.6% and 5.6% respectively in August.

The UK economy continued to expand over the period, albeit slowing from the 0.7% gain in the first calendar quarter to 0.5% (downwardly revised from 0.6%) in the second. Of the monthly figures, the economy was estimated to have registered no growth in July.

Labour market data was slightly better from a policymaker perspective, showing an easing in the tightness of the job market, with inactivity rates and vacancies declining. However, a degree of uncertainty remains given ongoing issues around the data collected for the labour force survey by the Office for National Statistics. Figures for the three months to July showed the unemployment rate fell to 4.1% (3mth/year) from 4.4% in the previous three-month period while the employment rate rose to 74.8% from 74.3%.

Over the same period average regular earnings (excluding bonuses) was 5.1%, down from 5.4% in the earlier period, and total earnings (including bonuses) was 4.0% (this figure was impacted by one-off payments made to NHS staff and civil servants in June and July 2023). Adjusting for inflation, real regular pay rose by 2.2% in May to July and total pay by 1.1%.

With headline inflation lower, the BoE cut Bank Rate from 5.25% to 5.00% at the August Monetary Policy Committee (MPC) meeting. The decision was finely balanced, voted by a 5-4 majority with four members preferring to hold at 5.25%. At the September MPC meeting, committee members voted 8-1 for no change at 5.00%, with the lone dissenter preferring Bank Rate to be cut again to 4.75%. The meeting minutes and vote suggested a reasonably hawkish tilt to rates, with sticky inflation remaining a concern among policymakers.

The latest BoE Monetary Policy Report, published in August, showed policymakers expected GDP growth to continue expanding during 2024 before falling back and moderating from 2025 to 2027. Unemployment was forecast to stay around 4.5% while inflation was shown picking up in the latter part of 2024 as the previous years' energy price declines fell out of the figures before slipping below the 2% target in 2025 and remaining there until early 2027.

Arlingclose, the authority's treasury adviser, maintained its central view that Bank Rate would steadily fall from the 5.25% peak, with the first cut in August being followed by a series of further cuts, with November 2024 the likely next one, taking Bank Rate down to around 3% by the end of 2025.

The US Federal Reserve (the Fed) also cut interest rates during the period, reducing the Federal Funds Rate by 0.50% to a range of 4.75%-5.00% at its policy meeting in September. The forecasts released at the same time by the central bank suggested a further 1.00% of easing is expected by the end of the calendar year, followed by the same amount in 2025 and then a final 0.50% of cuts during 2026.

Having first reduced interest rates in June, the European Central Bank (ECB) held steady in July before cutting again in September, reducing its main refinancing rate to 3.65% and its deposit rate to 3.50%. Unlike the Fed, the ECB has not outlined a likely future path of rates, but inflation projections remain in line with the central bank's previous forecasts where it will remain above its 2% target until 2026 on an annual basis.

### Financial markets

Sentiment in financial markets continued to mostly improve over the period, but the ongoing trend of bond yield volatility remained. The general upward trend in yields in the early part of the period was reversed in the later part, and yields ended the half-year not too far from where they started. However, the volatility in response to economic, financial and geopolitical issues meant it was a bumpy ride for bond investors during that time.

Over the period, the 10-year UK benchmark gilt yield started at 3.94% and ended at 4.00% but hit a high of 4.41% in May and a low of 3.76% in mid-September. While the 20-year gilt started at 4.40% and ended at 4.51% but hit a high of 4.82% in May and a low of 4.27% in mid-September. The Sterling Overnight Rate (SONIA) averaged 5.12% over the period to 30th September.

### Credit review

Arlingclose maintained its advised recommended maximum unsecured duration limit on all banks on its counterparty list at 100 days.

Having had its outlook increased by Fitch and ratings by S&P earlier in the period, Moody's upgraded Transport for London's rating to A2 from A3 in July.

Moody's also placed National Bank of Canada on Rating Watch for a possible upgrade, revising the outlook on Standard Chartered to Positive, the outlook to Negative on Toronto Dominion Bank, and downgrading the rating on Close Brothers to A1 from Aa3.

S&P upgraded the rating on National Bank of Canada to A+ from A, and together with Fitch, the two rating agencies assigned Lancashire County Council with a rating of AA- and A+ respectively.

Credit default swap prices were generally lower at the end of the period compared to the beginning for the vast majority of the names on UK and non-UK lists. Price volatility over the period was also generally more muted compared to previous periods.

Financial market volatility is expected to remain a feature, at least in the near term and, credit default swap levels will be monitored for signs of ongoing credit stress. As ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remain under constant review.

**CORPORATE GOVERNANCE  
AUDIT AND STANDARDS COMMITTEE****AUDIT MANAGER  
REPORT NO. AUD 24/08****21<sup>st</sup> NOVEMBER 2024****ANNUAL GOVERNANCE STATEMENT - UPDATE****SUMMARY:**

This report describes the work carried out towards the implementation of the actions defined within the Annual Governance Statement, which was presented to this Committee in May 2024.

**RECOMMENDATION:**

Members are requested to:

- i. Note the progress towards the implementation of the actions detailed within the Council's Annual Governance Statement.

**1 Introduction**

- 1.1 The Council is required by the Accounts and Audit Regulations 2015 to prepare and publish an Annual Governance Statement (AGS). Reporting publicly on the extent to which we comply with our own Local Code of Corporate Governance including how we have monitored the effectiveness of our arrangements in the year and on any planned changes to our governance arrangements in the coming year. The AGS was reported to this Committee on 23<sup>rd</sup> May 2024.
- 1.2 The review of the effectiveness of the Council's governance framework in 2023/24 identified areas for improvement to be actioned during 2024/25, which included the carried forward actions from the 2022/23 AGS. The progress against these actions is detailed within this report.

**2 Progress towards actions within the Annual Governance Statement (AGS)**

- 2.1 Members considered the AGS report (AUD24/04) which included actions to be implemented during 2024/25, in response to Governance improvements identified in the AGS 2023/24.
- 2.2 The table below details the progress to date of items carried forward:

## Actions outstanding from 2022/23

Action from 22/23 AGS	Original target date	Last update from May 2024	Revised target date	Update November 2024	Revised target date	Direction of travel
<p>Lack of robustness for the response to FOI requests resulting in the ICO judging against the Council due to lack of prompt response rather than the actual decision made not to provide certain information.</p> <p><i>(Corporate Manager – Legal Services)</i></p>	October 2023	The initial scoping of work has been completed with the full work programme of moving to MS lists later in the year (September 2024 onwards).	N/A	The new MS List system came into place and was fully functioning by July 2024.	N/A	Completed

## Actions outstanding from 2023/24

Action from 23/24 AGS	Original target date	Last update from May 2024	Revised target date	Update November 2024	Revised target date	Direction of travel
<p>Following the changes in political control in May there are likely to be shifts in priorities which may require existing governance arrangements to be reviewed. This will be taken forward by the ELT supported by the governance group.</p> <p>Existing arrangements will have new appointments and training and briefing will be required for new appointees to be able to undertake governance roles effectively</p>	<p>September 2024</p> <p>As soon as practicable in new Civic year</p>	N/A – New action	N/A	As a result of the Corporate Peer Challenge and the CIPFA report the Council has commissioned a review of some elements of its committee and governance arrangements. This report will be considered once completed. The report will be considered in January 2025 with any changes agreed being brought in from May 2025.	<p>Report – January 2025</p> <p>Changes (if required) May 2025</p>	<p>Progressing</p> <p>↑</p>
The governance actions which transpire from the CIPFA review will be actioned accordingly.	TBC when actions from the report agreed	N/A – New action	N/A	A Financial Resilience Plan has been agreed which incorporate actions from the CIPFA review and the peer challenge. Work towards the plan is regularly reviewed by ELT.	Ongoing	<p>Progressing</p> <p>↑</p>
<p>A self-assessment against the CIPFA Financial Management Code will be carried out.</p> <p>The actions resulting from the self-assessment will be carried out to ensure compliance with the code.</p>	<p>September 2024</p> <p>September 2025</p>	N/A – New action	N/A	The self-assessment against the CIPFA Financial Management Code is still to be carried out. However, this does in part form the wider review currently being carried out around governance/ financial resilience plan.	September 2025	<p>No change but further action planned as part of a wider piece of work.</p> <p>↔</p>



Action from 23/24 AGS	Original target date	Last update from May 2024	Revised target date	Update November 2024	Revised target date	Direction of travel
A self-assessment against the seven characteristics of good governance has been carried out by the Corporate Governance Group. Actions arising from this review will be taken forward to improve any governance gaps.	TBC when actions agreed	N/A – New action	N/A	The self-assessment has been further reviewed with 2 high priority actions being brought forward for review by ELT and the Corporate Governance Group. This review has been further enhanced with the peer challenge and CIPFA report.	December 2024	Progressing ↑

**AUTHOR:** Nikki Fleming, Service Manager - Audit  
01252 398810  
[nikki.fleming@rushmoor.gov.uk](mailto:nikki.fleming@rushmoor.gov.uk)

**HEAD OF SERVICE:** Peter Vickers, Executive Head of Financial Services

**References:**

- *Annual Governance Statement 2023/24 – reported to CGAS Committee 23<sup>rd</sup> May 2024*

**CORPORATE GOVERNANCE  
AUDIT AND STANDARDS COMMITTEE**

**AUDIT MANAGER  
REPORT NO. AUD 24/09**

**21<sup>st</sup> NOVEMBER 2024**

**OUTSTANDING AUDIT RECOMMENDATIONS**

**SUMMARY:**

This report provides an update on the approach taken to review outstanding audit recommendations (prior to 2022/23) given the changes since the recommendations were originally made. It also shows all outstanding recommendations to date.

**RECOMMENDATION:**

Members are requested to:

- i. Note the changes made to recommendations being pursued for implementation to ensure the most effective use of council resources to improve the overall governance, risk management and control environment.
- ii. Note the overall audit recommendations which remain outstanding.

**1 Introduction**

- 1.1 Audit recommendations are made to improve the Council's governance, risk management and control environment in areas reviewed. A level of assurance is taken from the implementation of the recommendations to support the Audit Managers annual assurance opinion.
- 1.2 A review of progress towards the implementation of audit recommendations has been carried out however due to changes with the economic climate and post covid changes some recommendations are potentially less significant or less relevant because environments have evolved.
- 1.3 Whilst some recommendations are high within the area being reviewed consideration needs to be given to the overall picture and importance across the Council from a wider perspective than just the area which has been reviewed.

**2 Approach**

- 2.1 A review of all outstanding audit recommendations has been carried out with a view to re-evaluating them given the passage of time and evolution of processes post covid-19 and changes over this time. This will ensure that resources are more specifically utilised on improving areas of risk, governance and control weaknesses which will be most effective given the current environment. This approach has been taken for the remaining outstanding audits for 2019/20, 2020/21 and 2021/22.

- 2.2 For transparency this report will set out the changes that are being proposed and set out the outstanding audit recommendations which will continue to be pursued and progress on their implementation communicated quarterly to the CGAS Committee for monitoring.
- 2.3 There are 6 audits which will not be included within the figures as a follow up audit is being carried out due to the limited assurance previously provided. The follow ups will provide the Committee with a separate report on the progress towards implementation of the recommendations and an updated level of assurance. Following the follow up audits being carried out any outstanding recommendations will be included within the next update on outstanding audit recommendations to the Committee.

### 3 Outstanding recommendations

2019/20

#### High risk - 1

- **PCI DSS (1)** – A contractor was engaged to provide a feasibility review for the work and cost for the implementation of software to enable the Council to be further compliant with PCI DSS. The cost proposed exceeded the current budget by three times and would not deal with the separate issue of the theatre's compliance. Therefore, agreement is required from ELT on how the project should be taken forward.

#### Medium risk - 6

- **Capital Programme (4)** – Since this audit was carried out changes have occurred with the process and given the current financial situation the capital programme is minimal. An audit is scheduled to be carried out this financial year, therefore these recommendations will not continue to be followed up as a more up to date view will be provided to the Committee along with any necessary recommendations.
- **Estate Management (2)** – Relates to asset disposal process and Contracts for management agents.

#### Low risk – 2

- **Financial borrowing (1)** – This relates to procedure notes which are being addressed as part of the update to the Council's Financial procedures.
- **Treasury Management (1)** – This relates to procedure notes which are being addressed as part of the update to the Council's Financial procedures.

*(This recommendation was highlighted within the 2022/23 audit as not being implemented and therefore has not been duplicated within the 22/23 figures below)*

As these two low recommendations are being addressed in the same way these will be condensed into one recommendation.

As a result of the above changes there is 1 High, 2 Medium and 1 Low recommendation to continue to follow up.

2020/21

**High risk - 1**

- **Purchase Ledger (1)** – This recommendation relates to the implementation of the 'No PO No Pay'. There is a team in place to roll out this project. As this project will be requiring changes across the whole organisation for processes this needs to be managed in an appropriate way to ensure that it is effectively implemented.

*(This recommendation was highlighted within the 2023/24 audit as not being implemented and therefore has not been duplicated within the 23/24 figures below)*

**Medium risk - 1**

- **External Tenants (1)** – Related to having signed contracts in place for rental of spaces within the Council Offices.

**Low risk – 2**

- **Petty cash (2)** – Petty cash is seldom used. This will be covered within the update to the Financial Procedure rules for the occasional use of petty cash. As a result, these recommendations will no longer be followed up other than to ensure it is covered within the financial procedure rules.

As a result of the above changes there is 1 High and 1 Medium recommendation to continue to follow up.

2021/22

**Medium risk – 1**

- **Risk Management (1)** – The updated Risk Management policy will be going to Cabinet in January 2025 for agreement. Following agreement, the work to develop the Council's risk appetite will be carried out.

**High Risk – 1**

- **IT Software Development (1)** – Relates to peer review of code prior to implementing.

**Medium risk – 16**

- **IT Software Development (8)** – Various findings associated with software development. Currently DevOps is being implemented and is in place across 80% of the systems however for some it is a bit more complex. Once fully implemented these recommendations will be complete. It is anticipated that this will be completed by the end of the financial year.
- **Information Governance (3)** – Relates to collation of data and guidance and work around protective marking of documents. Work is underway with the collation of data. Work around protective marking is progressing with a meeting with the Chief Executive (sponsor of the project) to discuss further to progress.
- **Cyber Security (4)** – Relates to delivery of the cyber plan, an IT service review has been carried out to inform this. A wider project relating to data management is underway but will take at least 18 months to implement. Some delays due to sickness/resources within the IT team.
- **Crematorium (1)** – Relates to having in place a business continuity arrangement with other local crematoriums. There is an informal agreement in place and a process has been set out but not formally agreed. Executive Head of Operations to determine if a written formal agreement would be required or an informal arrangement sufficient for business continuity processes.

**Low risk – 4**

- **IT Software Development (2)** – Various findings associated with software development. Currently DevOps is being implemented and is in place across 80% of the systems however for some it is a bit more complex. Once fully implemented these recommendations will be complete. It is anticipated that this will be completed by the end of the financial year.
- **Cyber Security (1)** – Implementation of the Cyber Assessment Framework is being scoped and will evolve over the year.
- **Guest House (1)** – A fraud awareness email is scheduled to be issued to all staff by the end of November 24.

2023/24

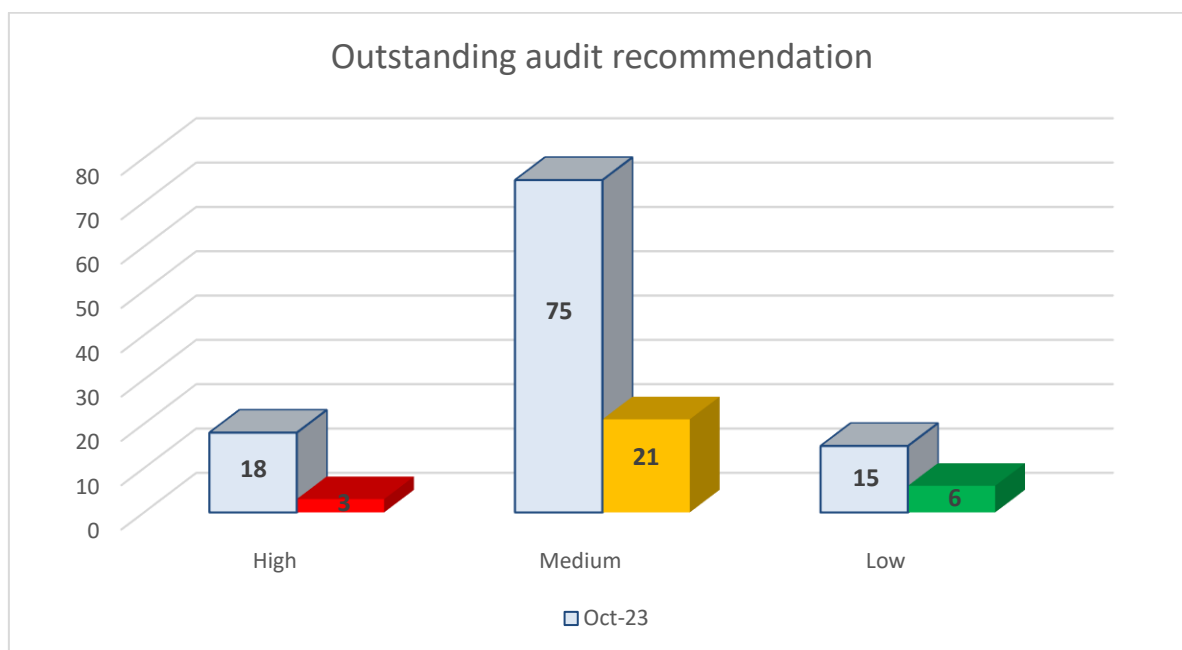
**Medium risk – 1**

- **Payroll (1)** – This relates to procedure notes which are in the draft stage and just require the manager to review and sign them off before circulating with the team.

**Low risk – 1**

- **Health & Safety of Council buildings (1)** – This relates to re-tendering for the Council's lift maintenance to reduce the number of month services carried out. This will be reviewed as part of the whole general repairs and maintenance framework. In the next month the procurement work on this will commence. Due to lack of resources this has been delayed until now.

Based on the above changes the following chart shows the overall outstanding recommendations as 31<sup>st</sup> October 2024. These will continue to be pursued for implementation. As a comparison the grey blocks show the outstanding audit recommendations as at October 2023.



*(NB: The Oct 23 figures do not include the 23/24 audit recommendations which are included within the Oct 24 figures.)*

## **4 Recommendation**

- 4.1 Members are requested to note the content of the report and the further work to be carried out to implement the remaining outstanding audit recommendations.

This page is intentionally left blank