



Annual  
Financial  
Report  
**2019/2020**



**NEW FOREST DISTRICT COUNCIL**  
**ANNUAL FINANCIAL REPORT - YEAR ENDED 31 MARCH 2020**

**CHAIRMAN OF THE COUNCIL**

Councillor A Glass

**LEADER OF THE COUNCIL**

Councillor B Rickman

**CHIEF EXECUTIVE** Mr R Jackson

**RESPONSIBLE FINANCIAL (S151) OFFICER** Mr A Bethune

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## STATEMENT OF RESPONSIBILITIES

### 1. 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 Responsible Financial (s151) Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the statement of accounts.

***I confirm that these accounts were approved by Members of the Audit Committee at the meeting held on 23 October 2020.***

**Cllr A O'Sullivan  
Audit Committee Chairman**

**27 November 2020**

### 2. The Responsible Financial (s151) Officer's Responsibilities

The Responsible Financial (s151) 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 of Practice').

In preparing this statement of accounts, the Responsible Financial (s151) Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code of Practice.

The Responsible Financial (s151) Officer has also:

- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

***I certify that the statement of accounts presents a true and fair view of the financial position of New Forest District Council at 31 March 2020 and the income and expenditure for that year ended.***

**Mr A Bethune FCCA – Responsible Financial (s151) Officer**

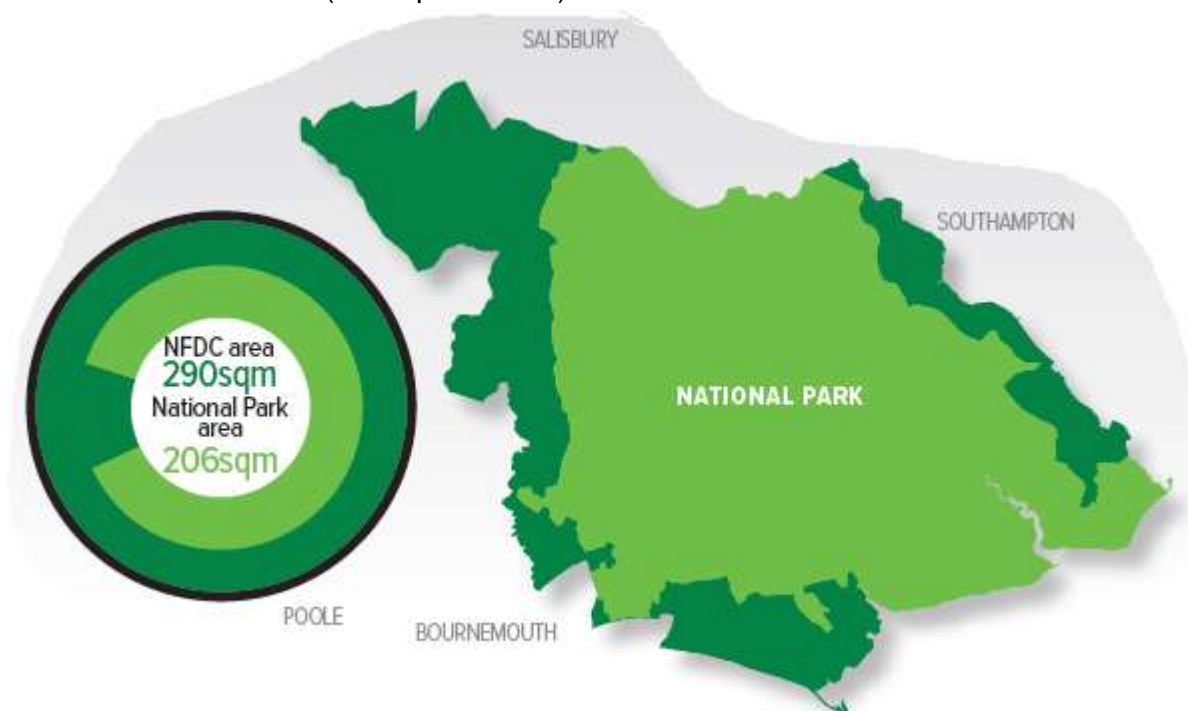
**27 November 2020**

## NARRATIVE STATEMENT

### 1. Foreword from the Council's Responsible Financial Officer

#### The New Forest

The local government administrative area of New Forest District Council (290 square miles) includes the New Forest National Park (206 square miles).



Within the district there are 145 square miles of Crown land, managed by the Forestry Commission. The district is one of the most populated in England (circa 180,000) not to be a unitary authority and within its boundaries there are 37 active Town and Parish Councils. Hampshire County Council is responsible for upper tier services.

The New Forest is home to the third largest economy in Hampshire, with a total Gross Value Added of £4.4billion. The district contains over 8,000 businesses in total, which is more than any other local authority in Hampshire, including the cities of Southampton and Portsmouth. 89% of businesses in the district are micro in size employing fewer than 10 people. Self-employment is relatively high at over 11% and unemployment is consistently lower than in the rest of the country. Leisure, tourism and marine along with their associated supply chains are significant employment and economic sectors within the district.

Average earnings are low with 60% of the working population earning less than the UK average. This, and the high average house price, results in significant cross commuting between those who work in the forest but can't afford to live there, and those who can afford to live within the district but work elsewhere. The district council is located between the two major conurbations of Southampton and Bournemouth.

Housing, and particularly affordable housing, for local people is a particular issue in the district. The district council manages its own housing stock (over 5,000 properties) and the Council's new allocation policy manages the waiting list to ensure those in the greatest need have the best chance of securing a Council owned property.

## **NARRATIVE STATEMENT**

### **Corporate Plan and Council Priorities**

The Council is led by 60 Councillors and elections took place in May 2019. The Political make-up of the Council following those elections is: 46 Conservative, 13 Liberal Democrat and 1 Independent.

Community Matters, the Council's Corporate Plan for 2020-2024, focuses on the challenges faced and the plans to address them. It recognises the ongoing financial constraints, whilst building on the strong financial position created and sets priorities that matter to the people of the District to deliver a prosperous New Forest and put the community first.

The commitments of Community Matters are:

- Delivering a prosperous New Forest and putting our community first
- Encouraging development that meets local needs and enhances the special qualities of the environment
- Creating balanced communities and housing options that are affordable and sustainable
- Keeping our communities safe and listening to their needs
- Enabling service provision and ensuring value for money for the council tax payer
- Improving the health and wellbeing of our community
- Working to tackle climate change and enhancing our special environment
- Helping local businesses grow and prosper

Community Matters was approved in March 2020 and so 2019/20 was something of a transition year between Corporate Plans. Future performance reporting will be based on the Performance Management Framework that is currently under development to support the delivery of Community Matters including progress against the achievement measures set out in the plan.

Key Achievements realised during 2019/20 against the Portfolios are outlined in the Annual Performance Report, reported to Cabinet in July 2020.

In light of the Covid 19 crisis the priorities set within the Corporate Plan may need to be revisited as recovery efforts and new ways of life are established.

### **Future Financial Outlook**

The Council continues to deliver essential front-line services to the c180,000 residents of the New Forest, despite significant funding reductions from Central Government since austerity measures were introduced, now over 10 years ago. Significant efficiencies have been realised over the period and income generation has increased. This Council has an excellent track record of delivering the same, or in some instances improved services, at a lower overall cost.

The Council also has a new Housing Strategy, in which the Council has targeted the ownership of 600 additional homes by 2026 and is prepared to spend circa £100 million over this period in delivering this target. The Council has a well-established Housing Revenue Account, which is well placed to support and manage additional stock numbers. As the largest registered provider of social housing in the district, the Council recognises it has an important role to play in the delivery of new affordable homes to those wanting to work and live in the New Forest.

## **NARRATIVE STATEMENT**

The latest Medium Term Financial Plan, that accompanied the setting of the 2020/21 budget, highlighted the likely impact that the Fair Funding Review and the potential that a 'hard' Business Rates reset will have on the Council's finances. Despite this, the plan outlined proposals in place to address the funding gap and demonstrate a balanced budget through to 2022. Proposals included efficiency savings, a service delivery review and the generation of new additional income through the Commercial and Residential Property Strategies. As explored further below, the Council's budget for 2020/21 and Medium Term Financial Plan is now in need of a fairly fundamental refresh.

### **COVID-19**

The UK's response to the world-wide Coronavirus COVID-19 pandemic has included an unprecedented package of financial measures to try and protect the UK economy. It was not until near the end of 2019/20 that Coronavirus began to cause significant disruption to the UK. Most of the financial impact will therefore be shown within the accounts for 2020/21 rather than 2019/20.

Local Authorities have been impacted with disruption to services, enforced home-working, new legislation and responsibilities and more recently playing a role in the recovery phase. Although government support packages to the Public Sector have been announced, it is apparent that the Council will need to utilise its own resources to fully finance the losses in revenue to 2020/21.

At a meeting in June 2020, the Council's Cabinet agreed that the Council would need to re-cast the Medium Term Financial Plan, including the provision of an Emergency Budget for 2020/21 in light of the severity of the impact to the Council's budget. Four Task and Finish groups have been established to assist in the Council's recovery plan and meetings commenced in the week of 22 June 2020 with the first set of recommendations being adopted by the Cabinet in July. The Council is also providing regular financial reporting updates to the MHCLG and is keeping well informed of the new funding support measures that are being announced.

The Council's recent investment in ICT has enabled a very smooth transition to home working for the majority of the office-based work force. Some employees were also redeployed into other roles to assist in the Council's new responsibilities with regards to supporting the most vulnerable, and supporting operational areas of the Council working with reduced employee numbers due to employees being impacted by the shielding measures introduced by the government.

The Council's £3m general budget reserve will be utilised if necessary to assist in re-balancing the 2020/21 General Fund budget. The Council's overall financial sustainability will not be significantly impacted as a result and plans will be put in place to ensure that the General Budget Reserve is fully reinstated within an appropriate timeframe.

## NARRATIVE STATEMENT

### 2. The Statement of Accounts

The accounts for 2019/20 comprise the following statements:

- **Comprehensive Income and Expenditure Statement**

This statement shows the accounting cost in the year of providing General Fund and Housing Revenue Account services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation and housing rents. The Council raises taxation and rents to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation and rents position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

**Expenditure and Funding Analysis  
(supporting note to the Comprehensive Income and Expenditure Statement)**

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by the Council in comparison with those resources consumed or earned in accordance with generally accepted accounting practices. It 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.

- **Movement in Reserves Statement**

This 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 incurred in accordance with generally accepted accounting practices and that 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 and Housing Revenue Account Balance movements in the year following those adjustments.

- **Balance Sheet**

This statement shows the value, as at the Balance Sheet date, of the Council's recognised assets and liabilities. 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 is usable reserves, i.e. those reserves that the Council may use to provide services, subject to any statutory limitations and the need to maintain prudent reserve levels. The second category is reserves that the Council cannot use to provide services. This category includes reserves that hold unrealised gains and losses (e.g. 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".



## NARRATIVE STATEMENT

- **Cash Flow Statement**

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

- **Housing Revenue Account (HRA) Income and Expenditure Statement**

This statement shows the economic cost in the year of providing Council Housing services in accordance with generally accepted accounting practices rather than the amount to be funded from rents. The Council charges rents to cover net expenditure incurred in accordance with regulations, which is different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the HRA section of the Movement in Reserves Statement.

- **Collection Fund**

This is an agent's statement that reflects the statutory obligation of the Council, as a billing Authority, to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection of council tax and non-domestic rates from taxpayers and the distribution of the income to local authorities and the Government. While there is only one Collection Fund, separate statements are shown for council tax and non-domestic rates, due to the complexity of non-domestic rates transactions under the Retention Scheme that was introduced in 2013/14.

## NARRATIVE STATEMENT

### 3. Financial Performance during the Year

As at 31 March 2020 the Council had net assets of £273 million.

The majority of this net worth is in the Portfolio of Council Dwellings, valued at £376 million, offset with a debt liability of £131 million. Operational Land and Buildings total £69 million, Investment Properties £9 million, and other long-term assets and investments total £31 million. Cash and short-term investments total £39 million. The council has a net pension liability of £99 million. This is explained in more detail in section 4 of this narrative statement.

Usable reserves total £48 million (a decrease of £7 million from 2018/19), with £4 million of the total being earmarked to support the visible delivery of the General Fund (£3 million) and Housing Revenue Account (£1 million).

- **General Fund**

This section provides a summary of General Fund performance for the year in a simplified format that is consistent with the Council's published revenue budget and in a format used for operational budget monitoring throughout the year. All actual figures are included within the Comprehensive Income and Expenditure Statement.

The 2019/20 original net budget requirement for the General Fund was £17.492 million, an increase of £249,000 from 2018/19. The Council's budget anticipated being funded £12.3 million from Council Tax (including a £5 increase) and £5.7 million from retained business rates. In order to support the delivery of a balanced budget over the Medium Term and to flatten out Business Rate Collection Fund adjustments, the budget allowed for £748,000 to be credited to the Budget Equalisation Reserve.

Net income shortfalls and additional expenditure pressures in services during the year were £859,000 (£1.285 million in services partially offset through direct transfers from earmarked reserves of £425,000). A one-off VAT refund of £834,000 was received and Interest Earnings were £436,000 ahead of the original target. Retained business rates were £527,000 below the original budget; this has resulted in a lower credit transfer to the to the Budget Equalisation Reserve.

|  | <b>Original<br/>Budget</b> | <b>Actual</b> | <b>Variation</b> |
|--|----------------------------|---------------|------------------|
|  | <b>£000</b>                | <b>£000</b>   | <b>£000</b>      |
| Net Service Expenditure                                | 17,520                     | 18,805        | 1,285            |
| VAT Refund (Net of Assessment)                         | 0                          | (834)         | (834)            |
| Revenue Financing of Capital                           | 1,575                      | 1,572         | (3)              |
| Interest Earnings (Net)                                | (730)                      | (1,166)       | (436)            |
| Other Unringfenced Government Grants                   | (526)                      | (526)         | 0                |
| <b>Net Budget Requirement</b>                          | <b>17,839</b>              | <b>17,851</b> | <b>12</b>        |
| Transfer to/(from) Earmarked Revenue Reserves          | (437)                      | (129)         | 308              |
| Transfer to/(from) Capital Programme Reserve           | 90                         | (230)         | (320)            |
| Contributions to/(from) Reserves                       | (347)                      | (359)         | (12)             |
| <b>General Fund Budget</b>                             | <b>17,492</b>              | <b>17,492</b> | <b>(0)</b>       |
| Council Taxpayers                                      | (12,321)                   | (12,321)      | (0)              |
| Collection Fund adjustment from previous years         | (220)                      | (220)         | (0)              |
| Non-Domestic Rates Redistribution                      | (5,699)                    | (5,172)       | 527              |
| Transfer to/(from) Business Rates Equalisation Reserve | 748                        | 221           | (527)            |
| <b>(Increase)/Decrease in General Fund Balance</b>     | <b>0</b>                   | <b>(0)</b>    | <b>(0)</b>       |

## NARRATIVE STATEMENT

- **Housing Revenue Account**

The Housing Revenue account deficit for 2019/20 was £757,000 compared with an originally budgeted break-even position. Income was £286,000 higher than originally budgeted. There were increased levels of expenditure on Repairs and Maintenance of £753,000 and Supervision and Management of £218,000 in comparison to the original budgets. The balance on the account as at 31 March 2020 was £1 million, after allowing for the transfer of £757,000 from the earmarked Housing Acquisitions and Developments Reserve. The budget for 2020/21 anticipates a break-even position for the year.

|   | <b>Original<br/>Budget</b> | <b>Actual</b> | <b>Variation</b> |
|---|----------------------------|---------------|------------------|
|   | <b>£000</b>                | <b>£000</b>   | <b>£000</b>      |
| Income  | (27,876)                   | (28,162)      | (286)            |
| Expenditure:  |                            |               |                  |
| Repairs and Maintenance   | 4,052                      | 4,805         | 753              |
| Supervision and Management  | 5,954                      | 6,172         | 218              |
| Capital Financing Costs   | 8,456                      | 8,453         | (3)              |
| Other Expenditure   | 189                        | 264           | 75               |
|   | (9,225)                    | (8,468)       | 757              |
| Revenue Financing of Capital                                      | 9,225                      | 9,225         | 0                |
| <b>(Surplus)/Deficit</b>  | <b>(0)</b>                 | <b>757</b>    | <b>757</b>       |
| Transfer to/(from) Earmarked Revenue Reserves                     | 0                          | (757)         | (757)            |
| <b>(Increase)/Decrease in Housing Revenue<br/>Account Balance</b> | <b>(0)</b>                 | <b>(0)</b>    | <b>0</b>         |

#### 4. Pension Liability

The Council's Balance Sheet shows a net pension liability of £99.470 million, an increase of £6.378 million from 31 March 2019. Whilst this has a substantial impact on the net worth of the Council, as recorded in the Balance Sheet, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy, as the deficit on the scheme will be made good by increased contributions over the working lives of employees.

## NARRATIVE STATEMENT

### 5. Long Term Asset Impairments/Revaluations

In 2019/20 net increases in asset values credited to the Income and Expenditure Statement were £2.142 million, but these were offset by capital expenditure not enhancing value of £12.852 million, to arrive at a net impairment of £10.710 million. This compares with a net impairment debit of £2.904 million in 2018/19. These items are reflected in the Net Cost of Services. In addition, a net £3.576 million was credited to the Revaluation Reserve (£4.230 million in 2018/19)

|  | 2018/19        | 2019/20        |
|--|----------------|----------------|
|  | £000           | £000           |
| <b>Income and Expenditure Statement /<br/>Capital Adjustment Account</b> |                |                |
| Revaluation Increases  | (9,634)        | (8,518)        |
| Revaluation Decreases  | 1,140          | 6,376          |
| Net Revaluation (Increases)/Decreases                                    | (8,494)        | (2,142)        |
| Capital Expenditure not enhancing asset value                            | 11,398         | 12,852         |
| <b>Total Income and Expenditure Statement Impairments</b>                | <b>2,904</b>   | <b>10,710</b>  |
| <b>Revaluation Reserve</b>   |                |                |
| Revaluation Increases  | (4,356)        | (4,136)        |
| Revaluation Decreases  | 126            | 560            |
| <b>Total Revaluation Reserve</b>   | <b>(4,230)</b> | <b>(3,576)</b> |
| <b>Total Impairments/Revaluations</b>                                    | <b>(1,326)</b> | <b>7,134</b>   |

## NARRATIVE STATEMENT

### 6. Capital Expenditure

The level of approved capital expenditure is reviewed regularly throughout the year, to ensure that it is achievable within the estimated resources available. The original Capital Programme for 2019/20 (including the gross value of the Coastal Regional Monitoring Programme) was £27.919 million. This was initially supplemented by rephasings of £1.660 million from 2018/19. A review of the programme during the year as reported through Financial Monitoring increased the approved budget to £34.810 million. Actual expenditure of £27.481 million was £7.329 million less than the last approved budget, predominately in relation to lower expenditure on the Housing Acquisitions and Development Programme and scheme rephasings to 2020/21.

|   | Original<br>Budget | Expenditure   | Variance     |
|---|--------------------|---------------|--------------|
|   | £000               | £000          | £000         |
| <b>Housing Revenue Account</b>                                |                    |               |              |
| Major Repairs   | 6,415              | 6,214         | (201)        |
| Public Sector Disabled Adaptations                            | 700                | 937           | 237          |
| Acquisition and Development Programme                         | 11,850             | 10,341        | (1,509)      |
| Environmental Enhancements                                    | 300                | 258           | (42)         |
| Property Extensions   | 150                | 0             | (150)        |
|   | 19,415             | 17,750        | (1,665)      |
| <b>Environment and Regulatory Services</b>                    |                    |               |              |
| Coast Protection*   | 1,714              | 1,443         | (271)        |
| Foreshores and Beach Huts                                     | 0                  | 25            | 25           |
| Cemeteries  | 0                  | 74            | 74           |
| Public Conveniences   | 350                | 424           | 74           |
|   | 2,064              | 1,966         | (98)         |
| <b>Finance, Corporate Services and Improvement</b>            |                    |               |              |
| Depots  | 940                | 97            | (843)        |
| Smarter Working   | 900                | 750           | (150)        |
| Information Technology  | 450                | 217           | (233)        |
| Vehicles, Plant and Equipment                                 | 1,586              | 632           | (954)        |
|   | 3,876              | 1,696         | (2,180)      |
| <b>Housing Services</b>                                       |                    |               |              |
| Housing Private Sector Disabled Adaptations/Home Repair Loans | 1,110              | 1,198         | 88           |
|   | 1,110              | 1,198         | 88           |
| <b>Leisure and Wellbeing</b>                                  |                    |               |              |
| Eling Tide Mill   | 0                  | 18            | 18           |
|   | 0                  | 18            | 18           |
| <b>Local Economic Development, Property and Innovation</b>    |                    |               |              |
| Commercial Property Investment                                | 0                  | 4,534         | 4,534        |
| Residential Property Investment                               | 0                  | 226           | 226          |
|   | 0                  | 4,760         | 4,760        |
| <b>Planning and Infrastructure</b>                            |                    |               |              |
| Transportation  | 264                | 43            | (221)        |
| Open Space  | 506                | 50            | (456)        |
| Mitigation Schemes  | 684                | 0             | (684)        |
|   | 1,454              | 93            | (1,361)      |
|   |                    |               |              |
|   | <b>27,919</b>      | <b>27,481</b> | <b>(438)</b> |
| Less:   |                    |               |              |
| Coastal Regional Monitoring Programme*                        | (1,714)            | (1,286)       | 428          |
|   | <b>26,205</b>      | <b>26,195</b> | <b>(10)</b>  |

## NARRATIVE STATEMENT

The actual expenditure of £26.195 million was financed by:

|                                     | £000          | %             |
|-------------------------------------|---------------|---------------|
| Capital Reserve                     | 7,069         | 26.99         |
| Revenue Contributions to Capital    | 1,254         | 4.79          |
| Loan - General                      | 3,919         | 14.95         |
| Capital Receipts                    | 3,910         | 14.93         |
| Grant                               | 1,629         | 6.22          |
| Developers' Contributions           | 93            | 0.35          |
| Other (HRA Repairs and Maintenance) | 8,321         | 31.77         |
|                                     | <b>26,195</b> | <b>100.00</b> |

### 7. Funding of Future Capital Expenditure

The level of capital expenditure is reviewed and approved annually through the Capital Strategy, in accordance with the estimated resources available.

As at 31 March 2020 the Council had useable reserves/receipts of £39.903 million for capital expenditure purposes (Earmarked Reserves £14.360 million, Capital Programme Reserves £10.297 million, Developers' Contributions and Community Infrastructure Levy £10.084 million, Capital Grants Receipts in Advance £544,000 and Capital Receipts Reserve £4.618 million). These reserves may be supplemented by loans raised under Prudential Borrowing, grants, new capital receipts and contributions from the revenue accounts.

The approved original capital expenditure budget for 2020/21 is £25.694 million, including £15.8 million of schemes to be funded from Housing Revenue Account resources. The estimated total resources for 2020/21 will be sufficient to finance the Council's planned expenditure.

In February 2017, the Council approved a strategy to invest in commercial property. The strategy set out a £30 million fund and an initial intention to invest within the District, for the purpose of economic redevelopment and regeneration, or for the purposes of income generation or a mixture of both. The timing of prospective purchases is not known, and so the original budgets do not currently allow for any of this expenditure. In December 2017, the Council approved a strategy to invest in residential property, giving the Council the opportunity to become a private sector landlord with the benefit of a proven track record in rental property management. The financing of the future capital expenditure in relation to the roll-out of both investment strategies will be an appropriate mix of use of capital reserves, internal and prudential borrowing.

## NARRATIVE STATEMENT

### 8. Current Economic Climate / Future Service Delivery

The Council's general fund balance reserve as shown within these 2019/20 accounts and as included in the setting of the 2020/21 budget is £3 million and is available to support the budget and delivery of services in any given year. Other General Fund earmarked reserves total £4.544 million. The Housing Acquisitions and Development Reserve is £14.360 million and the Housing Revenue Account balance is £1 million. In addition, the Housing Revenue Account ICT reserve is £410,000 as at 31 March 2020.

Council reserves will be called upon in 2020/21 due to the financial implications and scale of the financial challenge arising as a result of the COVID-19 pandemic. The implications are especially prevalent to income generation within the General Fund.

The Council's Medium Term Financial Plan as adopted in February 2020 included a forecast on the latest expectations with regards to Retained Business Rate income, pay and price expenditure pressures, and laid out areas of work underway that would make a significant contribution towards achieving a balanced budget over the Medium Term. A full and fundamental refresh of that Financial Plan is now required in light of the changes to the Council's financial position as a result of COVID-19.

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

| 2018/19              |                      |                    |  | 2019/20 |                      |                      |                    |
|----------------------|----------------------|--------------------|--|---------|----------------------|----------------------|--------------------|
| Gross Expend<br>£000 | Gross Income<br>£000 | Net Expend<br>£000 |  | Note    | Gross Expend<br>£000 | Gross Income<br>£000 | Net Expend<br>£000 |
| 2,354                | (505)                | 1,849              | Community Affairs  |         | 2,566                | (562)                | 2,004              |
| 12,465               | (3,328)              | 9,137              | Environment and Regulatory Services  |         | 12,996               | (3,290)              | 9,706              |
| 46,650               | (38,986)             | 7,664              | Finance, Investment and Corporate Services   |         | 40,250               | (34,327)             | 5,923              |
| 6,544                | (5,053)              | 1,491              | Housing Services   |         | 6,901                | (4,573)              | 2,328              |
| 44                   | 0                    | 44                 | Leader and Corporate Affairs   |         | 45                   | 0                    | 45                 |
| 8,488                | (7,251)              | 1,237              | Leisure and Wellbeing  |         | 9,894                | (7,253)              | 2,641              |
| 637                  | (392)                | 245                | Economic Development   |         | 837                  | (614)                | 223                |
| 6,514                | (5,556)              | 958                | Planning and Infrastructure  |         | 7,489                | (5,457)              | 2,032              |
| 83,696               | (61,071)             | 22,625             | General Fund   |         | 80,978               | (56,076)             | 24,902             |
| 22,324               | (27,641)             | (5,317)            | Housing Revenue Account  |         | 28,492               | (28,002)             | 490                |
| <b>106,020</b>       | <b>(88,712)</b>      | <b>17,308</b>      | <b>Cost of Services</b>  |         | <b>109,470</b>       | <b>(84,078)</b>      | <b>25,392</b>      |
|                      |                      |                    | <b>Other Operating Expenditure</b>   |         |                      |                      |                    |
| 5,738                |                      |                    | Town and Parish Council Precepts   |         | 6,106                |                      |                    |
| 574                  |                      |                    | Payments to the Government Housing Capital Receipts Pool                               |         | 574                  |                      |                    |
|                      | (1,231)              |                    | (Gains)/Losses on the disposal of Non-Current Assets                                   |         |                      | (1,365)              |                    |
|                      |                      |                    | VAT Assessment / (Refund)  |         | 358                  | (1,192)              |                    |
| 80                   | (800)                |                    | Car Parks Non Domestic Rates Refund  |         |                      |                      |                    |
|                      |                      | <b>4,361</b>       | <b>Total Other Operating Expenditure</b>   |         |                      |                      | <b>4,481</b>       |
|                      |                      |                    | <b>Financing and Investment Income and Expenditure</b>                                 |         |                      |                      |                    |
|                      |                      |                    | Interest Payable and Similar Charges:  |         |                      |                      |                    |
| 40                   |                      |                    | - General Fund   |         | 26                   |                      |                    |
| 4,411                |                      |                    | - HRA  |         | 4,339                |                      |                    |
| 9                    |                      |                    | Expected Credit (Gain)/Loss on Investments   |         |                      | (1)                  |                    |
|                      | (108)                |                    | Changes in the fair value of Investments   |         | 1,419                | (27)                 |                    |
|                      | (1,192)              |                    | Other Investment Income  |         |                      | (1,339)              |                    |
| 2,410                |                      |                    | Net interest on the net defined benefit liability/(asset)                              | 43      | 2,164                |                      |                    |
|                      | (788)                |                    | Income, expenditure and changes in the fair value of Investment Properties             | 12      |                      | (109)                |                    |
|                      |                      | <b>4,782</b>       | <b>Total Financing and Investment Income and Expenditure</b>                           |         |                      |                      | <b>6,472</b>       |
|                      |                      |                    | <b>Taxation and Non-Specific Grant Income</b>  |         |                      |                      |                    |
|                      | (17,851)             |                    | Council Tax Income (incl. Parish precepts)   |         |                      | (18,660)             |                    |
|                      | (5,903)              |                    | Non-Domestic Rates Income and Expenditure  | 45      |                      | (5,514)              |                    |
|                      | (795)                |                    | Unringfenced Government Grants   | 45      |                      | (526)                |                    |
|                      | (3,686)              |                    | Capital Grants and Contributions   | 45      |                      | (2,407)              |                    |
|                      |                      | <b>(28,235)</b>    | <b>Total Taxation and Non-Specific Grant Income</b>                                    |         |                      |                      | <b>(27,107)</b>    |
| 119,282              | (121,066)            | <b>(1,784)</b>     | <b>(Surplus)/Deficit on the Provision of Services</b>                                  | 5       | 124,456              | (115,218)            | <b>9,238</b>       |
|                      | (4,230)              |                    | (Surplus)/Deficit arising from the revaluation of Property, Plant and Equipment Assets |         |                      | (3,577)              |                    |
| (8,540)              |                      |                    | Re-measurement of the defined benefit liability/(asset)                                | 43      | 1,661                |                      |                    |
|                      |                      | <b>(12,770)</b>    | <b>Other Comprehensive Income and Expenditure</b>                                      |         |                      |                      | <b>(1,916)</b>     |
|                      |                      | <b>(14,554)</b>    | <b>Total Comprehensive Income and Expenditure</b>                                      |         |                      |                      | <b>7,322</b>       |

Total Comprehensive Income and Expenditure has moved by £21.876 million between 2018/19 and 2019/20. The reasons for this are detailed in Note 6.



**EXPENDITURE AND FUNDING ANALYSIS**  
(supporting note to the Comprehensive Income and Expenditure Statement)

|  | Income and<br>Expenditure chargeable<br>to the General Fund<br>and HRA | Adjustments between<br>the Funding and<br>Accounting Basis | Net Expenditure for the<br>equivalent amounts in<br>the Comprehensive<br>Income and Expenditure<br>Statement |
|--|--|--|--|
|  | £000   | £000   | £000   |
| <b>2019/20:</b>  |  |  |  |
| Community Affairs                                      | 1,857  | 147  | 2,004  |
| Environment and Regulatory Services                    | 8,765  | 941  | 9,706  |
| Finance, Investment and Corporate Services             | 5,234  | 689  | 5,923  |
| Housing Services                                       | 2,125  | 203  | 2,328  |
| Leader and Corporate Affairs                           | 43   | 2  | 45   |
| Leisure and Wellbeing                                  | 1,144  | 1,497  | 2,641  |
| Economic Development                                   | (88)   | 311  | 223  |
| Planning and Infrastructure                            | 1,473  | 559  | 2,032  |
| General Fund   | 20,553   | 4,349  | 24,902   |
| Housing Revenue Account                                | (8,436)  | 8,926  | 490  |
| <b>Cost of Services</b>                                | <b>12,117</b>  | <b>13,275</b>  | <b>25,392</b>  |
| Total Other Operating Expenditure                      | 5,272  | (791)  | 4,481  |
| Total Financing and Investment Income and Expenditure  | 2,938  | 3,534  | 6,472  |
| Total Taxation and Non-Specific Grant Income           | (24,701)   | (2,407)  | (27,108)   |
| <b>(Surplus)/Deficit on the Provision of Services</b>  | <b>(4,374)</b>   | <b>13,611</b>  | <b>9,237</b>   |
| Other Comprehensive Income and Expenditure             | 12,336   | (14,251)   | (1,915)  |
| <b>Total Comprehensive Income and Expenditure</b>      | <b>7,962</b>   | <b>(640)</b>   | <b>7,322</b>   |
| Opening General Fund and HRA Balances                  | (4,000)  |  |  |
| Less Deficit/(Surplus) on General Fund and HRA in Year | 7,962  |  |  |
| Transfer to/ (from) Earmarked Reserves                 | (7,962)  |  |  |
| <b>Closing General Fund and HRA Balances</b>           | <b>(4,000)</b>   |  |  |
| <b>2018/19:</b>  |  |  |  |
| Community Affairs                                      | 1,772  | 77   | 1,849  |
| Environment and Regulatory Services                    | 8,653  | 484  | 9,137  |
| Finance, Corporate Services and Improvement            | 4,697  | 2,967  | 7,664  |
| Housing Services                                       | 1,394  | 97   | 1,491  |
| Leader and Corporate Affairs                           | 43   | 1  | 44   |
| Leisure and Wellbeing                                  | 1,692  | (455)  | 1,237  |
| Local Economic Development, Property and Innovation    | (9)  | 254  | 245  |
| Planning and Infrastructure                            | 689  | 269  | 958  |
| General Fund   | 18,931   | 3,694  | 22,625   |
| Housing Revenue Account                                | (9,690)  | 4,373  | (5,317)  |
| <b>Cost of Services</b>                                | <b>9,241</b>   | <b>8,067</b>   | <b>17,308</b>  |
| Total Other Operating Expenditure                      | 5,018  | (657)  | 4,361  |
| Total Financing and Investment Income and Expenditure  | 3,260  | 1,522  | 4,782  |
| Total Taxation and Non-Specific Grant Income           | (24,549)   | (3,686)  | (28,235)   |
| <b>(Surplus)/Deficit on the Provision of Services</b>  | <b>(7,030)</b>   | <b>5,246</b>   | <b>(1,784)</b>   |
| Other Comprehensive Income and Expenditure             | 7,709  | (20,479)   | (12,770)   |
| <b>Total Comprehensive Income and Expenditure</b>      | <b>679</b>   | <b>(15,233)</b>  | <b>(14,554)</b>  |
| Opening General Fund and HRA Balances                  | (4,000)  |  |  |
| Less Deficit/(Surplus) on General Fund and HRA in Year | 679  |  |  |
| Transfer to/ (from) Earmarked Reserves                 | (679)  |  |  |
| <b>Closing General Fund and HRA Balances</b>           | <b>(4,000)</b>   |  |  |

See Note 5 for further analysis

## MOVEMENT IN RESERVES STATEMENT

|   | General Fund Balance | Earmarked General Fund / HRA Reserves | Housing Revenue Account | Capital Programme Reserve | Capital Receipts Reserve | Community Infrastructure Levy Unapplied | Developers' Contributions Unapplied | Total Usable Reserves | Unusable Reserves | Total Authority Reserves |
|---|----------------------|---------------------------------------|-------------------------|---------------------------|--------------------------|---|-------------------------------------|-----------------------|-------------------|--------------------------|
|   | £000                 | £000                                  | £000                    | £000                      | £000                     |   | £000                                | £000                  | £000              |                          |
| <b>Balance at 31 March 2018</b>   | <b>(3,000)</b>       | <b>(25,843)</b>                       | <b>(1,000)</b>          | <b>(12,409)</b>           | <b>(5,915)</b>           | <b>(2,277)</b>                          | <b>(3,089)</b>                      | <b>(53,533)</b>       | <b>(212,411)</b>  | <b>(265,944)</b>         |
| <b><i>Movement in reserves during 2018/19</i></b>                                 |                      |                                       |                         |                           |                          |   |                                     |                       |                   |                          |
| (Surplus)/deficit on the provision of services                                    | 1,029                | 0                                     | (2,813)                 | 0                         | 0                        | 0                                       | 0                                   | (1,784)               | 0                 | (1,784)                  |
| Other comprehensive income and expenditure  | 0                    | 0                                     | 0                       | 0                         | 0                        | 0                                       | 0                                   | 0                     | (12,770)          | (12,770)                 |
| <b>Total Comprehensive Income and Expenditure</b>                                 | <b>1,029</b>         | <b>0</b>                              | <b>(2,813)</b>          | <b>0</b>                  | <b>0</b>                 | <b>0</b>                                | <b>0</b>                            | <b>(1,784)</b>        | <b>(12,770)</b>   | <b>(14,554)</b>          |
| Adjustments between accounting basis and funding basis under regulations (note 8) | (2,787)              | 0                                     | 5,250                   | 0                         | 114                      | (1,817)                                 | (437)                               | 323                   | (323)             | 0                        |
| <b>Net (Increase)/Decrease Before Transfers to Earmarked Reserves</b>             | <b>(1,758)</b>       | <b>0</b>                              | <b>2,437</b>            | <b>0</b>                  | <b>114</b>               | <b>(1,817)</b>                          | <b>(437)</b>                        | <b>(1,461)</b>        | <b>(13,093)</b>   | <b>(14,554)</b>          |
| Transfers to/(from) earmarked reserves (notes 9/10)                               | 1,758                | 685                                   | (2,437)                 | (6)                       | 0                        | 0                                       | 0                                   | 0                     | 0                 | 0                        |
| <b>(Increase) / Decrease in Year</b>  | <b>0</b>             | <b>685</b>                            | <b>0</b>                | <b>(6)</b>                | <b>114</b>               | <b>(1,817)</b>                          | <b>(437)</b>                        | <b>(1,461)</b>        | <b>(13,093)</b>   | <b>(14,554)</b>          |
| <b>Balance at 31 March 2019</b>   | <b>(3,000)</b>       | <b>(25,158)</b>                       | <b>(1,000)</b>          | <b>(12,415)</b>           | <b>(5,801)</b>           | <b>(4,094)</b>                          | <b>(3,526)</b>                      | <b>(54,994)</b>       | <b>(225,504)</b>  | <b>(280,498)</b>         |
| <b><i>Movement in reserves during 2019/20</i></b>                                 |                      |                                       |                         |                           |                          |   |                                     |                       |                   |                          |
| (Surplus)/deficit on the provision of services                                    | 5,772                | 0                                     | 3,466                   | 0                         | 0                        | 0                                       | 0                                   | 9,238                 | 0                 | 9,238                    |
| Other comprehensive income and expenditure  | 0                    | 0                                     | 0                       | 0                         | 0                        | 0                                       | 0                                   | 0                     | (1,916)           | (1,916)                  |
| <b>Total Comprehensive Income and Expenditure</b>                                 | <b>5,772</b>         | <b>0</b>                              | <b>3,466</b>            | <b>0</b>                  | <b>0</b>                 | <b>0</b>                                | <b>0</b>                            | <b>9,238</b>          | <b>(1,916)</b>    | <b>7,322</b>             |
| Adjustments between accounting basis and funding basis under regulations (note 8) | (3,747)              | 0                                     | 2,471                   | 0                         | 1,183                    | (1,118)                                 | (721)                               | (1,932)               | 1,932             | 0                        |
| <b>Net (Increase)/Decrease Before Transfers to Earmarked Reserves</b>             | <b>2,025</b>         | <b>0</b>                              | <b>5,937</b>            | <b>0</b>                  | <b>1,183</b>             | <b>(1,118)</b>                          | <b>(721)</b>                        | <b>7,306</b>          | <b>16</b>         | <b>7,322</b>             |
| Transfers to/(from) earmarked reserves (notes 9/10)                               | (2,025)              | 5,844                                 | (5,937)                 | 2,118                     | 0                        | 0                                       | 0                                   | 0                     | 0                 | 0                        |
| <b>(Increase) / Decrease in Year</b>  | <b>0</b>             | <b>5,844</b>                          | <b>0</b>                | <b>2,118</b>              | <b>1,183</b>             | <b>(1,118)</b>                          | <b>(721)</b>                        | <b>7,306</b>          | <b>16</b>         | <b>7,322</b>             |
| <b>Balance at 31 March 2020</b>   | <b>(3,000)</b>       | <b>(19,314)</b>                       | <b>(1,000)</b>          | <b>(10,297)</b>           | <b>(4,618)</b>           | <b>(5,212)</b>                          | <b>(4,247)</b>                      | <b>(47,688)</b>       | <b>(225,488)</b>  | <b>(273,176)</b>         |

## BALANCE SHEET AS AT 31 MARCH

| 2018/19   |                |   | Notes | 2019/20   |                |
|-----------|----------------|---|-------|-----------|----------------|
| £000      | £000           |   |       | £000      | £000           |
|           |                | <b>Long-Term Assets</b>                         |       |           |                |
|           |                | Property, Plant and Equipment:                  |       |           |                |
| 370,038   |                | Council Dwellings                               | 11    | 375,573   |                |
| 69,579    |                | Other Land and Buildings                        | 11    | 68,506    |                |
| 3,852     |                | Vehicles, Plant and Equipment                   | 11    | 3,236     |                |
| 3,712     |                | Infrastructure                                  | 11    | 3,386     |                |
| 212       |                | Community Assets                                | 11    | 537       |                |
| 6,673     | 454,066        | Assets Under Construction                       | 11    | 4,312     | 455,550        |
|           | 5,181          | Investment Property                             | 12    |           | 9,454          |
|           | 28,786         | Long-Term Investments                           | 14    |           | 18,636         |
|           | 1,368          | Long-Term Debtors                               | 15    |           | 1,467          |
|           | <u>489,401</u> | <b>Total Long-Term Assets</b>                   |       |           | <u>485,107</u> |
|           |                | <b>Current Assets</b>                           |       |           |                |
| 28,808    |                | Short-Term Investments                          | 16    | 20,062    |                |
| 338       |                | Inventories                                     | 17    | 285       |                |
| 10,510    |                | Short-Term Debtors                              | 18    | 11,662    |                |
| (2,429)   |                | Bad Debt Provision                              | 18    | (2,667)   |                |
| 5,874     |                | Cash and Cash Equivalents                       | 19    | 18,553    |                |
|           | 43,101         | <b>Total Current Assets</b>                     |       |           | 47,895         |
|           | <u>532,502</u> | <b>Total Assets</b>                             |       |           | <u>533,002</u> |
|           |                | <b>Current Liabilities</b>                      |       |           |                |
| (4,349)   |                | Short-Term Borrowing                            | 20    | (4,348)   |                |
| (18,109)  |                | Short-Term Creditors                            | 21    | (24,055)  |                |
| (62)      |                | Developers' Contributions - Receipts in Advance | 22    | 0         |                |
|           | (22,520)       | <b>Total Current Liabilities</b>                |       |           | (28,403)       |
|           |                | <b>Long-Term Liabilities</b>                    |       |           |                |
| (131,207) |                | Long-Term Borrowing                             | 23    | (126,906) |                |
| (4,266)   |                | Provisions                                      | 24    | (3,878)   |                |
| (168)     |                | Capital Grants - Receipts in Advance            | 25    | (544)     |                |
| (751)     |                | Developers' Contributions - Receipts in Advance | 26    | (625)     |                |
| (93,092)  |                | Net Pensions Liability                          | 43    | (99,470)  |                |
|           | (229,484)      | <b>Total Long-Term Liabilities</b>              |       |           | (231,423)      |
|           | <u>280,498</u> | <b>Net Assets</b>                               |       |           | <u>273,176</u> |
|           |                | <b>Usable Reserves</b>                          |       |           |                |
| 3,000     |                | General Fund Balance                            |       | 3,000     |                |
| 25,158    |                | Earmarked Reserves                              | 9     | 19,314    |                |
| 1,000     |                | Housing Revenue Account Balance                 |       | 1,000     |                |
| 12,415    |                | Capital Programme Reserve                       | 10    | 10,297    |                |
| 5,801     |                | Capital Receipts Reserve                        | 27    | 4,618     |                |
| 4,094     |                | Community Infrastructure Levy Unapplied         | 28    | 5,212     |                |
| 3,526     | 54,994         | Developers' Contributions Unapplied             | 28    | 4,247     | 47,688         |
|           |                | <b>Unusable Reserves</b>                        |       |           |                |
| 38,327    |                | Revaluation Reserve                             | 29    | 41,864    |                |
| 279,466   |                | Capital Adjustment Account                      | 30    | 283,315   |                |
| 172       |                | Financial Instruments Revaluation Reserve       | 31    | (1,219)   |                |
| 555       |                | Deferred Capital Receipts Reserve               | 32    | 558       |                |
| (93,092)  |                | Pensions Reserve                                | 33    | (99,470)  |                |
| 369       |                | Collection Fund Adjustment Account              | 34    | 722       |                |
| (293)     | 225,504        | Accumulating Absences Adjustment Account        | 38    | (282)     | 225,488        |
|           | <u>280,498</u> | <b>Total Reserves</b>                           |       |           | <u>273,176</u> |

Mr A Bethune FCCA – Responsible Financial (s151) Officer

27 November 2020

## CASH FLOW STATEMENT

| 2018/19  |   | Notes | 2019/20  |
|----------|---|-------|----------|
| £000     |   |       | £000     |
| (1,784)  | Net (surplus) or deficit on the provision of services   |       | 9,238    |
| (22,344) | Adjustments to net surplus or deficit on the provision of services for non-cash movements   | 35    | (28,858) |
| 5,200    | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | 35    | 3,169    |
| (18,928) | Net cash flows from Operating Activities  |       | (16,451) |
| 11,024   | Investing Activities  | 36    | 1,735    |
| 6,582    | Financing Activities  | 37    | 2,037    |
| (1,322)  | Net (increase) or decrease in cash and cash equivalents   |       | (12,679) |
| (4,552)  | Cash and cash equivalents at the beginning of the reporting period  |       | (5,874)  |
| (5,874)  | <b>Cash and cash equivalents at the end of the reporting period</b>   | 19    | (18,553) |

## NOTES TO THE ACCOUNTS

### 1. ACCOUNTING POLICIES

#### i) General Principles

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year end of 31 March 2020. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015. These Regulations require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and the Service Reporting Code of Practice 2019/20 supported by International Financial Reporting Standards (IFRS).

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.

#### ii) Accruals of Income and Expenditure (Debtors and Creditors)

The accounts of the Council are prepared on an accruals basis. This means that the sums due to or from the Council during the year are included in the accounts, whether or not the cash has actually been received or paid in the year in question. In particular:

- Income from fees, charges and rents is recognised when the Council provides the relevant goods or services.
- Supplies and services expenditure is recorded as expenditure when the supplies or services 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.
- 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 income or expenditure has 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.

Accruals have been made for all known material revenue and capital debtors and creditors for goods and services supplied by and to the Council during the year.

Exceptions to this policy are housing benefit payments, housing rents, utility costs and similar quarterly payments that are not apportioned when the period of charge does not coincide exactly with the end of the financial year. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts.

## NOTES TO THE ACCOUNTS

### iii) Cash and Cash Equivalents

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

The Council will treat the following as cash and cash equivalents:

- Instant Access Call Accounts
- Instant Access Money Market Funds
- Deposits with one day to maturity

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

### iv) Changes in Accounting Policies, Material Errors and Changes in Accounting Estimates

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error.

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

**Material errors** discovered in prior period figures are also 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, support services and trading accounts are debited with the following amounts to record the cost of holding fixed 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 amortisations. Charges are therefore mitigated by way of an adjusting transaction with the Capital Adjustment Account via the Movement in Reserves Statement. The Council is however required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement. This is calculated on a prudent basis determined by the Council in accordance with statutory guidance.

## NOTES TO THE ACCOUNTS

### vi) Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

### vii) 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.

### viii) 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 wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. flexi time) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that benefits are charged to revenue in the financial year in which the absence occurs.

#### Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. They are charged to services on an accruals basis in the Comprehensive Income and Expenditure Statement 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.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid or payable to the pension fund and pensioners.

## NOTES TO THE ACCOUNTS

### Post Employment Benefits

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

Detailed regulations govern rates of contribution and scales of benefits, the latter normally being in the form of a lump sum and annual pension.

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

- \* The liabilities of the Hampshire pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- \* Liabilities are discounted to their value at current prices, using a calculated discount rate based on a series of calculations for high quality corporate bonds over a range of periods.
- \* The assets of Hampshire pension fund attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market 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 as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
  - **Net interest 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. It 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.



## NOTES TO THE ACCOUNTS

### Re-measurements comprising

- **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 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 or payable to the pension fund and pensioners. 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.

### ix) 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.

### x) Exceptional Items

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

## NOTES TO THE ACCOUNTS

### xi) 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 and government grants, do not give rise to financial instruments.

**Financial liabilities** are obligations to transfer economic benefits controlled by the Council and can be represented by contractual obligations to deliver cash or financial assets or obligations to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.

The Council's financial liabilities held during the year are measured at amortised cost.

**Financial Assets** are rights to future economic benefits controlled by the Council that are represented by cash, equity instruments or contractual rights 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 are accounted for under the following 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

**Fair value through other comprehensive income** – where cash flows are solely payments of principal and interest and the Council's business model is to both collect those cash flows and sell the instrument and equity investments that the Council has elected into this category

**Fair value through profit and loss** – all other financial assets

### xii) Foreign Currency Translation

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end they are reconverted at the exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

## NOTES TO THE ACCOUNTS

### **xiii) 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 Account until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as 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 (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

### **xiv) Heritage Assets**

The Council has concluded that obtaining valuations for currently held Heritage Assets would involve a disproportionate cost in comparison to the benefits to the users of Council's financial statements and therefore has not recognised the assets on the Balance Sheet. Should the Council obtain any additional Heritage Assets in the future each asset would be considered for inclusion at the time.

### **xv) Intangible Assets**

The Council accounts for expenditure on Intangible Assets, such as software licences and website development, as revenue expenditure and therefore there is no asset recognition on the Balance Sheet.

### **xvi) Inventories**

Stocks are recorded in the Balance Sheet and charged to services at actual cost and stores items at average cost. This is not materially different from the recommended practice of carrying them at the lower of cost or net realisable value. Care is taken to write out any obsolescent stocks.

## NOTES TO THE ACCOUNTS

### **xvii) 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 arm's-length. Properties are not depreciated but are re-valued 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 the Capital Receipts Reserve.

### **xviii) 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**

##### Finance Leases

Where the Council leases a material asset under a finance lease it would be recognised in the accounts as if it were the Council's asset and then treated in the same way as any other Property, Plant and Equipment asset, other than 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 currently has no such Finance Leases.

##### 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.

## NOTES TO THE ACCOUNTS

### The Council as Lessor

#### Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. The rentals receivable are treated partly as capital receipts (for the principal element) and partly as revenue interest income. If not paid in full the balance due is held as a Long-Term Debtor in the Balance Sheet and is written down when payments are received.

#### Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the relevant service area in the Comprehensive Income and Expenditure Statement.

### **xix) Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2019/20 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

### **xx) 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 over a number of years and the cost of the item can be measured reliably. This determination will be made by the Responsible Financial Officer based upon a reasonable and prudent judgement. Leisure and ICT equipment will generally not be capitalised. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

A de minimis level is set for operational assets below which expenditure is not capitalised.

| <u>Category of Property, Plant and Equipment Assets</u> | <u>De minimis level</u> |
|---|-------------------------|
| Council dwellings                                       | £25,000                 |
| Other land and buildings                                | £10,000                 |
| Vehicles, plant and equipment                           | £10,000                 |
| Infrastructure assets                                   | £10,000                 |

## NOTES TO THE ACCOUNTS

### Measurement

Assets are initially measured at cost, comprising:

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

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

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

- Infrastructure, Vehicles, Plant and Equipment, Community Assets and Assets Under Construction – depreciated historical cost.
- Dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH).
- 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.

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

Assets included in the Balance Sheet at fair value are re-valued 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 or exceptionally to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

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

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

## NOTES TO THE ACCOUNTS

### 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:

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

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

### Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets where the useful life is in excess of 50 years or where assets are 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:

- \* Non-HRA dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer.
- \* HRA Dwellings – componentisation applied and depreciated according to the average remaining useful life expectancies.
- \* vehicles, plant and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer.
- \* infrastructure – coast protection - straight-line allocation over 20 years.  
land drainage and public lighting - straight-line allocation over 40 years.

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

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.

Depreciation is applied in the year in which the asset is acquired and is charged using the straight-line method.

## NOTES TO THE ACCOUNTS

### The Remaining Useful Life of the Council's Non-Current Assets

The Council's Property, Plant and Equipment are depreciated over the remaining useful life of the asset as determined by the Council's valuers. Any land owned by the Council is not deemed to have a finite life and is not depreciated.

Investment assets are not depreciated and have a remaining life of 50 years or more.

The following table indicates the estimated remaining useful life of each type of non-current asset owned by the Council. Each category of asset consists of different assets with varying remaining lives, therefore the table shows the range of asset lives within each category.

| Type of Asset              | Remaining Useful Asset Life at 31 March 2020 |
|----------------------------|--|
| Council Dwellings          | Up to 60 years                               |
| Council Garages            | 60 years                                     |
| Depots                     | 60 years                                     |
| Public Conveniences        | Between 1 and 60 years                       |
| Offices                    | Between 50 and 60 years                      |
| Cemeteries                 | Indefinite                                   |
| Health and Leisure Centres | 60 years                                     |
| Equipment                  | Between 0 and 30 years                       |
| Coastal Protection Works   | Up to 9 years                                |
| Land Drainage Works        | Up to 25 years                               |
| Public Lighting Works      | Up to 24 years                               |
| Residential Dwellings      | An average of 46 years                       |
| Investment Properties      | 50+ years                                    |

### xxi) 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 re-valued 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 Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.



## NOTES TO THE ACCOUNTS

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

Amounts received for a disposal are categorised as capital receipts. For Council Dwellings sold under the Right to Buy Scheme a proportion of the receipts, net of statutory deductions and allowances) are payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). 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.

### **xxii) Private Finance Initiative (PFI) and Similar Contracts**

The Council has not entered into any PFI schemes or similar contracts.

### **xxiii) 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 line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

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 authority settles the obligation.

## NOTES TO THE ACCOUNTS

### **xxiv) 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 show against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

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

### **xxv) 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 Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves 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.

### **xxvi) Value Added Tax (VAT)**

Income and expenditure in the Statement of Accounts excludes any amounts related to VAT other than any irrecoverable VAT which is charged to the service to which the supply related.

## NOTES TO THE ACCOUNTS

### 2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT NOT YET ADOPTED

The Code of Practice of Local Authority Accounting in the United Kingdom requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified. In addition, disclosure is required for the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code.

The standards that may be relevant for additional disclosures that will be required in future financial statements in respect of accounting changes that are introduced in the 2020/21 Code are:

Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term interests in Associates and Joint Ventures

Annual Improvements to IFRS Standards 2015-2017 Cycle

Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement

CIPFA/LASAAC has deferred until 2021/22 the implementation of IFRS 16 Leases, it was previously expected to be applied from 2020/21. This will require local authorities that are lessees to recognise most leases on their balance sheets as rights of use assets with corresponding lease liabilities.

### 3. JUDGEMENTS MADE IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in this document the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

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

**Asset reclassifications** – the Council has made judgements on whether assets are classified as Investment Property or Property, Plant and Equipment. If the asset is used in the delivery of services or is occupied by third parties who are subsidised by the Council they are deemed to be Property, Plant and Equipment assets. If the asset is being held solely for capital appreciation or rental income, there is no subsidy and/or full market rent is being charged this would indicate that the asset is an Investment Property. The classification determines the valuation method to be used.

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

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

## NOTES TO THE ACCOUNTS

**Future funding for local government** – there is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that 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.

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

**Doubtful debts allowances** – the Council has made judgements about the level of doubtful debts allowances that it needs to provide for. These judgements are based on historical experience of debtor defaults adjusted for the current economic climate.

#### 4. UNCERTAINTIES RELATING TO ASSUMPTIONS AND ESTIMATES USED

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The key judgements and estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

| Item                     | Uncertainties  | Effect if Actual Results Differ from Assumptions/Estimates   |
|--------------------------|--|--|
| Doubtful Debt Allowances | <p>The Council has made allowances for doubtful debts of £2.667 million in 2019/20 (£2.429 million in 2018/19) based on what it believes to be a prudent but realistic level.</p> <p>The allowances are based on:</p> <p>Council Tax and Non-domestic rate payers – ranges from 5% of debts at bill stage to 50% of debts at Liability Order stage.</p> <p>Sundry Debtors including Overpaid Housing Benefits -100% of debts over 1 year.</p> <p>Housing Rents - Former tenants 95%, current tenants various percentages ranging from 0% on debts up to £100 and 95% on debts over £1,000.</p> | <p>If debt collection rates were to deteriorate or improve, a 5% change in the allowances would require an adjustment of £133,000 (£121,000 in 2018/19).</p> |

## NOTES TO THE ACCOUNTS

| <b>Item</b>                      | <b>Uncertainties</b>  | <b>Effect if Actual Results Differ from Assumptions/Estimates</b>   |
|----------------------------------|---|---|
| Pensions Liability               | Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.   | The effects on the net pensions' liability of changes in individual assumptions are detailed in Note 43. During 2019/20, the Council's actuaries advised that the net pension liability had increased by £5.770 million due to estimates being corrected, as a result of experience and decreased by £14.278 million due to updating of the assumptions used in the calculations. |
| Accumulating Absences            | The calculated figure is comprised of annual leave entitlement and flexi/lieu time. The carried forward leave on the system has been used to calculate the accrual for annual leave. The number of days taken in flexi leave/lieu time has been used as the base for calculating the accrual at the end of the relevant year.   | The accumulated absences amount recorded for 2019/20 is £282,000. A 5% increase in the accrual would amount to £14,000. This would not impact on the usable reserves of the Council.  |
| Business Rates Appeals Provision | The provision of £3.828 million made by the Council is its 40% share of an overall provision of £9.570 million provision made in the Collection Fund. The overall figure is based on a national estimate of 3.6% successful appeals on the gross rateable value, less appeals already settled and adjusted for major appeals that have been notified by the Valuation Office as being in hand and likely to be successful, but not yet settled. | The Council would be impacted by circa 20% of any under or over provision, but any loss would be restricted to a reduction in resources of £2.773 million before Safety Net Grant arrangements apply.   |

## NOTES TO THE ACCOUNTS

| <b>Item</b>  | <b>Uncertainties</b>  | <b>Effect if Actual Results Differ from Assumptions/Estimates</b>   |
|--|---|---|
| Housing Stock Valuation  | The Council adopts the Beacon methodology to annually revalue the Housing stock owned by the Council. The method adopted divides Towns and Parishes across the District into 5 pools, with a single pool being used to inform the Beacon indices each year on a cyclical basis. The pools were revised during 2017/18 to include Towns and Parishes across the District, rather than being too heavily weighted to a specific geographical area. Each year, it is recognised that the Beacon indices may well result in differing valuations when making a comparison against the national house price benchmark. | Over the 5 year period of valuation, the methodology does result in a fair market average valuation being carried in the Council's balance sheet. In any one year however, depending on the pool used to inform the Beacon indices, a variation can occur against the Land Registry house price benchmark. In 2019/20, the NFDC Beacon indices totaled 0.44%, whereas the South East benchmark totaled 0.7%. The resultant difference in these figures equates to circa £950,000. |
| Britain leaving the European Union: asset values and pension liability | There is a high level of uncertainty about the implications of Britain leaving the European Union. It is not possible to predict with any level of certainty how on-going negotiations with the EU will then impact on the UK economy, including asset valuations and discount rates. The assumption has been made that any outcome will not significantly impair the value of the Council's assets or change the discount rate. However, this assumption needs to be revisited and reviewed regularly.   | Higher impairment allowances may need to be charged in the future if asset values fall. If the discount rate changes, the size of the net pension liability will also vary.   |
| COVID-19; asset values   | Due to the outbreak of COVID-19 and government restrictions implemented there was an unknown future impact on the real estate market and therefore asset valuations for 2019/20 were originally reported on the basis of 'material valuation uncertainty' as per VPS3 and VPGA10 of RICS Red Book Global. A subsequent review was undertaken in June/July 2020 and it was established that no material change had occurred.   | Higher impairment allowances may need to be charged in the future if asset values fall.   |

## NOTES TO THE ACCOUNTS

### 5. NOTES TO THE EXPENDITURE AND FUNDING ANALYSIS

This note provides a reconciliation of the main adjustments to Net Expenditure Chargeable to the General Fund and Housing Revenue Account balances to arrive at the amounts in the Comprehensive Income and Expenditure Statement. The relevant transfers between reserves are explained in the Movement in Reserves Statement.

#### **Adjustments for Capital Purposes**

- Depreciation, impairment and revaluation gains/losses on Property, Plant and Equipment and Investment Properties.
- Gains/losses on the Disposal of Non-Current Assets.
- Payments to the Government Housing Capital Receipts Pool.
- Capital grants, income and contributions.
- Provision for the financing of Capital Investment.
- Capital expenditure charged against the General Fund and Housing Revenue Account balances.

#### **Net Change for Pensions Adjustments**

- Replacement of employer pension contributions allowed by statute with current and past service costs.
- Net interest on the net defined benefit liability/(asset).
- Re-measurement of the defined benefit liability/(asset).

#### **Other Differences**

- Amount by which council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from the amount calculated for the year in accordance with statutory requirements.
- Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from the amount chargeable in the year in accordance with statutory requirements.

## NOTES TO THE ACCOUNTS

### Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Amounts:

| Adjustment between Funding and Accounting Basis  |                                       |   |                      |                      |
|--|---------------------------------------|---|----------------------|----------------------|
|  | Adjustment<br>for Capital<br>Purposes | Net Change<br>for the<br>Pension<br>Adjustments | Other<br>Differences | Total<br>Adjustments |
|  | £000                                  | £000  | £000                 | £000                 |
| <b>2019/20:</b>  |                                       |   |                      |                      |
| Community Affairs  | 0                                     | 148   | (1)                  | 147                  |
| Environment and Regulatory Services  | 454                                   | 490   | (3)                  | 941                  |
| Finance, Investment and Corporate Services   | 432                                   | 260   | (3)                  | 689                  |
| Housing Services   | 3                                     | 200   | 0                    | 203                  |
| Leader and Corporate Affairs   | 0                                     | 2   | 0                    | 2                    |
| Leisure and Wellbeing  | 1,178                                 | 327   | (8)                  | 1,497                |
| Economic Development   | 246                                   | 64  | 1                    | 311                  |
| Planning and Infrastructure  | 0                                     | 558   | 1                    | 559                  |
| <b>General Fund</b>  | 2,313                                 | 2,049   | (13)                 | 4,349                |
| <b>Housing Revenue Account</b>   | 8,408                                 | 504   | 14                   | 8,926                |
| <b>Net Cost of Services</b>  | <b>10,721</b>                         | <b>2,553</b>                                    | <b>1</b>             | <b>13,275</b>        |
| Other Income and Expenditure from the Expenditure and Funding Analysis   | (18,765)                              | 3,825   | 1,025                | (13,915)             |
| <b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b> | <b>(8,044)</b>                        | <b>6,378</b>                                    | <b>1,026</b>         | <b>(640)</b>         |
| <b>2018/19:</b>  |                                       |   |                      |                      |
| Community Affairs  | 0                                     | 73  | 4                    | 77                   |
| Environment and Regulatory Services  | 232                                   | 237   | 15                   | 484                  |
| Finance, Corporate Services and Improvement  | 412                                   | 2,546   | 9                    | 2,967                |
| Housing Services   | 0                                     | 88  | 9                    | 97                   |
| Leader and Corporate Affairs   | 0                                     | 1   | 0                    | 1                    |
| Leisure and Wellbeing  | (650)                                 | 180   | 15                   | (455)                |
| Local Economic Development, Property and Innovation  | (66)                                  | 26  | 294                  | 254                  |
| Planning and Infrastructure  | 0                                     | 250   | 19                   | 269                  |
| <b>General Fund</b>  | (72)                                  | 3,401   | 365                  | 3,694                |
| <b>Housing Revenue Account</b>   | 3,548                                 | 797   | 28                   | 4,373                |
| <b>Net Cost of Services</b>  | <b>3,476</b>                          | <b>4,198</b>                                    | <b>393</b>           | <b>8,067</b>         |
| Other Income and Expenditure from the Expenditure and Funding Analysis   | (17,346)                              | (6,130)   | 176                  | (23,300)             |
| <b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b> | <b>(13,870)</b>                       | <b>(1,932)</b>                                  | <b>569</b>           | <b>(15,233)</b>      |



## NOTES TO THE ACCOUNTS

### Expenditure and Income Analysed by Nature:

| 2018/19          |  | 2019/20          |
|------------------|--|------------------|
| £000             | Expenditure  | £000             |
| 31,567           | Employee benefits expenses                               | 31,117           |
| 58,257           | Other services expenses                                  | 56,338           |
| 3,050            | Support Service recharges                                | 3,359            |
| 13,226           | Depreciation, amortisation and impairment                | 20,433           |
| 6,870            | Interest Payments  | 6,529            |
| 5,738            | Precepts and Levies                                      | 6,106            |
| 574              | Payments to Housing Capital Receipts Pool                | 574              |
| <b>119,282</b>   | <b>Total Expenditure</b>                                 | <b>124,456</b>   |
|                  | <b>Income</b>  |                  |
| (49,130)         | Fees, charges and other service income                   | (49,851)         |
| (1,231)          | Gain on the disposal of assets                           | (1,365)          |
| (2,088)          | Interest and investment income                           | (1,476)          |
| (17,851)         | Income from council tax                                  | (18,660)         |
| (50,766)         | Government grants and contributions                      | (43,866)         |
| <b>(121,066)</b> | <b>Total Income</b>                                      | <b>(115,218)</b> |
| <b>(1,784)</b>   | <b>(Surplus) or Deficit on the Provision of Services</b> | <b>9,238</b>     |

### Segmental Income:

|   | Government<br>Grant and<br>Other Income | Fees, Charges<br>and Other<br>Service<br>Income | Total           |
|---|---|---|-----------------|
|   | £000                                    | £000  | £000            |
| <b>2019/20:</b>                                     |   |   |                 |
| Community Affairs                                   | (39)                                    | (523)   | (562)           |
| Environment and Regulatory Services                 | (263)                                   | (3,027)   | (3,290)         |
| Finance, Investment and Corporate Services          | (32,965)                                | (1,362)   | (34,327)        |
| Housing Services                                    | (1,723)                                 | (2,850)   | (4,573)         |
| Leisure and Wellbeing                               | (149)                                   | (7,104)   | (7,253)         |
| Economic Development                                | 0                                       | (614)   | (614)           |
| Planning and Infrastructure                         | (249)                                   | (5,208)   | (5,457)         |
| <b>General Fund</b>                                 | (35,388)                                | (20,688)  | (56,076)        |
| <b>Housing Revenue Account</b>                      | (32)                                    | (27,970)  | (28,002)        |
|   | <b>(35,420)</b>                         | <b>(48,658)</b>                                 | <b>(84,078)</b> |
| <b>2018/19:</b>                                     |   |   |                 |
| Community Affairs                                   | (22)                                    | (483)   | (505)           |
| Environment and Regulatory Services                 | (447)                                   | (2,881)   | (3,328)         |
| Finance, Corporate Services and Improvement         | (37,600)                                | (1,385)   | (38,985)        |
| Housing Services                                    | (1,647)                                 | (3,406)   | (5,053)         |
| Leisure and Wellbeing                               | (398)                                   | (6,853)   | (7,251)         |
| Local Economic Development, Property and Innovation | 0                                       | (392)   | (392)           |
| Planning and Infrastructure                         | (268)                                   | (5,288)   | (5,556)         |
| <b>General Fund</b>                                 | (40,382)                                | (20,688)  | (61,070)        |
| <b>Housing Revenue Account</b>                      | 0                                       | (27,641)  | (27,641)        |
|   | <b>(40,382)</b>                         | <b>(48,329)</b>                                 | <b>(88,711)</b> |

## NOTES TO THE ACCOUNTS

### 6. MATERIAL ITEMS OF INCOME AND EXPENDITURE

The Total Comprehensive Income and Expenditure Statement has a net expenditure position of £7.322 million in 2019/20, a movement of £21.876 million from the £14.554 million net income position in 2018/19. The main reasons for the variation, most of which do not impact on usable resources, are as follows:

|   | 2018/19<br>£000 | 2019/20<br>£000 | Variation<br>£000 |
|---|-----------------|-----------------|-------------------|
| Depreciation and Revaluation/Impairment of Non Current Assets | 5,099           | 12,141          | 7,042             |
| Capital Grants and Contributions                              | (5,289)         | (3,695)         | 1,594             |
| Revenue Expenditure Funded from Capital                       | 1,611           | 1,290           | (321)             |
| Payments to the Housing Pooled Capital Receipts               | 574             | 574             | 0                 |
| (Gains)/Losses on Non Current Asset Disposals                 | (1,231)         | (1,365)         | (134)             |
| Movements in value of Investment Properties                   | (486)           | 232             | 718               |
| Changes in Fair Value of Investments                          | (108)           | 1,392           | 1,500             |
| Pension Fund Actuarial (Gains)/Losses                         | (8,540)         | 1,661           | 10,201            |
| Other IAS19 Pension Adjustments                               | 6,608           | 4,717           | (1,891)           |
| (Surplus)/Deficit arising from the revaluation of Reserve)    | (4,230)         | (3,577)         | 653               |
| Other Items   | 89              | (12)            | (101)             |
| <b>Items Not Affecting Council Tax / Housing Rents</b>        | <b>(5,903)</b>  | <b>13,358</b>   | <b>19,261</b>     |
| Equipment Purchases   | 1,632           | 832             | (800)             |
| Dwellings Depreciation  | 8,127           | 8,321           | 194               |
| Non-Ringfenced Government Grants                              | (6,698)         | (6,040)         | 658               |
| Interest Payable and Similar Charges                          | 4,451           | 4,365           | (86)              |
| Investment Income   | (1,192)         | (1,339)         | (147)             |
| Other Items   | (14,971)        | (12,175)        | 2,796             |
| <b>Items Affecting Council Tax / Housing Rents</b>            | <b>(8,651)</b>  | <b>(6,036)</b>  | <b>2,615</b>      |
| <b>Total Comprehensive Income and Expenditure</b>             | <b>(14,554)</b> | <b>7,322</b>    | <b>21,876</b>     |

### 7. EVENTS AFTER THE REPORTING PERIOD

The COVID-19 pandemic and the government's lockdown measures from late March 2020 have had a significant impact on the council's operations. This impact has been immaterial for 19/20 due to the lockdown occurring late in the year. However, the impact has been material following year end. The Council have updated their 20/21 budget and MTFP in response to the pandemic. During lockdown, it was necessary to close outlying information offices and staff offices have been partially closed with the majority of the council's office-based staff working from home.

Council asset values were originally reported on the basis of 'material valuation uncertainty' as per VPS3 and VPGA10 of RICS Valuation – Global Standards due to the unknown future impact on the real estate market as a result of COVID-19 and government restrictions implemented. Due to this uncertainty the valuation of Council assets has been kept under frequent review during the end of year process.

## NOTES TO THE ACCOUNTS

As government restrictions have been eased since the end of the reporting period the impact on the real estate market is beginning to show. A change in asset values has not been evident immediately, as is common in the property market. However, there is still a level of uncertainty over how properties will be used in the future with social distancing requirements.

Restrictions placed on moving house/premises were lifted in May 2020 resulting in many transactions, that were put on hold, continuing on the same terms as previously agreed before 31 March 2020. In some areas there has been a slight increase in asking prices for dwellings, but the prices achieved in terms of agreed sales are broadly in line with the values achieved in March 2020.

Income streams such as those from car parks initially saw a downturn during April and May 2020 and whilst not all incomes have returned to previous levels, it has been agreed that the valuation should assume they will return to 2019/20 levels by the end of the financial year; therefore there has been no material effect on the overall capital value.

A number of rent deferments have been agreed for leased properties, however these are not suspensions and the rents are still legally due to be paid. In accordance with Central Government guidance the Council (as a landlord) has been working with interested parties to agree rent repayment plans which enables both the debt to be repaid and the businesses to re-start/continue trading.

The retail, hospitality and leisure sectors, have started to experience a number of insolvency proceedings, which could reduce the level of Business Rates income collected by the Council. There are predictions that trading difficulties will increase as businesses have problems sustaining cash flow. However Central Government interventions may reduce this trend.

The Council's valuer undertook a review in June/July 2020 and concluded that there have been no material changes in asset values at 31 March 2020.

### **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 Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

## NOTES TO THE ACCOUNTS

| 2019/20  | Usable Reserves      |                         |                          |                       |                               |                                     | Movement in Unusable Reserves |
|--|----------------------|-------------------------|--------------------------|-----------------------|-------------------------------|-------------------------------------|-------------------------------|
|  | General Fund Balance | Housing Revenue Account | Capital Receipts Reserve | Major Repairs Reserve | Community Infrastructure Levy | Developers' Contributions Unapplied |                               |
|  | £000                 | £000                    | £000                     | £000                  | £000                          | £000                                | £000                          |
| <b>Adjustments primarily involving the Capital Adjustment Account:</b>   |                      |                         |                          |                       |                               |                                     |                               |
| <b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>  |                      |                         |                          |                       |                               |                                     |                               |
| Charges for depreciation and impairment of non-current assets  | (1,659)              | (3)                     | 0                        | (8,321)               | 0                             | 0                                   | 9,983                         |
| Revaluation Gains / (Losses) on Property, Plant and Equipment  | (1,125)              | 3,498                   | 0                        | 0                     | 0                             | 0                                   | (2,373)                       |
| Capital Expenditure not enhancing value  | (946)                | (11,906)                | 0                        | 0                     | 0                             | 0                                   | 12,852                        |
| Movements in the market value of Investment Properties   | (232)                | 0                       | 0                        | 0                     | 0                             | 0                                   | 232                           |
| Expected Credit Loss on Investments  | 1                    | 0                       | 0                        | 0                     | 0                             | 0                                   | (1)                           |
| Movement in the Fair Value of Investments  | (1,392)              | 0                       | 0                        | 0                     | 0                             | 0                                   | 1,392                         |
| Capital grants and contributions applied   | 1,393                | 248                     | 0                        | 0                     | 0                             | 0                                   | (1,641)                       |
| Revenue expenditure funded from capital under statute  | (1,290)              | 0                       | 0                        | 0                     | 0                             | 0                                   | 1,290                         |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | (1)                  | (1,803)                 | 0                        | 0                     | 0                             | 0                                   | 1,804                         |
| <b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>   |                      |                         |                          |                       |                               |                                     |                               |
| Provision for the financing of capital investment  | 1,222                | 4,100                   | 0                        | 0                     | 0                             | 0                                   | (5,322)                       |
| Capital expenditure charged against the General Fund and HRA balances  | 2,239                | 6,085                   | 0                        | 0                     | 0                             | 0                                   | (8,324)                       |
| <b>Adjustments primarily involving the Capital Grants / Developers' Contributions Unapplied Account:</b>   |                      |                         |                          |                       |                               |                                     |                               |
| Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement  | 1,919                | 0                       | 0                        | 0                     | (1,118)                       | (801)                               | 0                             |
| Application of grants to capital financing transferred to the Capital Adjustment Account   | 0                    | 0                       | 0                        | 0                     | 0                             | 80                                  | (80)                          |

## NOTES TO THE ACCOUNTS

| 2019/20  | Usable Reserves      |                         |                          |                       |                               |                                     | Movement in Unusable Reserves |
|--|----------------------|-------------------------|--------------------------|-----------------------|-------------------------------|-------------------------------------|-------------------------------|
|  | General Fund Balance | Housing Revenue Account | Capital Receipts Reserve | Major Repairs Reserve | Community Infrastructure Levy | Developers' Contributions Unapplied |                               |
|  | £000                 | £000                    | £000                     | £000                  | £000                          | £000                                | £000                          |
| <b>Adjustments primarily involving the Capital Receipts Reserve:</b>   |                      |                         |                          |                       |                               |                                     |                               |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement (net of administration costs of disposal) | 46                   | 3,123                   | (3,169)                  | 0                     | 0                             | 0                                   | 0                             |
| Transfer of cash proceeds from non PPE assets  | 94                   | 38                      | (132)                    | 0                     | 0                             | 0                                   | 0                             |
| Use of the Capital Receipts Reserve to finance new capital expenditure   | 0                    | 0                       | 3,910                    | 0                     | 0                             | 0                                   | (3,910)                       |
| Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool   | (574)                | 0                       | 574                      | 0                     | 0                             | 0                                   | 0                             |
| <b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>  |                      |                         |                          |                       |                               |                                     |                               |
| Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement                                       | 0                    | 2                       | 0                        | 0                     | 0                             | 0                                   | (2)                           |
| <b>Adjustments primarily involving the Major Repairs Reserve:</b>  |                      |                         |                          |                       |                               |                                     |                               |
| Use of the Major Repairs Reserve to finance new capital expenditure  | 0                    | 0                       | 0                        | 8,321                 | 0                             | 0                                   | (8,321)                       |
| <b>Adjustments primarily involving the Pension Reserve:</b>  |                      |                         |                          |                       |                               |                                     |                               |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement  | (8,731)              | (1,881)                 | 0                        | 0                     | 0                             | 0                                   | 10,612                        |
| Employer's pensions contributions and direct payments to pensioners payable in the year  | 4,923                | 972                     | 0                        | 0                     | 0                             | 0                                   | (5,895)                       |

## NOTES TO THE ACCOUNTS

| 2019/20   | Usable Reserves      |                         |                          |                       |                               |                                     | Movement in Unusable Reserves |
|---|----------------------|-------------------------|--------------------------|-----------------------|-------------------------------|-------------------------------------|-------------------------------|
|   | General Fund Balance | Housing Revenue Account | Capital Receipts Reserve | Major Repairs Reserve | Community Infrastructure Levy | Developers' Contributions Unapplied |                               |
|   | £000                 | £000                    | £000                     | £000                  | £000                          | £000                                | £000                          |
| <b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>  |                      |                         |                          |                       |                               |                                     |                               |
| Amount by which council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from income calculated for the year in accordance with statutory requirements         | 353                  | 0                       | 0                        | 0                     | 0                             | 0                                   | (353)                         |
| <b>Adjustments primarily involving the Accumulating Absences Adjustment Account:</b>  |                      |                         |                          |                       |                               |                                     |                               |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | 13                   | (2)                     | 0                        | 0                     | 0                             | 0                                   | (11)                          |
| <b>Total Adjustments</b>  | <b>(3,747)</b>       | <b>2,471</b>            | <b>1,183</b>             | <b>0</b>              | <b>(1,118)</b>                | <b>(721)</b>                        | <b>1,932</b>                  |

## NOTES TO THE ACCOUNTS

| 2018/19 Comparative Figures  | Usable Reserves      |                         |                          |                       |                               |                                     | Movement in Unusable Reserves |
|--|----------------------|-------------------------|--------------------------|-----------------------|-------------------------------|-------------------------------------|-------------------------------|
|  | General Fund Balance | Housing Revenue Account | Capital Receipts Reserve | Major Repairs Reserve | Community Infrastructure Levy | Developers' Contributions Unapplied |                               |
|  | £000                 | £000                    | £000                     | £000                  | £000                          | £000                                | £000                          |
| <b>Adjustments primarily involving the Capital Adjustment Account:</b>   |                      |                         |                          |                       |                               |                                     |                               |
| <b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>  |                      |                         |                          |                       |                               |                                     |                               |
| Charges for depreciation and impairment of non-current assets  | (1,705)              | (3)                     | 0                        | (8,127)               | 0                             | 0                                   | 9,835                         |
| Revaluation Gains / (Losses) on Property, Plant and Equipment  | 998                  | 7,010                   | 0                        | 0                     | 0                             | 0                                   | (8,008)                       |
| Capital Expenditure not enhancing value  | (840)                | (10,558)                | 0                        | 0                     | 0                             | 0                                   | 11,398                        |
| Movements in the market value of Investment Properties   | 486                  | 0                       | 0                        | 0                     | 0                             | 0                                   | (486)                         |
| Expected Credit Loss on Investments  | (9)                  | 0                       | 0                        | 0                     | 0                             | 0                                   | 9                             |
| Movement in the Fair Value of Investments  | 108                  | 0                       | 0                        | 0                     | 0                             | 0                                   | (108)                         |
| Capital grants and contributions applied   | 1,664                | 600                     | 0                        | 0                     | 0                             | 0                                   | (2,264)                       |
| Revenue expenditure funded from capital under statute  | (1,612)              | 0                       | 0                        | 0                     | 0                             | 0                                   | 1,612                         |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | (2,495)              | (1,473)                 | 0                        | 0                     | 0                             | 0                                   | 3,968                         |
| <b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>   |                      |                         |                          |                       |                               |                                     |                               |
| Provision for the financing of capital investment  | 1,203                | 1,538                   | 0                        | 0                     | 0                             | 0                                   | (2,741)                       |
| Capital expenditure charged against the General Fund and HRA balances  | 894                  | 6,357                   | 0                        | 0                     | 0                             | 0                                   | (7,251)                       |
| <b>Adjustments primarily involving the Capital Grants / Developers' Contributions Unapplied Account:</b>   |                      |                         |                          |                       |                               |                                     |                               |
| Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement  | 2,465                | 394                     | 0                        | 0                     | (1,898)                       | (961)                               | 0                             |
| Application of grants to capital financing transferred to the Capital Adjustment Account   | 0                    | 0                       | 0                        | 0                     | 81                            | 524                                 | (605)                         |

## NOTES TO THE ACCOUNTS

| 2018/19 Comparative Figures  | Usable Reserves      |                         |                          |                       |                               |                                     | Movement in Unusable Reserves |
|--|----------------------|-------------------------|--------------------------|-----------------------|-------------------------------|-------------------------------------|-------------------------------|
|  | General Fund Balance | Housing Revenue Account | Capital Receipts Reserve | Major Repairs Reserve | Community Infrastructure Levy | Developers' Contributions Unapplied |                               |
|  | £000                 | £000                    | £000                     | £000                  | £000                          | £000                                | £000                          |
| <b>Adjustments primarily involving the Capital Receipts Reserve:</b>   |                      |                         |                          |                       |                               |                                     |                               |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement (net of administration costs of disposal) | 2,582                | 2,618                   | (5,200)                  | 0                     | 0                             | 0                                   | 0                             |
| Transfer of cash proceeds from non PPE assets  | 89                   | 0                       | (89)                     | 0                     | 0                             | 0                                   | 0                             |
| Use of the Capital Receipts Reserve to finance new capital expenditure   | 0                    | 0                       | 4,829                    | 0                     | 0                             | 0                                   | (4,829)                       |
| Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool   | (574)                | 0                       | 574                      | 0                     | 0                             | 0                                   | 0                             |
| <b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>  |                      |                         |                          |                       |                               |                                     |                               |
| Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement                                       | 0                    | 2                       | 0                        | 0                     | 0                             | 0                                   | (2)                           |
| <b>Adjustments primarily involving the Major Repairs Reserve:</b>  |                      |                         |                          |                       |                               |                                     |                               |
| Use of the Major Repairs Reserve to finance new capital expenditure  | 0                    | 0                       | 0                        | 5,565                 | 0                             | 0                                   | (5,565)                       |
| Use of the Major Repairs Reserve to finance debt repayment   | 0                    | 0                       | 0                        | 2,562                 | 0                             | 0                                   | (2,562)                       |
| <b>Adjustments primarily involving the Pension Reserve:</b>  |                      |                         |                          |                       |                               |                                     |                               |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement  | (9,767)              | (1,985)                 | 0                        | 0                     | 0                             | 0                                   | 11,752                        |
| Employer's pensions contributions and direct payments to pensioners payable in the year  | 4,378                | 766                     | 0                        | 0                     | 0                             | 0                                   | (5,144)                       |



## NOTES TO THE ACCOUNTS

| 2018/19 Comparative Figures   | Usable Reserves      |                         |                          |                       |                               |                                     | Movement in Unusable Reserves |
|---|----------------------|-------------------------|--------------------------|-----------------------|-------------------------------|-------------------------------------|-------------------------------|
|   | General Fund Balance | Housing Revenue Account | Capital Receipts Reserve | Major Repairs Reserve | Community Infrastructure Levy | Developers' Contributions Unapplied |                               |
|   | £000                 | £000                    | £000                     | £000                  | £000                          | £000                                | £000                          |
| <b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>  |                      |                         |                          |                       |                               |                                     |                               |
| Amount by which council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from income calculated for the year in accordance with statutory requirements         | (578)                | 0                       | 0                        | 0                     | 0                             | 0                                   | 578                           |
| <b>Adjustments primarily involving the Accumulating Absences Adjustment Account:</b>  |                      |                         |                          |                       |                               |                                     |                               |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | (74)                 | (16)                    | 0                        | 0                     | 0                             | 0                                   | 90                            |
| <b>Total Adjustments</b>  | <b>(2,787)</b>       | <b>5,250</b>            | <b>114</b>               | <b>0</b>              | <b>(1,817)</b>                | <b>(437)</b>                        | <b>(323)</b>                  |

## NOTES TO THE ACCOUNTS

### 9. EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund and HRA balances to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2018/19 and 2019/20.

|   | Balance<br>1 April<br>2018 | Transfers<br>Out<br>2018/19 | Transfers<br>In<br>2018/19 | Balance<br>31 March<br>2019 | Transfers<br>Out<br>2019/20 | Transfers<br>In<br>2019/20 | Balance<br>31 March<br>2020 |
|---|----------------------------|-----------------------------|----------------------------|-----------------------------|-----------------------------|----------------------------|-----------------------------|
|   | £000                       | £000                        | £000                       | £000                        | £000                        | £000                       | £000                        |
| Building Control Surplus                  | 0                          | 0                           | (3)                        | (3)                         | 0                           | (41)                       | (44)                        |
| Business Rates Equalisation               | (113)                      | 0                           | (1,441)                    | (1,554)                     | 0                           | (221)                      | (1,775)                     |
| Committed Schemes                         | (834)                      | 834                         | (1,045)                    | (1,045)                     | 1,045                       | (469)                      | (469)                       |
| Community Housing Fund                    | (965)                      | 29                          | 0                          | (936)                       | 16                          | 0                          | (920)                       |
| Historic Buildings                        | (7)                        | 0                           | 0                          | (7)                         | 0                           | 0                          | (7)                         |
| Housing Needs Survey                      | (96)                       | 0                           | (12)                       | (108)                       | 0                           | 0                          | (108)                       |
| Leisure Development                       | 0                          | 0                           | 0                          | 0                           | 0                           | (834)                      | (834)                       |
| Local Development<br>Framework            | (233)                      | 101                         | (75)                       | (207)                       | 178                         | 0                          | (29)                        |
| Lymington Synthetic<br>Turf Pitch         | (151)                      | 0                           | (17)                       | (168)                       | 0                           | (19)                       | (187)                       |
| Open Space<br>Maintenance                 | (53)                       | 3                           | (70)                       | (120)                       | 56                          | (19)                       | (83)                        |
| Private Housing Stock<br>Condition Survey | (104)                      | 0                           | (13)                       | (117)                       | 29                          | 0                          | (88)                        |
| Quadrennial Election                      | (130)                      | 0                           | (44)                       | (174)                       | 174                         | 0                          | 0                           |
| <b>General Fund</b>                       | <b>(2,686)</b>             | <b>967</b>                  | <b>(2,720)</b>             | <b>(4,439)</b>              | <b>1,498</b>                | <b>(1,603)</b>             | <b>(4,544)</b>              |
| HRA ICT                                   | (366)                      | 0                           | 0                          | (366)                       | 0                           | (44)                       | (410)                       |
| Housing Acquisitions and<br>Development   | (22,791)                   | 2,507                       | (69)                       | (20,353)                    | 5,993                       | 0                          | (14,360)                    |
| <b>Total Reserves</b>                     | <b>(25,843)</b>            | <b>3,474</b>                | <b>(2,789)</b>             | <b>(25,158)</b>             | <b>7,491</b>                | <b>(1,647)</b>             | <b>(19,314)</b>             |

### 10. CAPITAL PROGRAMME RESERVE

This note sets out the amounts set aside from the General Fund to provide for financing of future years' capital expenditure.

|                   | Balance<br>1 April<br>2018 | Transfers<br>Out<br>2018/19 | Transfers<br>In<br>2018/19 | Balance<br>31 March<br>2019 | Transfers<br>Out<br>2019/20 | Transfers<br>In<br>2019/20 | Balance<br>31 March<br>2020 |
|-------------------|----------------------------|-----------------------------|----------------------------|-----------------------------|-----------------------------|----------------------------|-----------------------------|
|                   | £000                       | £000                        | £000                       | £000                        | £000                        | £000                       | £000                        |
| Capital Programme | (12,409)                   | 1,838                       | (1,844)                    | (12,415)                    | 2,506                       | (388)                      | (10,297)                    |
|                   | <b>(12,409)</b>            | <b>1,838</b>                | <b>(1,844)</b>             | <b>(12,415)</b>             | <b>2,506</b>                | <b>(388)</b>               | <b>(10,297)</b>             |

## NOTES TO THE ACCOUNTS

### 11. PROPERTY, PLANT AND EQUIPMENT ASSETS AND IMPAIRMENTS

#### Valuation of Property, Plant and Equipment

The Council operates a rolling programme of property revaluations, which are carried out over a 5-year period. In 2019/20 this work was carried out by the Council's valuer, S. Yeo, MRICS. The revaluation programme for 2019/20 principally comprised the majority of the Council's non-operational land and buildings, as well as 20% of dwellings using the Beacon method of valuation. The remainder of dwellings' values were uplifted in line with the resultant Beacon indices.

#### a) Analysis of Assets

The following list gives an indication of the range and number of assets owned/leased by the Council.

| 2018/19 |                                     | 2019/20 |
|---------|-------------------------------------|---------|
| 5,054   | Council Dwellings                   | 5,120   |
| 2       | Main Office Blocks                  | 2       |
| 2       | Other Offices                       | 2       |
| 5       | Depots and Administrative Buildings | 5       |
| 5       | Health and Leisure Centres          | 5       |
| 50      | Car Parks                           | 50      |
| 8       | Cemeteries                          | 9       |
| 24      | Public Conveniences                 | 24      |
| 207     | Vehicles                            | 201     |
| 1,800   | Garages                             | 1,788   |

#### b) Valuation of Property, Plant and Equipment Assets carried at current value

The following statement shows the progress of the Council's rolling programme for the revaluation of non-current assets. The basis for valuation is set out in the Statement of Accounting Policies.

|   | Council<br>Dwellings | Other<br>Land and<br>Buildings | Vehicles,<br>Plant and<br>Equipment | Infra-<br>structure | Community<br>Assets | Assets<br>Under<br>Construction | Total          |
|---|----------------------|--------------------------------|-------------------------------------|---------------------|---------------------|---------------------------------|----------------|
|   | £000                 | £000                           | £000                                | £000                | £000                | £000                            | £000           |
| <b>Carried at Historic Cost (Net of Depreciation)</b> |                      |                                | 3,236                               | 3,386               |                     | 4,312                           | 10,934         |
| <b>Valued at Fair Value as at:</b>                    |                      |                                |                                     |                     |                     |                                 |                |
| 2019/20   | 375,573              | 41,345                         |                                     |                     | 537                 |                                 | 417,455        |
| 2018/19   |                      | 2,485                          |                                     |                     |                     |                                 | 2,485          |
| 2017/18   |                      | 5,111                          |                                     |                     |                     |                                 | 5,111          |
| 2016/17   |                      | 17,354                         |                                     |                     |                     |                                 | 17,354         |
| 2015/16   |                      | 2,211                          |                                     |                     |                     |                                 | 2,211          |
| <b>Total Cost or Valuation</b>                        | <b>375,573</b>       | <b>68,506</b>                  | <b>3,236</b>                        | <b>3,386</b>        | <b>537</b>          | <b>4,312</b>                    | <b>455,550</b> |

These valuations show the net current value after depreciation is applied.

## NOTES TO THE ACCOUNTS

### c) Movement on Property, Plant and Equipment Assets

Purchases and disposals during the year were as follows:

| <b>Movements in 2019/20:</b>   | <b>Council Dwellings</b> | <b>Other Land and Buildings</b> | <b>Vehicles, Plant and Equipment</b> | <b>Infrastructure</b> | <b>Community Assets</b> | <b>Assets Under Construction</b> | <b>Total Property, Plant and Equipment</b> |
|--|--------------------------|---------------------------------|--------------------------------------|-----------------------|-------------------------|----------------------------------|--|
| <b>Cost or Valuation</b>   | <b>£000</b>              | <b>£000</b>                     | <b>£000</b>                          | <b>£000</b>           | <b>£000</b>             | <b>£000</b>                      | <b>£000</b>                                |
| At 1 April 2019  | 370,038                  | 70,066                          | 10,336                               | 19,839                | 0                       | 6,673                            | <b>476,952</b>                             |
| Additions  | 13,927                   | 1,311                           | 631                                  | 183                   | 74                      | 3,802                            | <b>19,928</b>                              |
| Revaluation increases / (decreases) recognised in the Revaluation Reserve                                | 3,481                    | (156)                           | 0                                    | 0                     | 251                     | 0                                | <b>3,576</b>                               |
| Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services     | (219)                    | (1,139)                         | 0                                    | 0                     | 0                       | (4,603)                          | <b>(5,961)</b>                             |
| Capital Expenditure not enhancing value recognised in the Surplus / Deficit on the Provision of Services | (11,884)                 | (539)                           | 0                                    | (183)                 | 0                       | 0                                | <b>(12,606)</b>                            |
| Derecognition - disposals  | (1,803)                  | 0                               | (338)                                | 0                     | 0                       | 0                                | <b>(2,141)</b>                             |
| Other movements in cost or valuation   | 2,033                    | (685)                           | 0                                    | 0                     | 212                     | (1,560)                          | <b>0</b>                                   |
| <b>At 31 March 2020</b>  | <b>375,573</b>           | <b>68,858</b>                   | <b>10,629</b>                        | <b>19,839</b>         | <b>537</b>              | <b>4,312</b>                     | <b>479,748</b>                             |
| <b>Accumulated Depreciation and Impairment</b>   |                          |                                 |                                      |                       |                         |                                  |  |
| At 1 April 2019  | 0                        | (275)                           | (6,484)                              | (16,127)              | 0                       | 0                                | <b>(22,886)</b>                            |
| Depreciation charge  | (8,321)                  | (90)                            | (1,246)                              | (326)                 | 0                       | 0                                | <b>(9,983)</b>                             |
| Depreciation written out to the Surplus / Deficit on the Provision of Services                           | 8,321                    | 13                              | 0                                    | 0                     | 0                       | 0                                | <b>8,334</b>                               |
| Derecognition - disposals  | 0                        | 0                               | 337                                  | 0                     | 0                       | 0                                | <b>337</b>                                 |
| <b>At 31 March 2020</b>  | <b>0</b>                 | <b>(352)</b>                    | <b>(7,393)</b>                       | <b>(16,453)</b>       | <b>0</b>                | <b>0</b>                         | <b>(24,198)</b>                            |
| <b>Net Book Value</b>  |                          |                                 |                                      |                       |                         |                                  |  |
| <b>at 31 March 2020</b>  | <b>375,573</b>           | <b>68,506</b>                   | <b>3,236</b>                         | <b>3,386</b>          | <b>537</b>              | <b>4,312</b>                     | <b>455,550</b>                             |
| <b>at 31 March 2019</b>  | <b>370,038</b>           | <b>69,791</b>                   | <b>3,852</b>                         | <b>3,712</b>          | <b>0</b>                | <b>6,673</b>                     | <b>454,066</b>                             |

## NOTES TO THE ACCOUNTS

| <b>Comparative Movements in 2018/19:</b>   | <b>Council Dwellings</b> | <b>Other Land and Buildings</b> | <b>Vehicles, Plant and Equipment</b> | <b>Infrastructure</b> | <b>Assets Under Construction</b> | <b>Total Property, Plant and Equipment</b> |
|--|--------------------------|---------------------------------|--------------------------------------|-----------------------|----------------------------------|--|
| <b>Cost or Valuation</b>   | <b>£000</b>              | <b>£000</b>                     | <b>£000</b>                          | <b>£000</b>           | <b>£000</b>                      | <b>£000</b>                                |
| At 1 April 2018  | 366,652                  | 66,938                          | 10,274                               | 19,839                | 3,046                            | <b>466,749</b>                             |
| Additions  | 12,690                   | 1,878                           | 757                                  | 135                   | 4,198                            | <b>19,658</b>                              |
| Revaluation increases / (decreases) recognised in the Revaluation Reserve                                | 2,858                    | 1,372                           | 0                                    | 0                     | 0                                | <b>4,230</b>                               |
| Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services     | (332)                    | 997                             | 0                                    | 0                     | (784)                            | <b>(119)</b>                               |
| Capital Expenditure not enhancing value recognised in the Surplus / Deficit on the Provision of Services | (10,558)                 | (705)                           | 0                                    | (135)                 | 0                                | <b>(11,398)</b>                            |
| Derecognition - disposals  | (1,473)                  | 0                               | (695)                                | 0                     | 0                                | <b>(2,168)</b>                             |
| Other movements in cost or valuation   | 201                      | (414)                           | 0                                    | 0                     | 213                              | <b>0</b>                                   |
| <b>At 31 March 2019</b>  | <b>370,038</b>           | <b>70,066</b>                   | <b>10,336</b>                        | <b>19,839</b>         | <b>6,673</b>                     | <b>476,952</b>                             |
| <b>Accumulated Depreciation and Impairment</b>   |                          |                                 |                                      |                       |                                  |  |
| At 1 April 2018  | 0                        | (183)                           | (5,895)                              | (15,792)              | 0                                | <b>(21,870)</b>                            |
| Depreciation charge  | (8,127)                  | (92)                            | (1,282)                              | (335)                 | 0                                | <b>(9,836)</b>                             |
| Depreciation written out to the Surplus / Deficit on the Provision of Services                           | 8,127                    | 0                               | 0                                    | 0                     | 0                                | <b>8,127</b>                               |
| Derecognition - disposals  | 0                        | 0                               | 693                                  | 0                     | 0                                | <b>693</b>                                 |
| <b>At 31 March 2019</b>  | <b>0</b>                 | <b>(275)</b>                    | <b>(6,484)</b>                       | <b>(16,127)</b>       | <b>0</b>                         | <b>(22,886)</b>                            |
| <b>Net Book Value</b>  |                          |                                 |                                      |                       |                                  |  |
| <b>at 31 March 2019</b>  | <b>370,038</b>           | <b>69,791</b>                   | <b>3,852</b>                         | <b>3,712</b>          | <b>6,673</b>                     | <b>454,066</b>                             |
| <b>at 31 March 2018</b>  | <b>366,652</b>           | <b>66,755</b>                   | <b>4,378</b>                         | <b>4,047</b>          | <b>3,046</b>                     | <b>444,878</b>                             |

## NOTES TO THE ACCOUNTS

### d) Impairments

Valuation reductions of Property, Plant and Equipment Assets in 2019/20 were £6.936 million (Council Dwellings £4.906 million and General Fund Assets £2.030 million), but valuation increases were £12.654 million (Council Dwellings £11.702 million, Other HRA Properties £126,000, Council Garages £184,000 and other General Fund Assets £642,000)

Offsetting the net valuation increases was non-enhancing capital expenditure of £11.906 million on Council Dwellings, and £946,000 on General Fund Assets, which was impaired via the Comprehensive Income and Expenditure Statement in the year.

Net valuation reductions of Investment Properties in 2019/20 were £232,000.

### e) Capital Expenditure Contract Commitments

As at 31 March 2020, the Council was committed through contracts to future capital expenditure in respect of the following major schemes:

|  | Period of investment | £000       |
|--|----------------------|------------|
| <b>Environment and Regulatory Services</b> |                      |            |
| National Coastal Monitoring Programme      | 2020/21              | 260        |
| Public Conveniences                        | 2020/21              | 7          |
| <b>Total</b>                               |                      | <b>267</b> |

## NOTES TO THE ACCOUNTS

### 12. INVESTMENT PROPERTIES

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure section of the Comprehensive Income and Expenditure Statement:

| 2018/19      |  | 2019/20      |
|--------------|--|--------------|
| £000         |  | £000         |
| (318)        | Rental income from investment property                     | (379)        |
| 16           | Direct operating expenses arising from investment property | 38           |
| (486)        | Net (gains)/losses from fair value adjustments             | 232          |
| <b>(788)</b> | <b>Net (gain)/loss</b>                                     | <b>(109)</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.

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

| 2018/19      |  | 2019/20      |
|--------------|--|--------------|
| £000         |  | £000         |
| <b>4,695</b> | <b>Balance at start of the year</b>            | <b>5,181</b> |
|              | Additions:                                     |              |
| 0            | Purchases                                      | 4,534        |
| 0            | Capital expenditure not enhancing value        | (29)         |
| 486          | Net gains/(losses) from fair value adjustments | (232)        |
| <b>5,181</b> | <b>Balance at end of the year</b>              | <b>9,454</b> |

### 13. INTANGIBLE ASSETS

The authority 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.

| 2018/19  |   | 2019/20  |
|----------|---|----------|
| £000     |   | £000     |
| <b>0</b> | <b>Opening Balance</b>                  | <b>0</b> |
| 0        | Additions                               | 217      |
| 0        | Capital Expenditure not enhancing value | (217)    |
| <b>0</b> | <b>Closing Balance</b>                  | <b>0</b> |

## NOTES TO THE ACCOUNTS

### 14. LONG-TERM INVESTMENTS

The Council is permitted to invest and lend a proportion of its funds for more than 364 days. At 31 March 2020 the Council had 18 loans which had a remaining maturity term of more than one year.

| 2018/19       |                                     | 2019/20       |
|---------------|-------------------------------------|---------------|
| £000          |                                     | £000          |
| 21,180        | <b>Opening Balance</b>              | 28,786        |
| 12,503        | Purchases                           | 227           |
| 216           | Revaluations Gains                  | 33            |
| (85)          | Revaluations Losses                 | (1,397)       |
| (10)          | Repayments                          | (8)           |
| (3)           | Expected Credit Loss                | 0             |
| (5,015)       | Transfers to Short-Term Investments | (9,005)       |
| <b>28,786</b> | <b>Closing Balance</b>              | <b>18,636</b> |

### 15. LONG-TERM DEBTORS

Long-term debtors includes deferred capital receipts for house purchases, loans to local trusts/organisations and staff car/cycle loans. During 2013/14 a long-term loan of £2.007 million was made to Lymington Harbour Commissioners. Of this £802,800 was outstanding as at 31 March 2020, but £200,700 is due within 12 months and is therefore included within short-term debtors.

| 31 March<br>2019 |   | 31 March<br>2020 |
|------------------|---|------------------|
| £000             |   | £000             |
| 14               | Car Loans                                   | 8                |
| 803              | Lymington Harbour Commissioners - Principal | 602              |
| 551              | Rent to Mortgages House Purchases           | 553              |
| 0                | Appletree Property Holdings                 | 304              |
| <b>1,368</b>     | <b>Total</b>                                | <b>1,467</b>     |



## NOTES TO THE ACCOUNTS

### 16. SHORT-TERM INVESTMENTS

Short-term investments include all deposits with a term of less than one year other than Cash and Cash Equivalents.

| 2018/19       |                                      | 2019/20       |
|---------------|--------------------------------------|---------------|
| £000          |                                      | £000          |
| 36,731        | <b>Opening Balance</b>               | 28,808        |
| 51,723        | Purchases                            | 55,210        |
| 11            | Revaluations Gains                   | 6             |
| (11)          | Revaluations Losses                  | (41)          |
| 37            | Movement in Accrued Interest         | (17)          |
| (64,693)      | Repayments                           | (72,913)      |
| (5)           | Expected Credit Loss                 | 4             |
| 5,015         | Transfers from Long-Term Investments | 9,005         |
| <b>28,808</b> | <b>Closing Balance</b>               | <b>20,062</b> |

### 17. INVENTORIES

Inventories are goods that are acquired in advance of their use in the provision of services or their resale. They are charged to the Comprehensive Income and Expenditure Statement in the year that they are consumed or sold.

| 2018/19    |                                      | 2019/20    |
|------------|--------------------------------------|------------|
| £000       |                                      | £000       |
| 340        | <b>Balance at 1 April</b>            | 338        |
| 1,682      | Purchases                            | 1,599      |
| (1,652)    | Recognised as an expense in the year | (1,628)    |
| (32)       | Written off balances                 | (24)       |
| <b>338</b> | <b>Balance at 31 March</b>           | <b>285</b> |

## NOTES TO THE ACCOUNTS

### 18. SHORT-TERM DEBTORS

An analysis of the Council's debtors and payments in advance as at 31 March is shown below:

| 31 March<br>2019 |   | 31 March<br>2020 |
|------------------|---|------------------|
| £000             |   | £000             |
| 907              | Central Government Bodies (a)               | 1,664            |
|                  | Local Authorities:                          |                  |
| 542              | Hampshire County Council                    | 510              |
| 37               | Police and Crime Commissioner for Hampshire | 17               |
| 24               | New Forest National Park Authority          | 15               |
| 129              | Other Local Authorities                     | 6                |
| 0                | NHS Bodies                                  | 81               |
| 75               | Public Corporations and Trading Funds       | 90               |
|                  | Other Entities and Individuals:             |                  |
| 426              | Council Tax Payers                          | 480              |
| 304              | Business Rate Payers                        | 356              |
| 682              | Housing Tenants' Rents (b)                  | 942              |
| 7,384            | Other Debtors and Payments in Advance       | 7,501            |
| <b>10,510</b>    | <b>Total</b>                                | <b>11,662</b>    |

Short-term debtors were higher at the 31 March 2020 by £1.152 million when compared to 31 March 2019, the main contributing factors to this were:

- (a) Central Government Bodies debtors increased by £757,000. As at 31 March 2020 £482,000 was accrued re the Department of Works and Pensions and £438,000 re HM Revenue and Customs VAT.
- (b) Housing Tenants' Rents payments in advance have increased by £260,000.

The bad debts provision is shown below:

| 31 March<br>2019 |                        | 31 March<br>2020 |
|------------------|------------------------|------------------|
| £000             |                        | £000             |
| (171)            | Council Tax Payers     | (189)            |
| (112)            | Business Rate Payers   | (123)            |
| (523)            | Housing Tenants' Rents | (660)            |
| (1,623)          | Other Debtors          | (1,695)          |
| <b>(2,429)</b>   | <b>Total</b>           | <b>(2,667)</b>   |

## NOTES TO THE ACCOUNTS

### 19. CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents is made up of the following elements:

| 31 March<br>2019 |  | 31 March<br>2020 |
|------------------|--|------------------|
| £000             |  | £000             |
| 10               | Cash held by the Council   | 8                |
| (967)            | Bank current accounts  | 206              |
| 6,831            | Short-Term deposits with building societies/banks and other financial institutions | 18,339           |
| <b>5,874</b>     | <b>Total</b>   | <b>18,553</b>    |

### 20. SHORT-TERM BORROWING

Short-term borrowing refers to loans that are repayable over a period of less than 12 months.

The Council has no short-term loans, but its long-term loans are repayable by equal instalments of principal. In 2012/13 the Council borrowed £142.7 million for the Housing Revenue Account financing settlement. The first £4.1 million principal repayment instalment of this borrowing was paid in 2017/18. The annual HRA settlement repayment of £4.1 million together with the next instalment for the Lymington Harbour Commissioners' loan of £200,700 is transferred each year from long term to short term borrowing as the total of £4.301 million is payable within 12 months.

In addition, total accrued interest of £47,240 on short-term and long-term borrowing is also payable within 12 months and is included in this category.

| 2018/19        |   | 2019/20        |
|----------------|---|----------------|
| £000           |   | £000           |
| <b>(4,350)</b> | <b>Balance at 1 April</b>                     | <b>(4,349)</b> |
| 4301           | Loans Repaid                                  | 4,301          |
| (4,301)        | Transferred from Long-Term Borrowing          | (4,301)        |
| 1              | Movement in accrued interest on all Borrowing | 1              |
| <b>(4,349)</b> | <b>Balance at 31 March</b>                    | <b>(4,348)</b> |

## NOTES TO THE ACCOUNTS

### 21. SHORT-TERM CREDITORS

An analysis of the Council's creditors and receipts in advance as at 31 March is shown below:

| 31 March<br>2019 |   | 31 March<br>2020 |
|------------------|---|------------------|
| £000             |   | £000             |
| (6,271)          | Central Government Bodies (a)                       | (12,281)         |
|                  | Local Authorities:                                  |                  |
| (2,333)          | Hampshire County Council                            | (2,307)          |
| (170)            | Police and Crime Commissioner for Hampshire         | (177)            |
| (170)            | Hampshire Fire and Rescue Authority                 | (166)            |
| (2)              | New Forest National Park Authority                  | (4)              |
| (568)            | Developers' Contributions Open Space<br>Maintenance | (609)            |
| (760)            | Other Local Authorities (b)                         | (2,422)          |
| (2)              | NHS Bodies  | (3)              |
| (20)             | Public Corporations and Trading Funds               | (7)              |
|                  | Other Entities:                                     |                  |
| (279)            | Council Tax Payers                                  | (294)            |
| (373)            | Business Rate Payers (c)                            | (178)            |
| (7,161)          | Other Creditors and Receipts in Advance (d)         | (5,607)          |
| <b>(18,109)</b>  | <b>Total</b>  | <b>(24,055)</b>  |

Short term creditors have increased by £5.946 million from 2018/19 to 2019/20:

- (a) The Central Government Bodies balance is £6.010 million higher mainly due to £3.419 million with regard to grants received in advance from the Ministry for Housing, Communities and Local Government and £2.329 million re National Non Domestic Rates.
- (b) Other Local Authorities is higher following receipts in advance for the regional coastal monitoring programme of £1.570 million.
- (c) Business Rate Payers receipts in advance have fallen by £195,000 in comparison to the end of 2018/19.
- (d) Other Creditors and Receipts in Advance have decreased by £1.554 million. This was due in the main to movement on accruals regarding Coastal Monitoring of £137,000, Information Communications and Technology of £117,000, Smarter Working of £119,000, Health and Leisure Centres £173,000 and Health; Leisure Centres Direct Debits decreasing by £366,000 and Sundry Creditors outstanding invoice payments by £638,000.

## NOTES TO THE ACCOUNTS

### 22. DEVELOPERS' CONTRIBUTIONS – SHORT-TERM RECEIPTS IN ADVANCE

The Council has received Developers' Contributions that have yet to be recognised as income as they have conditions attached to them that will, if not met, require the monies to be returned to the contributor.

| 2018/19     |  | 2019/20  |
|-------------|--|----------|
| £000        |  | £000     |
| (127)       | Balance at 1 April   | (62)     |
| 118         | Financing of Capital Expenditure                             | 10       |
| (53)        | Transfer to/(from) other Developers' Contribution Categories | 52       |
| <b>(62)</b> | <b>Balance at 31 March</b>                                   | <b>0</b> |

### 23. LONG-TERM BORROWING

Long-term borrowing refers to loans that are repayable over a period in excess of 12 months.

At 1 April 2019 the Council was holding long-term debt of £131.207 million. This included the sum borrowed in 2012/13 relating to the refinancing of the Housing Revenue Account as well as a loan raised in March 2014 to finance an equivalent loan made in 2013/14 to the Lymington Harbour Commissioners. At 31 March 2020 £200,700 relating to the Harbour Commissioners' loan was repayable within 12 months, as well as the annual repayment of £4.1 million of the loan taken regarding the Housing Revenue Account financing settlement, therefore a balance of long-term debt of £126.906 million was outstanding at the year end.

| 2018/19          |                                     | 2019/20          |
|------------------|-------------------------------------|------------------|
| £000             |                                     | £000             |
| (135,507)        | Balance at 1 April                  | (131,207)        |
| 4,300            | Transferred to Short-Term Borrowing | 4,301            |
| <b>(131,207)</b> | <b>Balance at 31 March</b>          | <b>(126,906)</b> |

## NOTES TO THE ACCOUNTS

### 24. PROVISIONS

The Council maintains provisions to cover liabilities or losses that are anticipated to arise, but which cannot be quantified with certainty.

|   | Balance 1 April<br>2018 | Additional<br>Provisions Made<br>2018/19 | Amounts Used<br>2018/19 | Unused Amounts<br>Reversed 2018/19 | Balance 31 March<br>2019 | Additional<br>Provisions Made<br>2019/20 | Amounts Used<br>2019/20 | Unused Amounts<br>Reversed 2019/20 | Balance 31 March<br>2020 |
|---|-------------------------|--|-------------------------|------------------------------------|--------------------------|--|-------------------------|------------------------------------|--------------------------|
|   | £000                    | £000                                     | £000                    | £000                               | £000                     | £000                                     | £000                    | £000                               | £000                     |
| Business Rates                          | (3,366)                 | (1,356)                                  | 732                     | 0                                  | <b>(3,990)</b>           | (936)                                    | 1,098                   | 0                                  | <b>(3,828)</b>           |
| Legislation Changes                     | (17)                    | 0  | 0                       | 17                                 | <b>0</b>                 | 0  | 0                       | 0                                  | <b>0</b>                 |
| Private Sector Leasing<br>Dilapidations | (102)                   | 0  | 0                       | 0                                  | <b>(102)</b>             | 0  | 52                      | 0                                  | <b>(50)</b>              |
| Redundancy                              | (123)                   | (174)                                    | 119                     | 4                                  | <b>(174)</b>             | 0  | 178                     | (4)                                | <b>0</b>                 |
| <b>Total Provisions</b>                 | <b>(3,608)</b>          | <b>(1,530)</b>                           | <b>851</b>              | <b>21</b>                          | <b>(4,266)</b>           | <b>(936)</b>                             | <b>1,328</b>            | <b>(4)</b>                         | <b>(3,878)</b>           |

#### Business Rates

On 1 April 2013 the Government introduced the Business Rates Retention Scheme, which required the Council to make a provision in the Collection Fund for successful appeals against rating valuations. The total provision made at 31 March 2020 was £9.570 million, of which £3.828 million relates to this Council's share of anticipated refunds.

#### Legislation Changes

The ability to fully recover the cost of providing property search information was subject to challenge nationally, as a consequence of conflicting legislation. This legal claim and related costs have been fully settled.

#### Private Sector Leasing Dilapidations

The Council is responsible for ensuring the repair of private sector houses that are leased. The Council had possible obligations on 130 properties at 31 March 2020. A revenue budget of £92,000 exists in 2020/21 for void repairs and dilapidation costs but a provision of £50,000 is also held to cover the potential for additional costs should a large number of dilapidations occur in any particular year.

#### Redundancy

The Redundancy provision is put in place once approval for the termination of employment has been agreed by the Council.

## NOTES TO THE ACCOUNTS

### 25. CAPITAL GRANTS – RECEIPTS IN ADVANCE

The Council has received capital grants and contributions that have yet to be recognised as income as they have conditions attached to them that will, if not met, require the monies to be returned to the contributor. The balances and movements on contributions were as follows:

| 2018/19           |                            |         |                                  | 2019/20           |                            |         |
|-------------------|----------------------------|---------|----------------------------------|-------------------|----------------------------|---------|
| Government Grants | Other Grants/Contributions | Total   |                                  | Government Grants | Other Grants/Contributions | Total   |
| £000              | £000                       | £000    |                                  | £000              | £000                       | £000    |
| (95)              | (38)                       | (133)   | Balance at 1 April               | (168)             | 0                          | (168)   |
| (2,093)           | (4)                        | (2,097) | New Receipts                     | (1,963)           | (42)                       | (2,005) |
| 2,020             | 42                         | 2,062   | Financing of Capital Expenditure | 1,587             | 42                         | 1,629   |
| (168)             | 0                          | (168)   | Balance at 31 March              | (544)             | 0                          | (544)   |

### 26. DEVELOPERS' CONTRIBUTIONS – LONG -TERM RECEIPTS IN ADVANCE

The Council has received Developers' Contributions that have yet to be recognised as income, as they have conditions attached to them that will, if not met, require the monies to be returned to the contributor.

| 2018/19 |  | 2019/20 |
|---------|--|---------|
| £000    |  | £000    |
| (788)   | Balance at 1 April   | (751)   |
| (100)   | New Receipts   | 0       |
| 84      | Financing of Capital Expenditure                             | 2       |
| 53      | Transfer to/(from) other Developers' Contribution Categories | 124     |
| (751)   | Balance at 31 March  | (625)   |

### 27. CAPITAL RECEIPTS RESERVE

The Capital Receipts Reserve principally reflects the proceeds from the disposal of Property, Plant and Equipment assets that have yet to be utilised on new capital expenditure.

| 2018/19 |                                   | 2019/20 |
|---------|-----------------------------------|---------|
| £000    |                                   | £000    |
| (5,915) | Balance at 1 April                | (5,801) |
| (5,289) | New Receipts (including interest) | (3,301) |
| 574     | Transfers to Government           | 574     |
| 4,829   | Financing of Capital Expenditure  | 3,910   |
| (5,801) | Balance at 31 March               | (4,618) |

## NOTES TO THE ACCOUNTS

### 28. DEVELOPERS' CONTRIBUTIONS / COMMUNITY INFRASTRUCTURE LEVY UNAPPLIED

The Developers' Contributions (DCs) and Community Infrastructure Levy (CIL) Unapplied accounts reflect contributions which have no conditions attached to them and have therefore been credited to the Reserves via the Comprehensive Income and Expenditure Account.

| 2018/19        |                |   | 2019/20        |                |
|----------------|----------------|---|----------------|----------------|
| CIL            | DCs            |   | CIL            | DCs            |
| £000           | £000           |   | £000           | £000           |
| (2,277)        | (3,089)        | <b>Balance at 1 April</b>                                     | <b>(4,094)</b> | <b>(3,526)</b> |
| (2,350)        | (1,077)        | New Receipts  | (1,437)        | (812)          |
| 0              | 0              | Transfers to/(from) other Developers' Contribution Categories | 0              | (176)          |
| 81             | 524            | Financing of Capital Expenditure                              | 0              | 80             |
| 130            | 116            | Financing of Revenue Expenditure                              | 75             | 187            |
| 322            | 0              | Payments to Town and Parish Councils                          | 244            | 0              |
| <b>(4,094)</b> | <b>(3,526)</b> | <b>Balance at 31 March</b>                                    | <b>(5,212)</b> | <b>(4,247)</b> |

### 29. REVALUATION RESERVE

This Reserve records the increase in the valuation of assets since 1 April 2007, under the system of capital accounting.

The Reserve is written down by any accumulated revaluation surplus of non-current assets as they are disposed of and debited or credited with deficits or surpluses arising on the year's revaluations.

| 2018/19         |                         |                 |   | 2019/20         |                         |                 |
|-----------------|-------------------------|-----------------|---|-----------------|-------------------------|-----------------|
| General Fund    | Housing Revenue Account | Total           |   | General Fund    | Housing Revenue Account | Total           |
| £000            | £000                    | £000            |   | £000            | £000                    | £000            |
| (20,750)        | (15,349)                | (36,099)        | <b>Balance at 1 April</b>   | (20,072)        | (18,255)                | (38,327)        |
| (1,294)         | (3,062)                 | (4,356)         | Upward revaluation of assets  | (445)           | (3,691)                 | (4,136)         |
| 126             | 0                       | 126             | Downward revaluation of assets and impairment losses not charged to Surplus/Deficit on the Provision of Services          | 477             | 83                      | 560             |
| (1,168)         | (3,062)                 | (4,230)         | Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services | 32              | (3,608)                 | (3,576)         |
| (75)            | 75                      | 0               | Movement of property  | 0               | 0                       | 0               |
| 1,921           | 81                      | 2,002           | Accumulated gains on assets sold or scrapped  | 0               | 39                      | 39              |
| <b>(20,072)</b> | <b>(18,255)</b>         | <b>(38,327)</b> | <b>Balance at 31 March</b>  | <b>(20,040)</b> | <b>(21,824)</b>         | <b>(41,864)</b> |



## NOTES TO THE ACCOUNTS

### 30. CAPITAL ADJUSTMENT ACCOUNT

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for the consumption of non-current assets and for financing their acquisition or enhancement under statutory provisions. The account is debited with the costs of depreciation, impairment and amortisations as assets are consumed and credited with the amounts set aside by the Council for the financing of capital expenditure.

The account contains accumulated gains and losses on Investment Properties and gains on Property, Plant and Equipment assets arising before 1 April 2007.

The balance on the Capital Adjustment Account is matched by non-current assets within the Balance Sheet and does not represent actual funds available to the Council.

| 2018/19 |                  |  | 2019/20 |                  |
|---------|------------------|--|---------|------------------|
| £000    | £000             |  | £000    | £000             |
|         | (269,967)        | <b>Balance at 1 April</b>  |         | (279,466)        |
|         |                  | <b>Reversal of items relating to capital expenditure or credited to the Comprehensive Income and Expenditure Statement:</b>                              |         |                  |
| 9,835   |                  | Charges for depreciation and impairment of non-current assets  | 9,983   |                  |
| (8,008) |                  | Revaluation (Gains) / Losses on Property, Plant and Equip.   | (2,373) |                  |
| 11,398  |                  | Capital Expenditure not enhancing value  | 12,852  |                  |
| 1,612   |                  | Revenue expenditure funded from capital under statute  | 1,290   |                  |
| 1,968   |                  | Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 1,764   |                  |
|         | 16,805           | Net written out amount of the cost on non-current assets consumed in the year  |         | 23,516           |
|         |                  | <b>Capital financing applied in the year:</b>  |         |                  |
| (4,829) |                  | Use of the Capital Receipts Reserve to finance new capital expenditure   | (3,910) |                  |
| (5,565) |                  | Use of the Major Repairs Reserve to finance new capital expenditure  | (8,321) |                  |
| (2,562) |                  | Use of the Major Repairs Reserve to finance debt repayment   | 0       |                  |
| (2,264) |                  | Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing              | (1,641) |                  |
| (605)   |                  | Application of grants / contributions to capital financing from the Capital Grant / Developers' Contributions Unapplied Accounts                         | (80)    |                  |
| (1,203) |                  | Provision for the financing of capital investment charged against the General Fund balance   | (1,222) |                  |
| (1,538) |                  | Provision for the financing of capital investment charged against the HRA balance  | (4,100) |                  |
| (7,252) |                  | Capital expenditure charged against the General Fund and HRA balances  | (8,323) |                  |
|         | (25,818)         | Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement                         |         | (27,597)         |
|         | (486)            |  |         | 232              |
|         | <b>(279,466)</b> | <b>Balance at 31 March</b>   |         | <b>(283,315)</b> |

## NOTES TO THE ACCOUNTS

### 31. FINANCIAL INSTRUMENTS RESERVE

The Available for Sale Financial Instruments Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are revalued downwards or impaired and the gains are lost or disposed of and the gains are realised.

| 2018/19                                  |                                   |  | 2019/20                                  |                                   |
|--|-----------------------------------|--|--|-----------------------------------|
| Available for Sale Financial Instruments | Financial Instruments Revaluation |  | Available for Sale Financial Instruments | Financial Instruments Revaluation |
| £000                                     | £000                              |  | £000                                     |                                   |
| (73)                                     | 0                                 | <b>Balance at 1 April</b>                          | 0  | (172)                             |
| 70                                       | (70)                              | Reclasification re IFRS 9                          | 0  | 0                                 |
| 3  | 0                                 | Remeasurement re re IFRS 9                         | 0  | 0                                 |
| 0  | (197)                             | Upward revaluation of investments                  | 0  | (27)                              |
| 0  | 86                                | Downward revaluation of investments                | 0  | 1,419                             |
| 0  | 9                                 | Expected credit loss on investments                | 0  | (1)                               |
| 73                                       | (172)                             | (Surplus) or deficit on revaluation of investments | 0  | 1,391                             |
| <b>0</b>                                 | <b>(172)</b>                      | <b>Balance at 31 March</b>                         | <b>0</b>                                 | <b>1,219</b>                      |

### 32. DEFERRED CAPITAL RECEIPTS RESERVE

The Deferred Capital Receipts Reserve represents the amount of capital receipts owed to the Council that have not yet been received. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement takes place, amounts are transferred to the Capital Receipts Reserve.

| 2018/19      |                            | 2019/20      |
|--------------|----------------------------|--------------|
| £000         |                            | £000         |
| (554)        | <b>Balance at 1 April</b>  | (555)        |
| (1)          | New Receipts/Revaluations  | (3)          |
| <b>(555)</b> | <b>Balance at 31 March</b> | <b>(558)</b> |

## NOTES TO THE ACCOUNTS

### 33. 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 debit balance on the Pensions Reserve therefore shows a 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. Full details of the Pension Scheme are set out in Note 43.

| 2018/19<br>£000 |  | 2019/20<br>£000 |
|-----------------|--|-----------------|
| 95,024          | <b>Balance at 1 April</b>  | 93,092          |
| (8,540)         | Remeasurement of the net defined liability / (asset)   | 1,661           |
| 11,752          | Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement | 10,612          |
| (5,144)         | Employer's pensions contributions and direct payments to pensioners payable in the year  | (5,895)         |
| <b>93,092</b>   | <b>Balance at 31 March</b>   | <b>99,470</b>   |

### 34. COLLECTION FUND ADJUSTMENT ACCOUNT

The Collection Fund is a statutory fund in which the Council records transactions for council tax and business rates. The fund balance is allocated as follows:

| 31 March 2019  |                |                |   | 31 March 2020  |                |                |
|----------------|----------------|----------------|---|----------------|----------------|----------------|
| Business Rates | Council Tax    | Total          |   | Business Rates | Council Tax    | Total          |
| £000           | £000           | £000           |   | £000           | £000           | £000           |
| (194)          | 0              | (194)          | Central Government                          | (621)          | 0              | (621)          |
| (35)           | (1,030)        | (1,065)        | Hampshire County Council                    | (112)          | (1,075)        | (1,187)        |
| 0              | (152)          | (152)          | Police and Crime Commissioner for Hampshire | 0              | (175)          | (175)          |
| (4)            | (56)           | (60)           | Hampshire Fire and Rescue Authority         | (12)           | (59)           | (71)           |
| (233)          | (1,238)        | (1,471)        |   | (745)          | (1,309)        | (2,054)        |
| (154)          | (214)          | (368)          | New Forest District Council                 | (497)          | (226)          | (723)          |
| <b>(387)</b>   | <b>(1,452)</b> | <b>(1,839)</b> |   | <b>(1,242)</b> | <b>(1,535)</b> | <b>(2,777)</b> |

The balances on each fund will be taken into account when calculating the council tax and business rates in future years. A £1.485 million surplus was taken into account in setting the 2020/21 Council Tax Levels (£1.494 million surplus for 2019/20), and a £2.229 million surplus for Business Rate Levels (£0.415 million surplus for 2019/20).

## NOTES TO THE ACCOUNTS

### 35. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

| 2018/19<br>£000 |   | 2019/20<br>£000 |
|-----------------|---|-----------------|
| (9,835)         | Charges for depreciation and impairment   | (9,983)         |
| 8,008           | Revaluation Gains/(Losses) on Property, Plant and Equipment                                     | 2,373           |
| 1               | Revaluation/Movement in Deferred Debtors  | 10              |
| 122             | Revaluation Gains/(Losses) on Investments   | (1,397)         |
| (11,398)        | Capital Expenditure not enhancing value   | (12,852)        |
| 486             | Movements in the value of Investment Properties   | (232)           |
| 3,687           | Capital grants applied to the financing of Capital Expenditure                                  | 2,407           |
| (3,968)         | Carrying amount of Non-Current Assets sold  | (1,804)         |
| (2)             | Increase/(Decrease) in Inventories  | (53)            |
| (726)           | Increase/(Decrease) in Debtors  | 1,152           |
| 37              | Increase/(Decrease) in Investments Accrued Interest   | (17)            |
| 18              | (Increase)/Decrease in impairment for Provision for Bad Debts                                   | (238)           |
| (586)           | (Increase)/Decrease in Creditors  | (4,043)         |
| (922)           | Adjustment to Creditors re Capital Expenditure  | 148             |
| (6,608)         | Movement in Pension Liability   | (4,717)         |
| (658)           | Other non-cash items charged to the net surplus or deficit on the provision of services         | 388             |
| <b>(22,344)</b> | <b>Adjustment to Net Surplus or Deficit on the Provision of Services for Non-Cash Movements</b> | <b>(28,858)</b> |

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

| 2018/19<br>£000 |  | 2019/20<br>£000 |
|-----------------|--|-----------------|
| 5,200           | Proceeds adjustment from the sale of property, plant and equipment and investment property | 3,169           |
| <b>5,200</b>    | <b>Net cash flows from operating activities</b>  | <b>3,169</b>    |

The cash flows for operating activities include the following items:

| 2018/19<br>£000 |   | 2019/20<br>£000 |
|-----------------|---|-----------------|
| (1,100)         | Investment interest received                    | (1,377)         |
| 4,439           | Loan interest paid                              | 4,352           |
| <b>3,339</b>    | <b>Net cash flows from operating activities</b> | <b>2,975</b>    |

## NOTES TO THE ACCOUNTS

### 36. CASH FLOW STATEMENT - INVESTING ACTIVITIES

| 2018/19       |  | 2019/20      |
|---------------|--|--------------|
| £000          |  | £000         |
| 20,582        | Purchase of property, plant and equipment, investment property and intangible assets               | 24,530       |
| 64,227        | Purchase of short-term and long-term investments   | 55,437       |
| 15            | Other payments for investing activities  | 304          |
| (5,199)       | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (3,169)      |
| (64,703)      | Proceeds from short-term and long-term investments   | (72,921)     |
| (3,898)       | Other receipts from investing activities   | (2,446)      |
| <b>11,024</b> | <b>Net cash flows from investing activities</b>  | <b>1,735</b> |

### 37. CASH FLOW STATEMENT - FINANCING ACTIVITIES

| 2018/19      |   | 2019/20      |
|--------------|---|--------------|
| £000         |   | £000         |
| 0            | Other receipts from financing activities        | (2,264)      |
| 4,301        | Repayments of short- and long-term borrowing    | 4,301        |
| 2,281        | Other payments for financing activities         | 0            |
| <b>6,582</b> | <b>Net cash flows from financing activities</b> | <b>2,037</b> |

### 38. ACCUMULATING ABSENCES ADJUSTMENT ACCOUNT

This account represents the reversal of the accrual for compensated absences. The accrual is required under the Code but under regulations is not allowed to count as expenditure against the General Fund or Housing Revenue Account.

| 2018/19 |            |   | 2019/20 |            |
|---------|------------|---|---------|------------|
| £000    | £000       |   | £000    | £000       |
|         | <b>204</b> | <b>Balance at 1 April</b>   |         | <b>293</b> |
| (204)   |            | Settlement or cancellation of accrual made at the end of the preceding year   | (293)   |            |
| 293     |            | Amounts accrued at the end of the current year  | 282     |            |
|         | 89         | Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements |         | (11)       |
|         | <b>293</b> | <b>Balance at 31 March</b>  |         | <b>282</b> |

## NOTES TO THE ACCOUNTS

### 39. AGENCY SERVICES

These figures include net expenditure on services that the Council provides on an agency basis for highways and on-street parking enforcement.

| 2018/19                    |                           | 2019/20                      |                |                            |
|----------------------------|---------------------------|------------------------------|----------------|----------------------------|
| Net<br>Expenditure<br>£000 |                           | Gross<br>Expenditure<br>£000 | Income<br>£000 | Net<br>Expenditure<br>£000 |
|                            | Hampshire County Council  |                              |                |                            |
| (11)                       | - Highways                | 452                          | (515)          | (63)                       |
| 49                         | - On-Street Parking       | 282                          | (94)           | 188                        |
| <b>38</b>                  | <b>Agency Expenditure</b> | <b>734</b>                   | <b>(609)</b>   | <b>125</b>                 |

### 40. CONTINGENT ASSETS

The Council is unaware of any Contingent Assets as at the Balance Sheet date.

### 41. CONTINGENT LIABILITIES

In April 2012 the Dibden Golf Course staff transferred to Mytime Active, who gained admitted body status to the Hampshire County Council Government Pension Scheme. New Forest District Council is the sponsoring body, acting as guarantor for any contributions to the Pension Fund should they not be paid by Mytime Active. As at 31 March 2020 no such guarantee has been exercised.

### 42. CAPITAL EXPENDITURE AND CAPITAL FINANCING

Capital expenditure is paid for (financed) in various ways including borrowing, the use of internal resources, the receipt of grant and directly from revenue income. Capital expenditure on behalf of other authorities is recharged directly to them.

The Capital Financing Requirement shows the overall indebtedness of the Council. This debt need not be external loans that have been raised, but it can be internal funds that the Council has used temporarily instead of raising debt. The expectation is that borrowing may be required in the future.

Where applicable the Council is required to set aside a revenue provision for the redemption of debt and for a future borrowing requirement if external debt has not actually been raised.

The Council has a choice in the method of calculating the provision and has chosen the one that represents the depreciation calculation of those assets financed by the debt. Therefore, when the value of the asset financed by debt has been fully depreciated the amount of the revenue provision that has been set aside will be sufficient to repay the loan for that asset.

## NOTES TO THE ACCOUNTS

New vehicles, plant and equipment, above a de minimis level of £10,000, are funded by a future borrowing requirement. In order to make a provision to repay this future requirement a revenue provision is made. This sum was £1.137 million in 2019/20 and was charged to the General Fund together with £85,000 in relation to investment property acquisitions. In addition, £4.1 million for the next principal repayment was made regarding the Housing Revenue Account Self-Financing Settlement.

This table sets out the transactions required for the financing of capital expenditure and permitted adjustments for each year.

|  | 2018/19 |                | 2019/20        |                |
|--|---------|----------------|----------------|----------------|
|  | £000    | £000           | £000           | £000           |
| <b>Opening Capital Financing Requirement</b>   |         | 146,000        |                | 141,454        |
| <b>Capital Investment</b>  |         |                |                |                |
| Property, Plant and Equipment Assets   | 19,660  |                | 24,461         |                |
| Long-Term Investments  | 0       |                | 227            |                |
| Intangible Assets  | 0       |                | 217            |                |
| REFCUS   | 1,611   | 21,271         | 1,290          | 26,195         |
| <b>Sources of Finance</b>  |         |                |                |                |
| Capital Receipts   | (4,829) |                | (3,910)        |                |
| Government Grants  | (2,062) |                | (1,629)        |                |
| Revenue Contributions  | (7,252) |                | (8,322)        |                |
| Major Repairs Reserve  | (5,565) |                | (8,321)        |                |
| Developers' Contributions  | (806)   | (20,514)       | (93)           | (22,275)       |
| <b>Other Adjustments for the Repayment of Debt</b>                                     |         |                |                |                |
| Repayment of Loan Principal  |         | (4,100)        |                | (4,100)        |
| Revenue Provision  |         | (1,203)        |                | (1,222)        |
| <b>Closing Capital Financing Requirement</b>   |         | <b>141,454</b> |                | <b>140,052</b> |
| <b>Explanation of movements in Year</b>  |         |                | <b>2018/19</b> | <b>2019/20</b> |
|  |         |                | <b>£000</b>    | <b>£000</b>    |
| Increase in underlying need to borrow (unsupported by Government financial assistance) |         |                | 757            | 3,920          |
| Reduction (-)/increase in need to borrow because of:                                   |         |                |                |                |
| - Repayment of Loan Principal  |         |                | (4,100)        | (4,100)        |
| - Revenue Provision  |         |                | (1,203)        | (1,222)        |
|  |         |                | <b>(4,546)</b> | <b>(1,402)</b> |

### 43. DEFINED BENEFIT PENSION SCHEME

#### a) Participation in Pension Scheme

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 for those benefits and to disclose them at the time that employees earn their future entitlement.

The Council participates in the Hampshire County Council Pension Scheme. This is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with the investment assets.

## NOTES TO THE ACCOUNTS

### b) Transactions Relating to Post-employment (Retirement) Benefits

The Council recognises the cost of retirement benefits in the Net Cost of Services when employees earn them, rather than when the benefits are eventually paid out as pensions. However, the charge required to be made against the General Fund is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Comprehensive Income and Expenditure Account via the Movement in Reserves Statement. The following transactions have been made during the year:

|  | 2018/19   | 2019/20   |
|--|-----------|-----------|
|  | £ million | £ million |
| <b>Comprehensive Income and Expenditure Statement</b>  |           |           |
| <b>Cost of Services</b>  |           |           |
| <b>Service cost comprising:</b>  |           |           |
| Current service cost   | 6.189     | 8.156     |
| Past service cost  | 3.152     | 0.292     |
| <b>Financing and Investment Income and Expenditure</b>   |           |           |
| Net Interest expense   | 2.410     | 2.164     |
| <b>Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services</b>   | 11.751    | 10.612    |
| <b>Other Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>  |           |           |
| <b>Remeasurement of the net defined benefit liability comprising:</b>  |           |           |
| Return on plan assets (excluding the amount included in the net interest expense)  | (11.920)  | 10.169    |
| Actuarial (Gains) / Losses arising on changes in demographic assumptions   | (11.360)  | (6.872)   |
| Actuarial (Gains) / Losses arising on changes in financial assumptions   | 14.290    | (7.406)   |
| Actuarial (Gains) / Losses due to liability experience   | 0.450     | 5.770     |
| <b>Total Net Defined Benefit Liability Re-measured</b>   | (8.540)   | 1.661     |
| <b>Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>  | 3.211     | 12.273    |
| <b>Movement in Reserves Statement</b>  |           |           |
| Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code | 1.933     | (6.378)   |
| <b>Actual amount charged against the General Fund</b>  |           |           |
| <b>Balance for pensions in the year</b>  |           |           |
| Employer's contributions payable to scheme   | 5.144     | 5.895     |



## NOTES TO THE ACCOUNTS

### c) 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:

| Assets and Liabilities                                       | 31 March<br>2019 | 31 March<br>2020 |
|--|------------------|------------------|
|  | £ million        | £ million        |
| Present value of the defined benefit obligation              | (276.162)        | (276.663)        |
| Fair value of plan assets                                    | 183.070          | 177.193          |
| <b>Net liability arising from defined benefit obligation</b> | <b>(93.092)</b>  | <b>(99.470)</b>  |

The liabilities show the underlying commitments that the Council has in the long run to pay post employment retirement benefits. The total net liability of £99.470 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy, as the deficit on the scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

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

|  | 2018/19          | 2019/20          |
|--|------------------|------------------|
|  | £ million        | £ million        |
| <b>Opening balance at 1 April</b>  | (263.614)        | (276.162)        |
| Current Service Cost   | (6.190)          | (8.156)          |
| Past Service Cost  | (3.148)          | (0.292)          |
| Interest Cost  | (6.770)          | (6.556)          |
| Contributions from scheme Participants                                   | (1.270)          | (1.397)          |
| Remeasurement (Gains) and Losses:  |                  |                  |
| Actuarial Gains/(Losses) arising from changes in financial assumptions   | (14.290)         | 7.406            |
| Actuarial Gains/(Losses) due to liability experience                     | (0.450)          | (5.770)          |
| Actuarial Gains/(Losses) arising from changes in demographic assumptions | 11.360           | 6.872            |
| Benefits Paid  | 8.210            | 7.392            |
| <b>Closing balance at 31 March</b>                                       | <b>(276.162)</b> | <b>(276.663)</b> |

## NOTES TO THE ACCOUNTS

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

|  | 2018/19        | 2019/20        |
|--|----------------|----------------|
|  | £ million      | £ million      |
| <b>Opening fair value of scheme assets at 1 April</b>                                | 168.590        | 183.070        |
| Interest Income  | 4.360          | 4.392          |
| <b>Remeasurement gain/(loss):</b>  |                |                |
| The return on plan assets, excluding the amount included in the net interest expense | 11.920         | (10.169)       |
| Contributions from employer  | 5.140          | 5.895          |
| Contributions from employees into the scheme   | 1.270          | 1.397          |
| Benefits paid  | (8.210)        | (7.392)        |
| <b>Closing fair value of scheme assets at 31 March</b>                               | <b>183.070</b> | <b>177.193</b> |

### d) Local Government Pension Scheme assets (fair value) comprised

| 31 March 2019 |              | Assets                    | 31 March 2020 |              |
|---------------|--------------|---------------------------|---------------|--------------|
| £ million     | %            |                           | £ million     | %            |
| 4.21          | 2.3          | Cash and Cash Equivalents | 3.54          | 2.0          |
| 110.57        | 60.4         | Equity Investments        | 93.38         | 52.7         |
| 41.56         | 22.7         | Government Bonds          | 38.63         | 21.8         |
| 9.52          | 5.2          | Corporate Bonds           | 0.00          | 0.0          |
| 13.91         | 7.6          | Property                  | 12.93         | 7.3          |
| 3.30          | 1.8          | Other Assets              | 28.71         | 16.2         |
| <b>183.07</b> | <b>100.0</b> | <b>Total Assets</b>       | <b>177.19</b> | <b>100.0</b> |

### e) 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. The liabilities have been assessed by AON Hewitt Limited, an independent firm of actuaries, estimates for the Fund being based on the latest full valuation of the scheme as at 31 March 2019.

The main assumptions used in their calculations have been:

| Financial Assumptions                  | 31 March 2019 | 31 March 2020 |
|--|---------------|---------------|
|  | %             | %             |
| Rate of inflation - RPI                | 3.3           | n/a           |
| - CPI                                  | 2.2           | 2.0           |
| Rate of increase in salaries           | 3.7           | 3.0           |
| Rate of increase in pensions           | 2.1           | 2.0           |
| Rate of increase in deferred pensions  | 2.1           | n/a           |
| Rate of discounting scheme liabilities | 2.4           | 2.3           |

## NOTES TO THE ACCOUNTS

| Mortality Assumptions                       | 31 March<br>2019 | 31 March<br>2020 |
|---|------------------|------------------|
|   | Years            | Years            |
| Pensioner member aged 65 at accounting date |                  |                  |
| Males                                       | 23.3             | 23.0             |
| Females                                     | 26.1             | 25.5             |
| Active member aged 45 at accounting date    |                  |                  |
| Males                                       | 24.9             | 24.7             |
| Females                                     | 27.8             | 27.2             |

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

| Impact on the Defined Benefit Obligation in the scheme                 | Increase in<br>Assumption | Decrease in<br>Assumption |
|--|---------------------------|---------------------------|
|  | £ million                 | £ million                 |
| Longevity (increase or decrease in 1 year)                             | 8.54                      | (8.47)                    |
| Rate of inflation (increase or decrease by 0.1%)                       | 5.10                      | (4.99)                    |
| Rate of increase in salaries (increase or decrease by 0.1%)            | 0.47                      | (0.47)                    |
| Rate of increase in pensions (increase or decrease by 0.1%)            | 5.10                      | (4.99)                    |
| Rate for discounting scheme liabilities (increase or decrease by 0.1%) | (5.44)                    | 5.56                      |

### f) Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The latest triennial valuation was completed on 31 March 2019.

The Council anticipates paying standard contributions of £4.052 million to the fund for the accounting period ending 31 March 2020. In addition, estimated Strain on Fund contributions will be £392,000.

The weighted average duration of the defined benefit obligation for scheme members is 20.3 years (18.4 years 2018/19).

Further information on the Pension Fund can be obtained from:

Pensions Services

Hampshire County Council

The Castle

Winchester

SO23 8UB Telephone: (01962) 845588

## NOTES TO THE ACCOUNTS

### 44. EXTERNAL AUDIT COSTS

The following fees payable relating to external audit and inspection were incurred:

| 2018/19   |  | 2019/20   |
|-----------|--|-----------|
| £000      |  | £000      |
| 43        | External audit services carried out by the appointed auditor | 43        |
| 12        | Certification of grant claims and returns                    | 12        |
| <b>55</b> |  | <b>55</b> |

### 45. GRANTS INCOME

Details of income credited to the Comprehensive Income and Expenditure Statement are as follows:

| 2018/19         |   | 2019/20         |
|-----------------|---|-----------------|
| £000            |   | £000            |
|                 | <b>Service Specific Revenue Grants and Contributions (included in cost of services)</b> |                 |
|                 | Ministry of Housing, Communities and Local Government                                   |                 |
| (148)           | Council Tax Benefits Admin  | (141)           |
| 0               | Covid-19  | (70)            |
| (1,110)         | Disabled Facilities Grants  | (1,170)         |
| (62)            | Family Annex Grant  | (72)            |
| (475)           | Flexible Homelessness Support   | (364)           |
| 0               | Furlough Scheme   | (59)            |
| (56)            | New Burdens Homelessness Reduction Act  | (55)            |
| (277)           | NNDR Collection   | (276)           |
| 0               | Rough Sleepers  | (100)           |
| (100)           | Other MHCLG   | (103)           |
|                 | Department for Work and Pensions  |                 |
| (375)           | Housing and Council Tax Benefit Administration  | (334)           |
| (36,300)        | Housing Benefit Subsidy   | (31,637)        |
| (279)           | Discretionary Housing Payments  | (264)           |
| (136)           | Other DWP   | (127)           |
|                 | Other Government Grants   |                 |
| (22)            | Individual Electoral Registration   | (21)            |
| (87)            | Apprenticeship Levy   | (49)            |
| <b>(39,427)</b> | <b>Total Government Grants</b>  | <b>(34,842)</b> |
|                 | Other Grants and Contributions  |                 |
| (366)           | Project Integra - Recycling   | (229)           |
| (537)           | Developers' Contributions   | (299)           |
| (4)             | Disabled Facilities Grants  | (25)            |
| (111)           | Other   | (72)            |
| <b>(1,018)</b>  | <b>Total Other Grants and Contributions</b>   | <b>(625)</b>    |
| <b>(40,445)</b> | <b>Total Service Revenue Grants and Contributions</b>                                   | <b>(35,467)</b> |

## NOTES TO THE ACCOUNTS

| 2018/19         |   | 2019/20         |
|-----------------|---|-----------------|
| <b>£000</b>     | <b>Non-Ringfenced Revenue Government Grants</b>       | <b>£000</b>     |
|                 | Non Domestic Rates Income and Expenditure             |                 |
| 22,965          | Tariff  | 23,952          |
| (23,849)        | Retention Scheme Income                               | (22,766)        |
| (1,788)         | Surplus Business Rates Distributed from Pool          | (2,625)         |
| (3,231)         | S31 Grant   | (4,075)         |
| <b>(5,903)</b>  |   | <b>(5,514)</b>  |
|                 | Ministry of Housing, Communities and Local Government |                 |
| (92)            | Revenue Support Grant                                 | 0               |
| (695)           | New Homes Grant                                       | (526)           |
| (8)             | Transparency Code Grant                               | 0               |
| <b>(795)</b>    |   | <b>(526)</b>    |
| <b>(6,698)</b>  | <b>Total Non-Ringfenced Revenue Government Grants</b> | <b>(6,040)</b>  |
|                 | <b>Capital Grants and Contributions</b>               |                 |
| (137)           | Coast Protection                                      | (157)           |
| (181)           | Eling Tide Mill                                       | (14)            |
| (600)           | Housing Acquisitions and Development                  | (240)           |
| 0               | Milford Promenade                                     | (2)             |
| 0               | Public Sector Disabled Facilities Grants              | (8)             |
| 0               | Lymington Quay  | (8)             |
| (30)            | Lymington Town Hall                                   | (5)             |
| (829)           | Developers' Contributions                             | (721)           |
| (1,817)         | Community Infrastructure Levy                         | (1,118)         |
| (92)            | Capital Receipts                                      | (134)           |
| <b>(3,686)</b>  | <b>Total Capital Grants and Contributions</b>         | <b>(2,407)</b>  |
| <b>(50,829)</b> | <b>Total Grants and Contributions Income</b>          | <b>(43,914)</b> |

## NOTES TO THE ACCOUNTS

### 46. LEASES

#### Finance Leases with the Council acting as Lessee

In 2019/20 there were no rental payments to lessors for Finance Leases.

#### Operating Leases with the Council acting as Lessee

The Council has acquired 20 properties by entering into operating leases. The assets are not owned by the Council and no asset is recorded in the Council's accounts.

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

| Lease Rental Payments for:                     | 31 March<br>2019 | 31 March<br>2020 |
|--|------------------|------------------|
|  | £000             | £000             |
| Not later than one year                        | 106              | 144              |
| Later than one year but not later than 5 years | 358              | 370              |
| Later than 5 years                             | 623              | 534              |
| <b>Total Lease Rentals</b>                     | <b>1,087</b>     | <b>1,048</b>     |

Expenditure of £106,292 was charged to the Comprehensive Income and Expenditure Statement during the year (£107,030 in 2018/19).

#### Operating Leases with the Council acting as Lessor

The Council leases out property and equipment under operating leases for the provision of community services and economic development.

The future minimum lease payments receivable under the material leases in future years are:

| Lease Rental Payments for:                     | 31 March<br>2019 | 31 March<br>2020 |
|--|------------------|------------------|
|  | £000             | £000             |
| Not later than one year                        | 765              | 906              |
| Later than one year but not later than 5 years | 2,913            | 3,236            |
| Later than 5 years                             | 28,923           | 28,353           |
| <b>Total Lease Rentals</b>                     | <b>32,601</b>    | <b>32,495</b>    |

The portion of the lease rental for Hythe Marina that is based on a profit share basis has not been included in this table. As the profit cannot be accurately projected over the 999 year term of the lease any estimate will be inaccurate and therefore has been omitted. The income for 2019/20 was £139,695 (2018/19 £164,400).

There are 12 leases that are not included in this table, that have little value or contain an immediate break clause.

## NOTES TO THE ACCOUNTS

### 47. MEMBERS' ALLOWANCES

During 2019/20, payments to Members of the Council amounted to £553,009. For 2018/19 the equivalent amount was £514,973.

### 48. SIGNIFICANT INTEREST

The Council has opted to take up its full member rights of three board members, out of seven, at the New Forest Enterprise Centre. This is classified as significant interest, but financial consolidation with the Council's accounts has not been applied, as the relationship does not meet the criteria of a Joint Venture, Associate or Subsidiary, nor is the turnover material.

### 49. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Financial Liabilities and Financial Assets disclosed in the Balance Sheet are analysed across the following categories:

#### Financial Liabilities

The financial liabilities held by the Council during the year were long-term loans from the Public Works Loan Board and are measured at amortised cost.

| FINANCIAL LIABILITIES              | Long-Term        |                  | Short-Term       |                  |
|------------------------------------|------------------|------------------|------------------|------------------|
|                                    | 31 March<br>2019 | 31 March<br>2020 | 31 March<br>2019 | 31 March<br>2020 |
|                                    | £000             | £000             | £000             | £000             |
| Loans at amortised cost:           |                  |                  |                  |                  |
| PWLB principal sum borrowed        | 131,207          | 126,906          | 4,301            | 4,301            |
| Accrued Interest                   | 0                | 0                | 48               | 47               |
| <b>Total Borrowing</b>             | <b>131,207</b>   | <b>126,906</b>   | <b>4,349</b>     | <b>4,348</b>     |
| Liabilities at amortised cost:     |                  |                  |                  |                  |
| Trade Creditors                    | 0                | 0                | 6,460            | 4,783            |
| <b>Total Financial Liabilities</b> | <b>131,207</b>   | <b>126,906</b>   | <b>10,809</b>    | <b>9,131</b>     |

## NOTES TO THE ACCOUNTS

### Financial Assets

The financial assets held by the Council during the year are held under the following 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
- Bank current and notice accounts
- Fixed term deposits with banks and building societies
- Loans to other Local Authorities
- Loans to Housing Associations
- Certificates of deposit and covered bonds issued by banks and building societies

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

- Managed money market funds
- Pooled equity and property funds
- Appletree Property Holdings

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.

| FINANCIAL ASSETS                       | Long-Term        |                  | Short-Term       |                  |
|--|------------------|------------------|------------------|------------------|
|  | 31 March<br>2019 | 31 March<br>2020 | 31 March<br>2019 | 31 March<br>2020 |
|  | £000             | £000             | £000             | £000             |
| At amortised cost:                     |                  |                  |                  |                  |
| Principal                              | 15,054           | 6,045            | 26,714           | 18,006           |
| Accrued Interest                       | 0                | 0                | 104              | 86               |
| Credit Loss Allowance                  | (3)              | (1)              | (6)              | (4)              |
| At fair value through profit & loss:   |                  |                  |                  |                  |
| Fair value                             | 13,735           | 12,592           | 1,996            | 1,974            |
| <b>Total Investments</b>               | <b>28,786</b>    | <b>18,636</b>    | <b>28,808</b>    | <b>20,062</b>    |
| At amortised cost                      |                  |                  |                  |                  |
| Cash                                   | 0                | 0                | (957)            | 214              |
| Cash equivalents                       | 0                | 0                | 0                | 3,070            |
| Accrued interest                       | 0                | 0                | 1                | 2                |
| Loss Allowance                         | 0                | 0                | 0                | (3)              |
| At fair value through profit & loss:   |                  |                  |                  |                  |
| Fair value                             | 0                | 0                | 6,830            | 15,270           |
| <b>Total Cash and Cash Equivalents</b> | <b>0</b>         | <b>0</b>         | <b>5,874</b>     | <b>18,553</b>    |
| Loans and receivables:                 |                  |                  |                  |                  |
| Trade Debtors                          | 0                | 0                | 4,825            | 5,090            |
| <b>Total Financial Assets</b>          | <b>28,786</b>    | <b>18,636</b>    | <b>39,507</b>    | <b>43,705</b>    |

Accrued interest is already accounted for in the Comprehensive Income and Expenditure Account.



## NOTES TO THE ACCOUNTS

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

|   | 2018/19                              |                                 |                                    | 2019/20                              |                                 |                                    | Total        | Total          |
|---|--------------------------------------|---------------------------------|------------------------------------|--------------------------------------|---------------------------------|------------------------------------|--------------|----------------|
|   | Financial Liabilities Amortised Cost | Financial Assets Amortised Cost | Fair Value through Profit and Loss | Financial Liabilities Amortised Cost | Financial Assets Amortised Cost | Fair Value through Profit and Loss |              |                |
|   | £000                                 | £000                            | £000                               | £000                                 | £000                            | £000                               | £000         | £000           |
| Interest Expense  | 4,477                                | 0                               | 0                                  | 4,477                                | 4,350                           | 0                                  | 0            | 4,350          |
| Losses from change in fair value                              | 0                                    | 0                               | 86                                 | 86                                   | 0                               | 0                                  | 1,398        | 1,398          |
| Impairment losses   | 0                                    | 18                              |                                    | 18                                   | 0                               | 4                                  | 0            | 4              |
| <b>Interest payable and similar charges</b>                   | <b>4,477</b>                         | <b>18</b>                       | <b>86</b>                          | <b>4,581</b>                         | <b>4,350</b>                    | <b>4</b>                           | <b>1,398</b> | <b>5,752</b>   |
| Interest Income   | 0                                    | (469)                           | 0                                  | (469)                                | 0                               | (510)                              | 0            | (510)          |
| Dividend Income   | 0                                    | 0                               | (681)                              | (681)                                | 0                               | 0                                  | (778)        | (778)          |
| Gains from changes in fair value                              | 0                                    | 0                               | (197)                              | (197)                                | 0                               | 0                                  | (27)         | (27)           |
| Impairment loss reversals                                     | 0                                    | (9)                             | 0                                  | (9)                                  | 0                               | (6)                                | 0            | (6)            |
| <b>Interest and Investment Income</b>                         | <b>0</b>                             | <b>(478)</b>                    | <b>(878)</b>                       | <b>(1,356)</b>                       | <b>0</b>                        | <b>(516)</b>                       | <b>(805)</b> | <b>(1,321)</b> |
| <b>Net Impact on surplus/deficit on provision of services</b> | <b>4,477</b>                         | <b>(460)</b>                    | <b>(792)</b>                       | <b>3,225</b>                         | <b>4,350</b>                    | <b>(512)</b>                       | <b>593</b>   | <b>4,431</b>   |
| <b>Impact on Other Comprehensive Income and Expenditure</b>   | <b>0</b>                             | <b>0</b>                        | <b>0</b>                           | <b>0</b>                             | <b>0</b>                        | <b>0</b>                           | <b>0</b>     | <b>0</b>       |
| <b>Net (Gain)/Loss for the year</b>                           | <b>4,477</b>                         | <b>(460)</b>                    | <b>(792)</b>                       | <b>3,225</b>                         | <b>4,350</b>                    | <b>(512)</b>                       | <b>593</b>   | <b>4,431</b>   |

### Financial Instruments Key Risks

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 of 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 Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

## NOTES TO THE ACCOUNTS

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 rate movements or equity prices.

While the Council maintains responsibility for the Treasury Strategy a contract is held with the Hampshire County Council Treasury Team to administer the day-to-day Treasury function on behalf of the Council.

### Credit Risk - Investments

The Council manages credit risk by ensuring that treasury investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government and other local authorities. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap and equity prices when selecting commercial organisations for investment.

A limit of £12 million of the total portfolio is placed on the amount of money that can be invested with a single counterparty (other than the UK Government). For unsecured investments in banks, building societies and companies, a smaller limit of £6 million applies. The Council also sets limits on investments in certain sectors. No more than £40 million in total can be invested for a longer period than one year. These limits were set and implemented for 2019/20 on 25 February 2019 and were updated in February 2020.

The credit quality of £7.035 million of the Council's investments is enhanced by collateral held in the form of covered bonds collateralised by residential mortgages. The collateral significantly reduces the likelihood of the Council suffering a credit loss on these investments.

The tables below summarise the credit risk exposures, including accrued interest, of the Council's investment portfolio by credit rating and remaining time to maturity.

| Counterparty                           | Balance invested as at 31 March 2020 |               |                          |                            |               |               |
|--|--------------------------------------|---------------|--------------------------|----------------------------|---------------|---------------|
|  | Call Accounts                        | Up to 1 month | > 1 month and < 6 months | > 6 months and < 12 months | > 12 months   | Total         |
|  | £000                                 | £000          | £000                     | £000                       | £000          | £000          |
| Banks                                  | 3,069                                | 0             | 1,011                    | 0                          | 0             | 4,080         |
| Money Market Funds                     | 15,270                               | 0             | 0                        | 0                          | 0             | 15,270        |
| Local Authorities/Housing Associations | 0                                    | 3,515         | 2,007                    | 7,519                      | 3,032         | 16,073        |
| Bonds                                  | 0                                    | 0             | 4,004                    | 0                          | 3,045         | 7,049         |
| Pooled Funds                           | 1,974                                | 0             | 0                        | 0                          | 12,385        | 14,359        |
| Appletree Property Holdings            |                                      |               |                          |                            | 206           | 206           |
| <b>Total</b>                           | <b>20,313</b>                        | <b>3,515</b>  | <b>7,022</b>             | <b>7,519</b>               | <b>18,668</b> | <b>57,037</b> |

## NOTES TO THE ACCOUNTS

| Bond Ratings               | Long-term        |                  | Short-term       |                  |
|----------------------------|------------------|------------------|------------------|------------------|
|                            | 31 March<br>2019 | 31 March<br>2020 | 31 March<br>2019 | 31 March<br>2020 |
|                            | £000             | £000             | £000             | £000             |
| AAA                        | 7,052            | 3,044            | 5,712            | 4,004            |
| AA-                        | 0                | 0                | 2,004            | 3,069            |
| A+                         | 4,000            | 0                | 0                | 4,011            |
| A                          | 0                | 0                | 7,006            | 1,000            |
| A-                         | 0                | 0                | 1,000            | 0                |
| AAA Money Market Funds     | 0                | 0                | 6,830            | 15,270           |
| Unrated local authorities  | 4,045            | 3,000            | 11,045           | 9,073            |
| <b>Total</b>               | <b>15,097</b>    | <b>6,044</b>     | <b>33,597</b>    | <b>36,427</b>    |
| Credit Rate Not Applicable | 13,735           | 12,592           | 1,996            | 1,974            |
| <b>Total Investments</b>   | <b>28,832</b>    | <b>18,636</b>    | <b>35,593</b>    | <b>38,401</b>    |

Credit risk is not applicable to share holdings and pooled funds when the Council has no contractual right to receive any sum of money.

Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies, multiplied by 365% (2019 150%) to adjust 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.

At 31 March 2020, £8,000 (2019: £9,000) of loss allowances related to treasury investments.

The following analysis summarises the Council's maximum exposure to credit risk on other financial assets (Trade Debtors), based on experience of default, adjusted to reflect current market conditions. The Council also receives income and holds debts from Council Tax, Business Rates and for Housing Benefit overpayments. However, these are statutory debts and whilst the Council endeavours to collect this income, it cannot choose who its counterparties are in relation to these debts. Such statutory debts are not classified as financial instruments, and for this reason no reference to statutory debts is contained within the following tables.

| Bond Ratings  | Amount at<br>31 March<br>2020 | Historical<br>experience<br>of default | Market<br>Conditions<br>at 31<br>March 2020 | Estimated<br>maximum<br>exposure<br>to default |
|---------------|-------------------------------|--|---|--|
|               | £000                          | %                                      | %   | £000   |
| Trade Debtors | 5,090                         | 0.80%                                  | 1.72%                                       | 87   |
| <b>Total</b>  | <b>5,090</b>                  |  |   | <b>87</b>                                      |

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any counterparties in relation to deposits.

## NOTES TO THE ACCOUNTS

### Trade Debtors

The Council does not generally allow credit for its trade debtors. The amount that is past its due date can be analysed by age as follows:

|                          | <b>31 March<br/>2019</b> | <b>31 March<br/>2020</b> |
|--------------------------|--------------------------|--------------------------|
|                          | <b>£000</b>              | <b>£000</b>              |
| Less than three months   | 2,319                    | 2,288                    |
| Three months to one year | 1,651                    | 1,394                    |
| More than one year       | 855                      | 1,408                    |
| <b>Total</b>             | <b>4,825</b>             | <b>5,090</b>             |

The Council initiates a legal charge on property where tenants have amounts due on a Council mortgage used for the purchase of their Council dwelling. The total collateral at 31 March 2020 was £4,161.

Sundry Debtors bad debt provisions are based upon service areas for invoices that are still unpaid one year after they fall due, then adjusted for known changes and experience. Housing Rents bad debt provisions are based on percentages of the value of arrears for current and former tenants.

### Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), also through cash flow management procedures required by the CIPFA Code of Practice. This seeks to ensure that cash is available when 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, and the PWLB and money markets for access to longer-term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments.

The maturity analysis of financial assets excluding accrued interest and sums due from customers is as follows:

|                              | <b>31 March<br/>2019</b> | <b>31 March<br/>2020</b> |
|------------------------------|--------------------------|--------------------------|
|                              | <b>£000</b>              | <b>£000</b>              |
| Less than one year           | 35,535                   | 38,313                   |
| Between one and two years    | 15,051                   | 3,000                    |
| Between two and three years  | 0                        | 2,041                    |
| Between three and four years | 0                        | 1,003                    |
| No fixed maturity date       | 13,735                   | 12,592                   |
| <b>Total</b>                 | <b>64,321</b>            | <b>56,949</b>            |

All trade and other payables (£5.090 million) are due to be paid in less than one year and are not shown in the table above.

## NOTES TO THE ACCOUNTS

### Refinancing and Maturity Risk

The Council maintains a significant debt and 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 both the maturing of longer-term financial liabilities and longer-term financial assets.

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. It is however exposed to the risk that it may need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates. This risk is managed by maintaining a spread of fixed rate loans, limiting the amount of the Council's borrowing that matures in any one financial year.

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period as approved by Council in the Treasury Management Strategy:

|                                      | Approved maximum limits 2019/20 |     | Actual 31 March 2019 |            | Actual 31 March 2020 |            |
|--------------------------------------|---------------------------------|-----|----------------------|------------|----------------------|------------|
|                                      | £m                              | %   | £m                   | %          | £m                   | %          |
| Less than one year                   | 50                              | 25  | 4.3                  | 3          | 4.3                  | 3          |
| Between one and two years            | 51                              | 25  | 4.3                  | 3          | 4.3                  | 3          |
| Between two and five years           | 50                              | 25  | 12.9                 | 10         | 12.7                 | 10         |
| Between five and ten years           | 51                              | 25  | 20.5                 | 15         | 20.5                 | 15         |
| Between ten and twenty years         | 202                             | 100 | 41.0                 | 30         | 41.0                 | 31         |
| Between twenty and thirty years      | 202                             | 100 | 41.0                 | 30         | 41.0                 | 31         |
| Over thirty but not over forty years | 202                             | 100 | 11.5                 | 9          | 7.4                  | 7          |
| <b>Total</b>                         |                                 |     | <b>135.5</b>         | <b>100</b> | <b>131.2</b>         | <b>100</b> |

The minimum limits have been set at zero and the maximum limit for more than 10 years at 100%. This is to facilitate the premature repayment and replacement of all PWLB loans with a longer maturity profile should this be required. The 25% maximum limit on the other periods of less than 10 years is to ensure an even maturity profile of short and medium term borrowing.

### Market Risk

**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 charged to the Comprehensive Income and Expenditure Statement will rise.
- Borrowings at fixed rates – the fair value of the liabilities borrowing will fall
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- Investments at fixed rates – the fair value of the assets will fall

## NOTES TO THE ACCOUNTS

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 Comprehensive Income and Expenditure. 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 Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates. At 31 March 2020, all the £131.207 million of principal borrowed was at fixed rates.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

|  | 2018/19      | 2019/20      |
|--|--------------|--------------|
|  | £000         | £000         |
| Increase in interest receivable on variable rate investments       | (406)        | (408)        |
| Decrease in fair value of investments held at FVPL                 | 61           | 60           |
| <b>Impact on Surplus or Deficit on the Provision of Services</b>   | <b>(345)</b> | <b>(348)</b> |
| Decrease in fair value of investments held at FVOCI                | 0            | 0            |
| <b>Impact on Comprehensive Income and Expenditure Account</b>      | <b>(345)</b> | <b>(348)</b> |
| Decrease in fair value of loans and investments at amortised cost* | 200          | 119          |
| Decrease in fair value of fixed rate borrowing*                    | (18,227)     | (17,851)     |

\* No impact on Comprehensive Income and Expenditure

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

**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 investments in pooled property funds are subject to the risk of falling commercial property prices. This risk is limited by the Council's investment strategy. A 5% fall in commercial property prices at 31 March 2020 would result in a £0.37 million (2019: £0.39 million) charge to the Surplus or Deficit on the Provision of Services which is then transferred to the Financial Instruments Revaluation Reserve.

The Council's investments in pooled equity funds are subject to the risk of falling share prices. This risk is limited by the Council's investment strategy. A 5% fall in share prices at 31 March 2020 would result in a £0.15 million (2019: £0.20 million) charge to the Surplus or Deficit on the Provision of Services which is then transferred to the Financial Instruments Revaluation Reserve.

**Foreign Exchange Risk** – The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

## NOTES TO THE ACCOUNTS

**Guarantor Risk** – The Council acts as a guarantor to a loan held by the New Forest Enterprise Centre Ltd at Rushington. The current estimated guarantee is £406,000 and has 1 year remaining on the initial 30-year guarantee. The Enterprise Centre’s financial position is currently healthy, no payment has been made to date under the guarantee and the value of the building more than offsets the current loan liability. The Council therefore considers the guarantee risk to be very low and has made no charge against its Comprehensive Income and Expenditure Account.

### Fair value of Assets and Liabilities carried at Amortised Cost

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For money market funds and 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 31 March 2020, using the following methods and assumptions:

- Loans from the PWLB 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.
- No early repayment or impairment is recognised.
- The fair value of short-term investments, including trade payables and receivables is assumed to approximate to the carrying amount given the low and stable interest rate environment.

The fair values are shown in the table below, split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices.
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments.
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness.

|  | Fair Value<br>Level | 31 March 2019         |                    | 31 March 2020         |                    |
|--|---------------------|-----------------------|--------------------|-----------------------|--------------------|
|  |                     | Balance Sheet<br>£000 | Fair value<br>£000 | Balance Sheet<br>£000 | Fair value<br>£000 |
| <b>Financial liabilities held at amortised cost:</b> |                     |                       |                    |                       |                    |
| Loans from PWLB                                      | 2                   | (135,556)             | (157,601)          | (131,254)             | (155,369)          |
| <b>Total</b>   |                     | <b>(135,556)</b>      | <b>(157,601)</b>   | <b>(131,254)</b>      | <b>(155,369)</b>   |
| <b>Total Financial Liabilities</b>                   |                     | <b>(135,556)</b>      |                    | <b>(131,254)</b>      |                    |
| Recorded on balance sheet as:                        |                     |                       |                    |                       |                    |
| Short-term borrowing                                 |                     | (4,349)               |                    | (4,348)               |                    |
| Long-term borrowing                                  |                     | (131,207)             |                    | (126,906)             |                    |
| <b>Total Financial Liabilities</b>                   |                     | <b>(135,556)</b>      |                    | <b>(131,254)</b>      |                    |

## NOTES TO THE ACCOUNTS

The fair value of short-term financial liabilities held at amortised cost, is assumed to approximate to the carrying amount.

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

|  | Fair Value<br>Level | 31 March 2019            |                    | 31 March 2020            |                    |
|--|---------------------|--------------------------|--------------------|--------------------------|--------------------|
|  |                     | Balance<br>Sheet<br>£000 | Fair value<br>£000 | Balance<br>Sheet<br>£000 | Fair value<br>£000 |
| <b>Financial assets held at fair value:</b>  |                     |                          |                    |                          |                    |
| Money market funds   | 1                   | 6,830                    | 6,830              | 15,270                   | 15,270             |
| Bond, equity and multi-asset funds   | 1                   | 8,038                    | 8,038              | 6,874                    | 6,874              |
| Property Funds   | 2                   | 7,693                    | 7,693              | 7,485                    | 7,485              |
| Appletree Property Holdings  | 1                   | 0                        | 0                  | 206                      | 206                |
| <b>Financial assets held at amortised cost:</b>  |                     |                          |                    |                          |                    |
| Corporate, covered and government bonds  | 1                   | 7,052                    | 9,642              | 3,045                    | 2,997              |
| Long-term loans to local authorities, housing associations, harbour commissioner and Appletree Property Holdings | 2                   | 9,367                    | 8,487              | 4,499                    | 4,536              |
| <b>Total</b>   |                     | <b>38,980</b>            | <b>40,690</b>      | <b>37,379</b>            | <b>37,368</b>      |
| Assets for which fair value is not disclosed*  |                     | 30,896                   |                    | 26,429                   |                    |
| <b>Total Financial Assets</b>  |                     | <b>69,876</b>            |                    | <b>63,808</b>            |                    |
| Recorded on balance sheet as:  |                     |                          |                    |                          |                    |
| Long-term investments  |                     | 28,786                   |                    | 18,636                   |                    |
| Long-term debtors  |                     | 1,368                    |                    | 1,467                    |                    |
| Short-term investments   |                     | 28,808                   |                    | 20,062                   |                    |
| Cash and cash equivalents  |                     | 5,874                    |                    | 18,553                   |                    |
| Short-term trade debtors   |                     | 5,040                    |                    | 5,090                    |                    |
| <b>Total Financial Assets</b>  |                     | <b>69,876</b>            |                    | <b>63,808</b>            |                    |

The fair value of financial assets held at amortised cost in aggregate is lower than their balance sheet carrying amount because the interest rate on similar investments is now higher than that obtained when the investment was originally made.

Property funds totalling £7.485 million have been moved from level 1 to level 2 of the hierarchy for 2019/20 reflecting that there is no longer an active market in these instruments. Fund managers have suspended redemptions reflecting market conditions for underlying properties caused by the economic consequences of the coronavirus pandemic.

The fair value of short-term financial assets, including trade receivables, is assumed to approximate to the carrying amount.

The fair value adjustment is a note to the accounts only; no accounting entry is required.



## NOTES TO THE ACCOUNTS

### 50. OFFICERS' REMUNERATION

The senior employees whose salary exceeded £50,000 per annum for 2019/20 are shown in the table below.

| 2019/20  | Notes | Salary<br>(including<br>fees and<br>allowances) | Compensation<br>for loss of office | Total<br>Remuneration<br>excluding<br>pension<br>contributions | Pension<br>contributions | Total<br>Remuneration<br>including<br>pension<br>contributions |
|--|-------|---|------------------------------------|--|--------------------------|--|
|  |       | £   | £                                  | £  | £                        | £  |
| Chief Executive  | a     | 118,123   | 0                                  | 118,123  | 19,018                   | 137,141  |
| Returning Officer  | a     | 34,012  | 0                                  | 34,012   | 0                        | 34,012   |
|  |       | 152,135   | 0                                  | 152,135  | 19,018                   | 171,153  |
| Executive Head -<br>Operations (Deputy<br>Chief Executive) |       | 86,740  | 0                                  | 86,740   | 13,965                   | 100,705  |
| Executive Head -<br>Governance and<br>Regulation           |       | 85,545  | 0                                  | 85,545   | 13,773                   | 99,318   |
| Executive Head -<br>Resources                              |       | 80,740  | 0                                  | 80,740   | 12,999                   | 93,739   |
| Head of Finance<br>(S151)                                  |       | 68,108  | 0                                  | 68,108   | 10,965                   | 79,073   |
| Chief Planning Officer                                     |       | 78,437  | 0                                  | 78,437   | 12,628                   | 91,065   |
|  |       | <b>551,705</b>                                  | <b>0</b>                           | <b>551,705</b>   | <b>83,348</b>            | <b>635,053</b>   |

The Employer's Pension Contributions were 16.10% for 2019/20 (15.10% for 2018/19). There were no Bonuses or Benefits in Kind paid in 2019/20 or 2018/19.

- a) The Chief Executive undertook the Returning Officer role.

## NOTES TO THE ACCOUNTS

The figures for 2018/19 were:

| 2018/19  | Notes | Salary<br>(including<br>fees and<br>allowances) | Compensation<br>for loss of office | Total<br>Remuneration<br>excluding<br>pension<br>contributions | Pension<br>contributions | Total<br>Remuneration<br>including<br>pension<br>contributions |
|--|-------|---|------------------------------------|--|--------------------------|--|
|  |       | £   | £                                  | £  | £                        | £  |
| Chief Executive  | b     | 115,807   | 0                                  | 115,807  | 17,487                   | 133,294  |
| Returning Officer  | b     | 1,600   | 0                                  | 1,600  | 0                        | 1,600  |
|  |       | 117,407   | 0                                  | 117,407  | 17,487                   | 134,894  |
| Executive Head -<br>Operations (Deputy<br>Chief Executive) |       | 85,157  | 0                                  | 85,157   | 12,859                   | 98,016   |
| Executive Head -<br>Governance and<br>Regulation           |       | 83,868  | 0                                  | 83,868   | 12,664                   | 96,532   |
| Executive Head -<br>Resources                              |       | 79,157  | 0                                  | 79,157   | 11,953                   | 91,110   |
| Head of Finance<br>(S151)                                  |       | 64,224  | 0                                  | 64,224   | 9,698                    | 73,922   |
| Chief Planning Officer                                     | c     | 12,130  | 0                                  | 12,130   | 1,832                    | 13,962   |
|  |       | <b>441,943</b>                                  | <b>0</b>                           | <b>441,943</b>   | <b>66,493</b>            | <b>508,436</b>   |

- b) The Chief Executive undertook the Returning Officer role.  
c) The Chief Planning Officer started on 04/02/2019, the annualised salary for the post was £76,899.

The other officers whose remuneration, including termination benefit costs but excluding pension contributions, was above £50,000 were:

| Remuneration Band   | Number of Employees |       |                  |       |
|---------------------|---------------------|-------|------------------|-------|
|                     | 2018/19             |       | 2019/20          |       |
|                     | Left During Year    | Total | Left During Year | Total |
| £ 50,000 - £ 54,999 | 3                   | 10    | 1                | 10    |
| £ 55,000 - £ 59,999 | 1                   | 14    | 0                | 9     |
| £ 60,000 - £ 64,999 | 0                   | 3     | 0                | 9     |
| £ 65,000 - £ 69,999 | 1                   | 1     | 0                | 1     |
| £ 75,000 - £ 79,999 | 0                   | 0     | 1                | 1     |
|                     | 5                   | 28    | 2                | 30    |

## NOTES TO THE ACCOUNTS

### 51. TERMINATION BENEFITS

The Council terminated the contracts of 19 employees in 2019/20, incurring costs of £389,351 (25 employees, £365,384 in 2018/19). Of this £174,500 was allowed for in the Redundancy provision at the end of 2018/19. There has been no provision made at 31 March 2020 for future terminations which have been committed to, but for which the payment will be incurred in 2020/21.

| Exit Package Cost Band (including special payments) | Number of Compulsory Redundancies | Number of Other Departures Agreed | Total Number of Exit Packages by Cost Band | Total Cost of Exit Packages in Each Band £ |
|---|-----------------------------------|-----------------------------------|--|--|
| <b>2019/20</b>                                      |                                   |                                   |  |  |
| £0 - £20,000  | 2                                 | 13                                | 15   | 59,889                                     |
| £20,001 - £40,000                                   | 1                                 | 1                                 | 2  | 68,205                                     |
| £100,001 - £150,000                                 | 0                                 | 2                                 | 2  | 261,257                                    |
| <b>Total</b>  | <b>3</b>                          | <b>16</b>                         | <b>19</b>                                  | <b>389,351</b>                             |
| <b>2018/19</b>                                      |                                   |                                   |  |  |
| £0 - £20,000  | 7                                 | 11                                | 18   | 104,570                                    |
| £20,001 - £40,000                                   | 1                                 | 3                                 | 4  | 94,191                                     |
| £40,001 - £100,000                                  | 1                                 | 2                                 | 3  | 166,623                                    |
| <b>Total</b>  | <b>9</b>                          | <b>16</b>                         | <b>25</b>                                  | <b>365,384</b>                             |

### 52. 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 limit another party's ability to bargain freely with the Council.

Central Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties. Details of transactions with government departments are set out in note 45.

During 2019/20 the Council provided office accommodation, financial services (including Internal Audit), human resources and geographical information system support to the New Forest National Park Authority. The total income received, which included these services, for 2019/20 was £290,000 (£300,000 for 2018/19). Income due at 31 March 2020 amounted to £15,250. The New Forest National Park Authority provided Ecology, Ranger, Archeology and other miscellaneous services to the Council which cost £69,000 (in 2018/19 Building Design and Conservation services were also provided and therefore total income was £270,000). £3,750 was owed to the New Forest National Park Authority at 31 March 2020.

## NOTES TO THE ACCOUNTS

Members of the Council have direct control over the Council's financing and operating policies. The total of members' allowances paid is shown in note 47. During 2019/20 £180 (2018/19 £280) was paid to a company in which 1 member (2018/19 1 member) had an interest. In 2018/19, and 2017/18, no payments were paid to organisations in which members had an interest, but on which there is no Council representative. One member is employed by the Council's bank; this contract was tendered and commenced in December 2014. There were no material transactions with any chief officers during the year.

### 53. GROUP ACCOUNTS

On the 12 February 2019, the Council incorporated 3 wholly owned companies for the purposes of property acquisition, letting and development:

- Appletree Property Holdings Limited
- Appletree Property Lettings Limited
- Appletree Residential Developments Limited

No group accounts are required for the year ended 31 March 2020, as the transactions undertaken by the companies during this fiscal period were not material to the Council's financial statements.

### 54. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

This note relates to capital expenditure that does not result in the Council owning tangible non-current assets. Such expenditure is required to be treated as revenue expenditure in accordance with the SORP, but under statute can be funded from capital resources.

|   | Charged<br>to<br>revenue<br>2019/20<br>£000 | Capital<br>resource<br>funding<br>2019/20<br>£000 |
|---|---|---|
| General Fund  |   |   |
| - Housing Private Sector Disabled Adaptations/Home Repair Loans | 1,197                                       | 1,197   |
| - Leisure Schemes   | 50  | 50  |
| - Transportation  | 43  | 43  |
|   | <b>1,290</b>                                | <b>1,290</b>                                      |

### 55. ASSETS HELD FOR SALE

There were no assets held for sale at 31 March 2020.

## NOTES TO THE ACCOUNTS

### 56. GOING CONCERN

#### **Section 1 – underlying principle**

These accounts have been prepared on a going concern basis that the authority will continue in operational existence for the foreseeable future.

The provisions in the Code of Audit Practice in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting. Local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for local authority financial statements to be provided on anything other than a going concern basis. Accounts drawn up under the Code therefore assume that a local authority's services will continue to operate for the foreseeable future.

#### **Section 2 – current & historical financial position**

The Council recognises that the financial position has deteriorated in the early months of 2020/21, having suffered irrecoverable income losses and new expenditure pressures during the early part of 2020/21. The deterioration is only due to the impact of Covid-19.

#### **Section 3 – impact of Covid**

The 2020/21 balanced budget was set in February 2020 and included contributions to reserves of £2.312 million to support the delivery of the Medium Term Financial Plan to 2023/24.

However, since the budget was set, the emergence of Covid-19 has fundamentally changed the financial regime for a period of at least 3 months until the end of June 2020, with implications set to extend far beyond this. During this period, the Council has incurred approximately £125,000 of additional expenditure each month and has seen income fall by approximately £900,000 each month where services such as leisure and parking were closed and also reductions in income from planning and waste services were forthcoming due to reduced activity. A gradual return of most income streams is anticipated, although not necessarily back to the levels previously budgeted for some time.

The forecast cost pressures and income losses in 2020/21 total circa £7 million. The Council has received £2 million to date from Government as grant funding towards the cost of Covid-19 and has also utilised the furlough scheme to help mitigate income losses in the Leisure Centres. The Council has also submitted its first return covering the period April - July totalling £1.399 million under the governments' Sales, Fees and Charges Income Support Scheme which will provide additional support funding.

The Council has instigated a new vacancy control procedure and all service areas are reviewing their budgets during 2020 to identify options for identifying and delivering efficiency savings and / or generating income, with the aim of re-setting a balanced budget for 2020/21 in September 2020. The Medium Term Financial Plan will also be re-drawn, to include assumptions on recovery and some best / worst case scenarios from the long awaited Comprehensive Spending Review. Despite these issues the Council's level of reserves will be maintained above the s151 officer's minimum level of £3 million.

## **NOTES TO THE ACCOUNTS**

### **Section 4 – cash position**

The Council had a cash and short term investment balance of £39 million at the end of March 2020, with further longer term investments taking the total to £57 million.

The Council has undertaken a cashflow forecast looking forward 12 months to November 2021. During the period of 12 months from the approval of the accounts the forecast shows the expectation that sufficient cash will remain available to the Council, and it does not forecast the need to borrow.

### **Section 5 – conclusion**

These accounts have been prepared on a going concern basis. Following the projection of an overspend in 2020/21, a re-balanced budget has been produced for 2020/21 and plans are being progressed which will result in a balanced budget for 2021/22.

## **57. AUTHORISATION OF ACCOUNTS FOR ISSUE**

This Statement of Accounts was authorised for issue on 27 November 2020 by Cllr A O'Sullivan and Mr A Bethune.

## HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

| 2018/19         |   | Notes | 2019/20         |
|-----------------|---|-------|-----------------|
| £000            |   |       | £000            |
|                 | <b>Income</b>   |       |                 |
| (25,762)        | Dwelling rents  |       | (26,200)        |
| (767)           | Non-dwelling rents  |       | (769)           |
| (730)           | Charges for services and facilities   |       | (658)           |
| (382)           | Contributions towards expenditure   |       | (375)           |
| <b>(27,641)</b> |   |       | <b>(28,002)</b> |
|                 | <b>Expenditure</b>  |       |                 |
| 4,295           | Repairs and maintenance   | 3     | 4,804           |
| 6,010           | Supervision and management  |       | 6,535           |
| 25              | Rents, rates, taxes and other charges   |       | 93              |
| 11,674          | Depreciation, impairment and revaluation of non-current assets  | 4     | 16,729          |
| 16              | Debt Management Costs   |       | 14              |
| 157             | Movement in the allowance for bad debts   |       | 171             |
| <b>22,177</b>   |   |       | <b>28,346</b>   |
| <b>(5,464)</b>  | <b>Net (Income) / Expenditure of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>                     |       | <b>344</b>      |
| 146             | HRA services' share of Corporate and Democratic Core  |       | 146             |
| <b>(5,318)</b>  | <b>Net (Income) / Expenditure for HRA Services</b>  |       | <b>490</b>      |
|                 | <b>HRA share of the Operating Income and Expenditure included in the whole authority Comprehensive Income and Expenditure Statement</b> |       |                 |
| (1,143)         | (Gain) / Loss on sale of HRA non-current assets   |       | (1,320)         |
| 4,411           | Interest payable and similar charges  |       | 4,339           |
| (176)           | Interest and investment income  |       | (147)           |
| 422             | Net interest on the net defined benefit liability / (asset)   | 5     | 405             |
| (13)            | Income and expenditure in relation to investment properties and changes in their fair value   |       | (13)            |
| (996)           | Capital Grants and Contributions Receivable   |       | (288)           |
| <b>(2,813)</b>  | <b>(Surplus) or Deficit for the year on HRA services</b>  |       | <b>3,466</b>    |

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 1. HOUSING REVENUE ACCOUNT ASSETS

#### a) Categorised by type of accommodation

| 31 March<br>2020 | Houses       | Bungalows  | Flats        | Total        |
|------------------|--------------|------------|--------------|--------------|
| Bedsits          | 0            | 0          | 188          | 188          |
| 1 Bedroom        | 6            | 361        | 811          | 1,178        |
| 2 Bedrooms       | 728          | 498        | 424          | 1,650        |
| 3 Bedrooms       | 1,936        | 18         | 6            | 1,960        |
| 4+ Bedrooms      | 143          | 1          | 0            | 144          |
| <b>Total</b>     | <b>2,813</b> | <b>878</b> | <b>1,429</b> | <b>5,120</b> |

| 31 March<br>2019 | Houses       | Bungalows  | Flats        | Total        |
|------------------|--------------|------------|--------------|--------------|
| Bedsits          | 0            | 0          | 185          | 185          |
| 1 Bedroom        | 6            | 362        | 769          | 1,137        |
| 2 Bedrooms       | 724          | 498        | 407          | 1,629        |
| 3 Bedrooms       | 1,937        | 18         | 6            | 1,961        |
| 4+ Bedrooms      | 141          | 1          | 0            | 142          |
| <b>Total</b>     | <b>2,808</b> | <b>879</b> | <b>1,367</b> | <b>5,054</b> |

#### b) Vacant Possession Value of Dwellings

The following analysis shows the value of dwellings within the HRA if they were sold on the open market with vacant possession.

|                               | 1 April<br>2018<br>£000 | 1 April<br>2019<br>£000 |
|-------------------------------|-------------------------|-------------------------|
| <b>Council Housing Assets</b> |                         |                         |
| Standard Dwellings            | 999,422                 | 1,009,604               |
| Restricted Housing            | 76,069                  | 74,991                  |
| Special Housing               | 3,157                   | 3,538                   |
| Garages                       | 8,584                   | 8,584                   |
|                               | <b>1,087,232</b>        | <b>1,096,717</b>        |
| <b>Other Assets</b>           |                         |                         |
| Investment Property           | 183                     | 183                     |
| Land and Other Buildings      | 1,269                   | 1,755                   |
| Community Centre              | 77                      | 77                      |
|                               | <b>1,529</b>            | <b>2,015</b>            |
|                               | <b>1,088,761</b>        | <b>1,098,732</b>        |



## NOTES TO THE HOUSING REVENUE ACCOUNT

### c) Gross Value and Number by Type of HRA Assets

This analysis shows the gross value and number by types of dwelling within the HRA. The Balance Sheet value differs from the open market value, reflecting the economic cost to government of providing council housing at less than open market rents.

|                               | 1 April 2019    |                | 31 March 2020   |                |
|-------------------------------|-----------------|----------------|-----------------|----------------|
|                               | Number of Units | Value £000     | Number of Units | Value £000     |
| <b>Council Housing Assets</b> |                 |                |                 |                |
| Standard Dwellings            | 4,492           | 333,168        | 4,551           | 338,435        |
| Restricted Housing            | 536             | 24,747         | 540             | 24,630         |
| Special Housing               | 26              | 3,538          | 29              | 3,761          |
| Garages                       | 1,800           | 8,584          | 1,788           | 8,747          |
|                               | <b>6,854</b>    | <b>370,037</b> | <b>6,908</b>    | <b>375,573</b> |
| <b>Other Assets</b>           |                 |                |                 |                |
| Investment Property           | 1               | 183            | 1               | 183            |
| Land and Other Buildings      | 16              | 1,755          | 15              | 1,408          |
| Community Centre              | 1               | 77             | 1               | 77             |
|                               | <b>18</b>       | <b>2,015</b>   | <b>17</b>       | <b>1,668</b>   |
| <b>Total</b>                  | <b>6,872</b>    | <b>372,052</b> | <b>6,925</b>    | <b>377,241</b> |

### d) Capital Expenditure

Housing Revenue Account capital expenditure was applied to:

|                                       | 2018/19       | 2019/20       |
|---------------------------------------|---------------|---------------|
|                                       | £000          | £000          |
| Major Repairs                         | 5,101         | 6,214         |
| Environmental Enhancements            | 278           | 258           |
| Acquisition and Development Programme | 11,597        | 10,341        |
| Disabled Adaptations                  | 758           | 937           |
| <b>Total</b>                          | <b>17,734</b> | <b>17,750</b> |

### e) Funding of HRA Capital Expenditure

|                           | 2018/19       | 2019/20       |
|---------------------------|---------------|---------------|
|                           | £000          | £000          |
| Revenue Contributions     | 3,851         | 6,085         |
| Major Repairs Reserve     | 5,565         | 8,321         |
| Grant                     | 600           | 247           |
| Developers' Contributions | 394           | 0             |
| Capital Receipts          | 7,324         | 3,097         |
| <b>Total</b>              | <b>17,734</b> | <b>17,750</b> |

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 2. RENT ARREARS

|  | 31 March<br>2019 | 31 March<br>2020 |
|--|------------------|------------------|
|  | £000             | £000             |
| Rent Arrears                                       | 403              | 622              |
| - current tenants                                  | 279              | 320              |
| - former tenants                                   | <b>682</b>       | <b>942</b>       |
| Less provision for bad debts                       | (523)            | (660)            |
| <b>Anticipated collectable arrears<br/>of rent</b> | <b>159</b>       | <b>282</b>       |

### 3. HOUSING REPAIRS

The following table shows expenditure for the different categories of work undertaken on housing repairs:

|                      | 2018/19      | 2019/20      |
|----------------------|--------------|--------------|
|                      | £000         | £000         |
| Cyclical Maintenance | 1,406        | 1,310        |
| Reactive Maintenance | 2,889        | 3,494        |
| <b>Total</b>         | <b>4,295</b> | <b>4,804</b> |

The Council also undertook £6.214 million of housing works, which were treated as capital expenditure. The main categories of work were central heating, windows and roof replacements and kitchen and bathroom modernisations.

### 4. HRA DEPRECIATION AND IMPAIRMENT OF FIXED ASSETS

#### a) Depreciation

The figures below show the depreciation charged to the Housing Revenue Account analysed over type of asset.

|  | 2018/19      | 2019/20      |
|--|--------------|--------------|
|  | £000         | £000         |
| Standard Accommodation                               | 7,485        | 7,670        |
| Restricted Accommodation                             | 570          | 570          |
| Special Housing                                      | 72           | 81           |
|  | <b>8,127</b> | <b>8,321</b> |
| Other (included in Supervision and Management costs) | 3            | 3            |
| <b>Total</b>   | <b>8,130</b> | <b>8,324</b> |

## NOTES TO THE HOUSING REVENUE ACCOUNT

### b) Impairment

In 2019/20 there was a net increase in Housing asset values credited to the Housing Revenue Account of £3.498 million, but these were offset by capital expenditure not enhancing value of £11.906 million, to arrive at a net impairment debit of £8.408 million. This compares to a net debit of £3.547 million in 2018/19. In 2019/20 other net Housing asset valuation increases credited to the Revaluation Reserve were £3.608 million (£3.062 million credit in 2018/19).

|   | 2018/19<br>£000 | 2019/20<br>£000 |
|---|-----------------|-----------------|
| <b>Housing Revenue Account/Capital Adjustment Account</b> |                 |                 |
| Revaluation Increases                                     | (8,127)         | (8,321)         |
| Revaluation Decreases                                     | 1,116           | 4,823           |
| Net Revaluation (Increases)/Decreases                     | (7,011)         | (3,498)         |
| Capital Expenditure not enhancing asset value             | 10,558          | 11,906          |
| <b>Total Housing Revenue Account Impairment</b>           | <b>3,547</b>    | <b>8,408</b>    |
| <b>Revaluation Reserve</b>                                |                 |                 |
| Revaluation Increases                                     | (3,062)         | (3,691)         |
| Revaluation Decreases                                     | 0               | 83              |
| <b>Total Revaluation Reserve</b>                          | <b>(3,062)</b>  | <b>(3,608)</b>  |
| <b>Total HRA Impairments/Revaluations</b>                 | <b>485</b>      | <b>4,800</b>    |

### 5. HRA CONTRIBUTION TO/FROM THE PENSION RESERVE

The Council has applied IAS19 to the Housing Revenue Account. This means that service expenditure reflects the appropriate allocation of retirement costs earned in the year rather than actual employer's contributions made. An appropriation has been made from the Pensions Reserve to negate the impact on the Housing Revenue Account balance of all items. The following transactions have been made in the HRA:

|   | 2018/19<br>£000 | 2019/20<br>£000 |
|---|-----------------|-----------------|
| Net Cost of Services:   |                 |                 |
| Current service cost  | 1,038           | 1,476           |
| Past service cost   | 525             | 0               |
| Net Operating Expenditure:  |                 |                 |
| Net Interest Expense  | 422             | 405             |
| Amounts to be met from Government Grants and Local Taxation                   |                 |                 |
| Movement on pensions reserve  | (1,218)         | (909)           |
| <b>Actual amount charged against dwelling rents for pensions in the year:</b> |                 |                 |
| Employers' contributions payable to scheme                                    | <b>766</b>      | <b>972</b>      |

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 6. MAJOR REPAIRS RESERVE

The following table shows the movements on the Major Repairs Reserve.

|   | 2018/19  | 2019/20  |
|---|----------|----------|
|   | £000     | £000     |
| <b>Balance 1 April</b>  | <b>0</b> | <b>0</b> |
| Transferred to Reserve  | 8,127    | 8,321    |
| Debits in respect of capital expenditure on land, houses and other property | (5,565)  | (8,321)  |
| Debits in respect of housing debt repayment                                 | (2,562)  | 0        |
| <b>Balance 31 March</b>   | <b>0</b> | <b>0</b> |

### 7. CAPITAL RECEIPTS

Total Capital Receipts in respect of the Housing Revenue Account in 2019/20 amounted to £3.161 million (2018/19 was £2.616 million) after adjusting for administration and other costs.

The amount that was due to be paid over to the Ministry of Housing, Communities and Local Government, and included in this total, amounted to £0.574 million (2018/19 was £0.574 million), leaving Usable Capital Receipts of £2.587 million (2017/18 was £2.042 million).

|   | 2018/19      | 2019/20      |
|---|--------------|--------------|
|   | £000         | £000         |
| Sale of Land                                      | 0            | 40           |
| Sale of Council Houses                            | 2,616        | 3,083        |
| Discount Repaid                                   | 0            | 38           |
| <b>Total Capital Receipts</b>                     | <b>2,616</b> | <b>3,161</b> |
| Payments due to MHCLG (Local Government Act 2003) | (574)        | (574)        |
| <b>Usable Capital Receipts</b>                    | <b>2,042</b> | <b>2,587</b> |

## COLLECTION FUND

The Collection Fund is an agent's statement that shows the transactions of the billing authority in relation to the collection of council tax and non-domestic rates from taxpayers and the distribution of the income to local authorities and the Government. While there is only one Collection Fund, separate statements are shown for council tax and non-domestic rates due to the complexity of non-domestic rates transactions following the introduction of the Retention Scheme in 2013/14.

### COLLECTION FUND – COUNCIL TAX

The Council collects council tax for its own spending needs and on behalf of Hampshire County Council, Police and Crime Commissioner for Hampshire, Hampshire Fire and Rescue Authority and local town and parish councils.

| 2018/19 |                  |  | 2019/20 |                  |
|---------|------------------|--|---------|------------------|
| £000    | £000             |  | £000    | £000             |
|         | (121,309)        | <b>Income</b>  |         |                  |
|         |                  | Income from Council Tax  |         | (127,318)        |
|         |                  | Transfers to / (from) General Fund:  |         |                  |
| (1)     |                  | Flood Relief   | 0       |                  |
| (65)    | (66)             | Family Annex Relief  | (73)    | (73)             |
|         | <u>(121,375)</u> | <b>Total Income</b>  |         | <u>(127,391)</u> |
|         |                  | <b>Expenditure</b>   |         |                  |
|         |                  | Precepts:  |         |                  |
| 84,813  |                  | Hampshire County Council   | 87,910  |                  |
| 12,532  |                  | Police and Crime Commissioner for Hampshire                                  | 14,319  |                  |
| 4,643   |                  | Hampshire Fire And Rescue Authority  | 4,812   |                  |
| 17,628  |                  | New Forest District Council (including town and parish council requirements) | 18,428  |                  |
|         | 119,616          |  |         | 125,469          |
|         |                  | Bad and Doubtful Debts   |         |                  |
| 215     |                  | Write-offs   | 177     |                  |
| 35      | 250              | Increase / (decrease) in provisions  | 168     | 345              |
|         |                  | Contributions:   |         |                  |
|         | 1,567            | Previous year's estimated council tax surplus                                |         | 1,494            |
|         | <u>121,433</u>   | <b>Total Expenditure</b>   |         | <u>127,308</u>   |
|         | <u>58</u>        | <b>Movement on fund balance</b>  |         | <u>(83)</u>      |
| (1,510) |                  | (Surplus) / Deficit at 1 April   |         | (1,452)          |
| 58      |                  | Movement on fund balance for year  |         | (83)             |
|         | <u>(1,452)</u>   | <b>(Surplus) / Deficit at 31 March</b>                                       |         | <u>(1,535)</u>   |

## COLLECTION FUND

### COLLECTION FUND – BUSINESS RATES

The Council collects business rates for its own spending needs and on behalf of the Government, Hampshire County Council and Hampshire Fire and Rescue Authority.

| 2018/19 |                 |   | 2019/20 |                 |
|---------|-----------------|---|---------|-----------------|
| £000    | £000            |   | £000    | £000            |
|         |                 | <b>Income</b>   |         |                 |
|         | (66,811)        | Income collectable from Business Ratepayers<br>Current System |         | (68,635)        |
|         | (1,120)         | Transitional Protection Payments                              |         | 1,015           |
|         | <u>(67,931)</u> | <b>Total Income</b>   |         | <u>(67,620)</u> |
|         |                 | <b>Expenditure</b>  |         |                 |
| 32,862  |                 | Payments to DCLG - Business Rates Retention                   | 33,097  |                 |
| 26,290  |                 | New Forest District Council                                   | 26,478  |                 |
| 5,915   |                 | Hampshire County Council                                      | 5,958   |                 |
| 657     |                 | Hampshire Fire And Rescue Authority                           | 662     |                 |
| 277     |                 | Costs of Collection   | 276     |                 |
| 10      |                 | NFDC - Renewable Energy Schemes                               | 10      |                 |
|         | 66,011          |   |         | 66,481          |
|         |                 | Bad and Doubtful Debts  |         |                 |
| 184     |                 | Write-offs  | 245     |                 |
| (84)    |                 | Increase / (decrease) in provisions                           | 28      |                 |
| 1,559   |                 | Appeals Provision   | (404)   |                 |
|         | 1,659           |   |         | (131)           |
|         |                 | Contributions:  |         |                 |
|         | 1,671           | Previous year's estimated business rates deficit              |         | 415             |
|         | <u>69,341</u>   | <b>Total Expenditure</b>                                      |         | <u>66,765</u>   |
|         | <u>1,410</u>    | <b>Movement on fund balance</b>                               |         | <u>(855)</u>    |
| (1,797) |                 | (Surplus) / Deficit at 1 April                                |         | (387)           |
| 1,410   |                 | Movement on fund balance for year                             |         | (855)           |
|         | <u>(387)</u>    | <b>(Surplus) / Deficit at 31 March</b>                        |         | <u>(1,242)</u>  |

## NOTES TO THE COLLECTION FUND

### 1. GENERAL

Any surplus or deficit in respect of Council Tax at the end of the year is, during the next year distributed between the billing authority and major precepting authorities in proportion to their precepts in the year the surplus or deficit occurred.

Any surplus or deficit in respect of Business Rates at the end of the year is distributed in accordance with the percentage allocations set out in note 5.

### 2. CALCULATION OF THE TAX BASE

The Council Tax charge for the year is calculated by dividing the Council's budget requirement by the Council's tax base.

The tax base is the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of band D dwellings.

New Forest District Council's tax base for tax setting purposes was calculated as follows:

| Band                                  | Estimated number of Taxable Properties * | Ratio | Number of Band D Equivalent Properties |
|---------------------------------------|--|-------|--|
| Disabled A                            | 22.00                                    | 5/9   | 12.20                                  |
| A                                     | 5,650.34                                 | 6/9   | 3,766.70                               |
| B                                     | 10,582.92                                | 7/9   | 8,231.20                               |
| C                                     | 16,316.52                                | 8/9   | 14,503.60                              |
| D                                     | 17,551.71                                | 9/9   | 17,552.10                              |
| E                                     | 12,407.97                                | 11/9  | 15,165.70                              |
| F                                     | 6,515.41                                 | 13/9  | 9,410.90                               |
| G                                     | 4,274.08                                 | 15/9  | 7,123.60                               |
| H                                     | 555.00                                   | 18/9  | 1,110.00                               |
| Total                                 | 73,875.95                                |       | 76,876.00                              |
| Less: Adjustment for collection rates |  |       | 860.20                                 |
| Less: Council Tax Reduction Scheme    |  |       | 4,941.40                               |
| Council Tax Base                      |  |       | 71,074.40                              |

\* after adjusting for the effects of discounts and anticipated changes during the year for new properties, demolitions, disabled persons relief, exempt properties and successful appeals against valuations.

### 3. ACCOUNTING FOR THE COLLECTION FUND BALANCE – COUNCIL TAX

The opening balance on the Collection Fund for 2019/20 was a £1.452 million surplus. The surplus at the end of the year is split between Hampshire County Council, New Forest District Council, Police and Crime Commissioner for Hampshire and Hampshire Fire and Rescue Authority.

In the Balance Sheet at 31 March 2020, the Council included the £1.535 million surplus on a disaggregated basis as a creditor of £1.309 million and a £226,000 attributable surplus within the Collection Fund Adjustment Account balance.

## NOTES TO THE COLLECTION FUND

### 4. PRECEPTS AND DEMANDS ON THE COLLECTION FUND – COUNCIL TAX

| 2018/19        |                              |                |  | 2019/20        |                              |                |
|----------------|------------------------------|----------------|--|----------------|------------------------------|----------------|
| Precept        | Share of Surplus / (Deficit) | Total          |  | Precept        | Share of Surplus / (Deficit) | Total          |
| £000           | £000                         | £000           |  | £000           | £000                         | £000           |
| 84,813         | 1,030                        | 85,843         | Hampshire County Council   | 87,910         | 1,075                        | 88,985         |
| 12,532         | 152                          | 12,684         | Police and Crime Commissioner for Hampshire                                  | 14,319         | 175                          | 14,494         |
| 4,643          | 56                           | 4,699          | Hampshire Fire and Rescue Authority  | 4,812          | 59                           | 4,871          |
| 17,628         | 214                          | 17,842         | New Forest District Council (including town and parish council requirements) | 18,428         | 226                          | 18,654         |
| <b>119,616</b> | <b>1,452</b>                 | <b>121,068</b> |  | <b>125,469</b> | <b>1,535</b>                 | <b>127,004</b> |

### 5. INCOME FROM BUSINESS RATEPAYERS

Under the arrangements for business rates, the Council collects non-domestic rates for its area, which are based on local rateable values multiplied by a uniform rate determined by the Government. The total amount, less certain reliefs and other reductions, is paid into the Collection Fund before being distributed to Central Government (50%), New Forest District Council (40%), Hampshire County Council (9%) and Hampshire Fire and Rescue Authority (1%).

The total non-domestic rateable value at 31 March 2020 was £170.676 million. The national non-domestic multiplier was 50.4p. This gave a potential business rate yield of £86.021 million. After allowing for items such as rateable value amendments, empty properties, small property reductions and transitional and charitable reliefs, the net amount of business rates collectable was £68.635 million.

### 6. ACCOUNTING FOR THE COLLECTION FUND BALANCE – BUSINESS RATES

The 2019/20 year end surplus balance on the Collection Fund was £1,242,000. The Council's share is a surplus of £497,000 and Central Government, Hampshire County Council and Hampshire Fire and Rescue Authority share a surplus balance of £745,000. Within the balance sheet the Council's share is shown within the Collection Fund Adjustment Account balance and the partners' share is netted off within creditors.

### 7. DEMANDS ON THE COLLECTION FUND – BUSINESS RATES

| 2018/19       |                              |               |                                     | 2019/20       |                              |               |
|---------------|------------------------------|---------------|-------------------------------------|---------------|------------------------------|---------------|
| Demand        | Share of Surplus / (Deficit) | Total         |                                     | Demand        | Share of Surplus / (Deficit) | Total         |
| £000          | £000                         | £000          |                                     | £000          | £000                         | £000          |
| 32,862        | 194                          | 33,056        | Central Government                  | 33,097        | 621                          | 33,718        |
| 5,915         | 35                           | 5,950         | Hampshire County Council            | 5,958         | 112                          | 6,070         |
| 657           | 4                            | 661           | Hampshire Fire and Rescue Authority | 662           | 12                           | 674           |
| 26,290        | 154                          | 26,444        | New Forest District Council         | 26,478        | 497                          | 26,975        |
| <b>65,724</b> | <b>387</b>                   | <b>66,111</b> |                                     | <b>66,195</b> | <b>1,242</b>                 | <b>67,437</b> |



## **GLOSSARY OF TERMS**

### **Budget**

The Council's plans set out in financial terms. Both revenue and capital budgets are prepared and are used to control and monitor expenditure and performance.

### **Capital Expenditure**

Expenditure on the purchase of assets, which will be of use or benefit to the Council/Community for longer than one year.

### **Capital Financing**

The raising of money to pay for capital expenditure.

### **Capital Receipts**

Proceeds from the sale of long-term assets e.g. land or buildings.

### **Direct Revenue Financing**

Financing of capital expenditure by a direct charge to a revenue account. This method of finance avoids borrowing.

### **General Fund**

The section of the Council's accounts that covers services paid for by the Council Tax, Non-Domestic Rate and Revenue Support Grant.

### **Housing Revenue Account**

The account which records the income and expenditure relating to the provision of council housing.

### **Impairment**

At the end of each year each asset is reviewed. Impairment is accounted for if there is evidence that there has been a reduction in value.

### **International Financial Reporting Standards (IFRS)**

Accounting practices recommended by the major accounting bodies.

### **Lease**

A method of financing capital expenditure where a rental charge is paid for the use of an asset over a specified period of time. This rental covers a proportion of the capital cost of the asset, together with a return on the finance provided by the leasing company.

### **Long-term Assets**

An asset that has a life of more than one year.

## **GLOSSARY OF TERMS**

### **Long-term Investments**

Loans that the Council has given that are repayable after 364 days of the start of the financial year.

### **PWLB Debt**

Borrowing that is raised from the Public Works Loan Board, a UK Central Government organisation.

### **Revenue Support Grant (RSG)**

Grant paid by the Government to local authorities to help them finance the cost of their services. The system is designed so that if all local authorities spend at the level determined by the Government, the council tax would be the same across the country.

### **Revenue Expenditure/Income**

The costs or income relating to the day-to-day provision of services.

### **Short-term Investments**

Investments that the Council has made that are repayable within 364 days from the date of the original investment.

### **Short-term Loans**

Loans that the Council has raised that are repayable within 364 days of the start of the financial year.

### **Support Services**

The costs of professional, administrative and technical support given to the departments that provides services to the public.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEW FOREST DISTRICT COUNCIL

## Opinion

We have audited the financial statements of New Forest District Council for the year ended 31 March 2020 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Comprehensive Income and Expenditure Statement,
- Movement in Reserves Statement
- Balance Sheet,
- Cash Flow Statement,
- related notes 1 to 57 and the Expenditure and Funding Analysis.
- Housing Revenue Account Income and Expenditure Statement and notes 1 to 7; and
- Collection Fund and notes 1 to 7.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion the financial statements:

- give a true and fair view of the financial position of the New Forest District Council as at 31 March 2020 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

## Basis for opinion

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

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

## Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Responsible Financial (s151) Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Responsible Financial (s151) Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## **Other information**

The other information comprises the information included in the Annual Financial Report 2019/20 other than the financial statements and our auditor's report thereon. The Responsible Financial (s151) Officer is responsible for the other information.

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

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

We have nothing to report in this regard.

## **Opinion on other matters prescribed by the Local Audit and Accountability Act 2014**

### ***Arrangements to secure economy, efficiency and effectiveness in the use of resources***

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the C&AG in April 2020, we are satisfied that, in all significant respects, New Forest District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

## **Matters on which we report by exception**

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

## **Responsibility of the Responsible Financial (s151) Officer**

As explained more fully in the Statement of Responsibilities set out on page 3, the Responsible Financial (s151) Officer is responsible for the preparation of the Annual Financial Report 2019/20, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Responsible Financial (s151) Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

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

## **Auditor's responsibilities for the audit of the financial statements**

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in April 2020, as to whether New Forest District Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether New Forest District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

## **Certificate**

We certify that we have completed the audit of the accounts of New Forest District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

## **Use of our report**

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

Kevin Suter (Key Audit Partner)  
Ernst & Young LLP (Local Auditor)  
Southampton  
27 November 2020

# THE ANNUAL GOVERNANCE STATEMENT NEW FOREST DISTRICT COUNCIL 2019/20

## 1. Scope of Responsibility

New Forest District Council is responsible for ensuring that its business is conducted in accordance with the law, proper standards are adhered to and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. It 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 best value. In discharging this overall responsibility New Forest District Council is required to have in place proper arrangements for the governance of the Council's affairs, facilitating the effective exercise of its functions and arrangements for the management of risk.

New Forest District Council has approved and adopted a Code of Good Governance, which is consistent with the principles of the CIPFA/SOLACE Framework "Delivering Good Governance in Local Government". This Statement explains how New Forest District Council has complied with the Code and also meets the requirements of regulation 13 of the Accounts & Audit Regulations 2015 in relation to the publication of a statement of corporate governance.

## 2. The Purpose of the Governance Framework

The governance framework comprises the systems and processes, as well as the culture and values, by which the authority is directed and controlled and its activities, through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievements of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, 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 in delivery of policies, achieving aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks materialising and the impact should they be realised, and to manage them efficiently, effectively and economically.

## 3. The Governance Framework

The good governance framework centres on the following 7 core principles:

|          |   |
|----------|---|
| <b>A</b> | Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.  |
| <b>B</b> | Ensuring openness and comprehensive stakeholder engagement.   |
| <b>C</b> | Defining outcomes in terms of sustainable economic, social and environmental benefits.                      |
| <b>D</b> | Determining the interventions necessary to optimize the achievement of the intended outcomes.               |
| <b>E</b> | Developing the entity's capacity, including the capability of its leadership and the individuals within it. |
| <b>F</b> | Managing risks and performance through robust internal control and strong public financial management.      |
| <b>G</b> | Implementing good practices in transparency, reporting and audit to deliver effective accountability.       |

Following District elections in May 2019, 'Community Matters', the Council's Corporate Plan for 2020-2024 was approved in March 2020 and focuses on the challenges faced and the plans to address them. It recognises the ongoing financial constraints, whilst building on the strong financial position created and sets priorities that matter to the people of the District to deliver a prosperous New Forest and put the community first.

The Council is concerned to ensure that quality of service delivery is maintained at a time of financial constraint and uses a variety of mechanisms to assess this. This helps inform future service delivery.

The Council continually revises its Medium Term forecast according to latest information received around likely funding levels and expenditure increases. The Council's current strong financial position and on-going efficiencies programme (including the development of new income generation initiatives) will help protect front-line service delivery and is underpinned by the healthy General Fund reserve, will enable the Council to respond to changes accordingly.

During 2020, the world-wide Coronavirus COVID-19 pandemic has impacted global economies in ways that haven't been seen for decades. The UK's response has included an unprecedented package of financial measures to try and protect the UK economy.

Local Authorities have been significantly impacted with disruption to services, enforced home-working, new legislation and responsibilities and more recently playing a role in the recovery phase.

At a meeting in June, the Council's Cabinet agreed that the Council would need to re-cast the Medium Term Financial Plan, including the provision of an Emergency Budget for 2020/21 in light of the severity of the impact to the Council's budget. Four Task and Finish Groups have been established to assist in the Council's recovery plan and meetings commenced in the week of 22/06/2020.

Over the years, the Council has developed a number of successful joint or collaborative working arrangements with other public partners. This has continued into 2019/20 and includes arrangements with Hampshire County Council (in respect of Audit and Treasury functions) and a joint Information Office 'The Ringwood Gateway' between Ringwood Town Council, HCC and the District Council.

The Council's Constitution sets out how the Council operates, including the roles, responsibilities and relationships between Council, the Executive (Cabinet), Audit Committee and other bodies such as the Overview and Scrutiny Panels and Officers in respect of policy and decision-making processes. There is a comprehensive scheme of delegations to officers to ensure timely decision-making. The Constitution also sets out details on Codes of Conduct and key policies such as Financial Regulations and Contract Standing Orders as to Contracts. It is important that the Council operates efficiently and transparently and is accountable to the local people.

The Constitution is reviewed and updated where opportunities for improvement are identified.

The Risk Management Framework is in place to ensure that risks to the Council in achieving its strategic objectives, both at a corporate and service level, are more consciously identified, assessed and managed. It aligns risk with existing arrangements, in particular the performance management framework with an assessment of risk forming part of the Service Planning processes.

In 2016 CIPFA/SOLACE carried out a review of their framework to ensure that it still reflects the environment in which Councils are operating and to also reflect the International framework which had been developed by CIPFA and the International Federation of Accountants (IFAC) in 2014.

As a result of their review in April 2016 CIPFA/SOLACE published a new framework document "Delivering Good Governance in Local Government Framework 2016 Edition" with the key focus of governance processes and structures centring on the attainment of sustainable economic, societal and environmental outcomes. Council approved the revised code in April 2017 which follows the recommended text in the CIPFA/SOLACE framework.



## 4. Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of senior statutory officers within the authority who have responsibility for the development and maintenance of the governance environment, the Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

This Council has always maintained a strong internal control environment and sees risk management as an integral part of everyday management. It has long established principles on the way its business is conducted enabling good governance and control of risk. Factors that influence the control environment include; integrity, ethics, operating style and the way management and members assign responsibility and authority.

A summary of the review activities undertaken during 2019/20 are included below:

1. A number of Council policies were reviewed or new Plans/Policies implemented including:
  - The Local Plan;
  - A new Housing Allocation Policy;
  - Compulsory Purchase and Overriding Easements Policy;
  - Gas Safety, Legionella, Lifts and Lifting Equipment Policy;
  - Void and Mutual Exchange Policy;
  - ICT Security Policy updated;
  - The Council's Publication Scheme (which is updated regularly)
2. The Council's Executive Management Team has remained unchanged throughout 2019/20 offering continuity in the top tier of management within the Council.
3. The Council's arrangements for financial management and reporting are sound and are well documented. Proposals for asset maintenance expenditure are supported by a business case as are new requests for revenue resources. These are scrutinised initially by EMT and the relevant Service Portfolio Holder prior to inclusion within the budget setting process. The financial planning process also includes a review of proposals by the relevant Overview and Scrutiny Panels, before final budgetary proposals and the council tax levels are considered and approved by Council each year.
4. Financial monitoring is achieved by regular budgetary control reports to nominated budget holders, Executive Management Team, the relevant Portfolio Holder, and Cabinet. All elected Members have access to Cabinet Agendas and the financial reports; a process is in place to enable members to request additional, more detailed information and question any financial issues. Strong Overview and Scrutiny arrangements in place with an annual report of work carried out presented to Council.
5. In line with the continuous improvement culture of the Council, it is recognised that all Members and Officers of the Council must have the skills, knowledge and capacity that they need to discharge their responsibilities effectively and therefore significant emphasis is placed on continuous improvement and development. Following the elections in May 2019, a number of training sessions were arranged and run for all newly elected, and re-elected councillors.

6. The responsibility of S151 functions sits with the Chief Finance Officer who undertakes that statutory role. The Executive Head of Governance and Regulation is the Monitoring Officer, which is also a statutory role. All committee reports are reviewed by members of the Executive Management Team, as well as being provided to the Executive Head of Governance and Regulation (who is also the Council's Solicitor), prior to any decisions being made. This safeguards the Council to ensure that decisions are taken lawfully and that risks are properly considered.
7. The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). A review of the Council's Financial Regulations was completed during 2017/18 with the new regulations presented to and endorsed by the Audit Committee. The new regulations went live during April 2018, following approval by full Council.
8. Performance Management ensures strategic monitoring with a focus on organisational and service based indicators, reflecting the aims and objectives of the Corporate Plan. A review of the Council's Performance Management Framework commenced during 2019/20 in light of the new Corporate Plan and will be finalised during 2020/21.
9. The Audit Committee meet regularly and training is available to all members to ensure they are clear in their responsibilities in providing an independent assurance to the Council in relation to the effectiveness of the Council's internal control environment, in accordance with Regulation 6 of the Accounts and Audit (England) Regulations 2015.
10. The Council reviewed its insurance and risk management arrangements and employed a new officer during 2019/20 with responsibility for these respective areas. The Council's approach to risk management has been long standing, although the annual review originally scheduled for March 2020 was temporarily postponed. The review and associated update to the Audit Committee will take place during 2020/21.
11. Internal Audit forms part of the internal control framework. It is a mandatory function whose primary aim is to ensure that the Chief Financial Officer's responsibilities, to maintain proper control over the Council's financial affairs, as defined by Section 151 of the Local Government Act 1972, are fully met. The Audit Committee has reviewed and approved the risk based audit plan and progress reports against the audit plan throughout the year. This risk based audit plan was also approved by the Section 151 Officer and the Executive Management Team. The Committee has also received reports and updates from the External Auditor.
12. The Internal Audit function is provided by the Southern Internal Audit Partnership (operated by Hampshire County Council) and accords with the Public Sector Internal Audit Standards. Internal Auditors are trained and have acted independently, objectively and ethically at all times. The Internal Audit Charter was approved during the year.
13. The Principal Auditor's annual opinion report, concluded that whilst Internal Audit are unable to give absolute assurance, the results of the reviews completed during the year have resulted in his overall opinion that:
  - sufficient assurance work has been carried out to allow a reasonable conclusion on the adequacy and effectiveness of New Forest District Council's internal control environment
  - New Forest District Council's framework of governance, risk management and control is 'Adequate' and audit testing has demonstrated controls to be working in practice
  - where weaknesses have been identified through internal audit review, Internal Audit have worked with the Council's management to agree appropriate corrective actions and a timescale for improvement.

14. Ernst & Young acts as the Council's independent external auditor. The Section 151 Officer and Chair of Audit Committee have responded openly to the External Auditor under the requirements of the International Auditing Standards.
15. All organisations, worldwide face increasing cyber related threats. The Council maintains sound standards and continually reviews opportunities to further strengthen these. The Council is a member of the Cyber security Information Sharing Partnership (CISP) and has signed up the South East Government Warning, Advisory and Reposting Point (providing information, knowledge and alerts on threat and incidents. The Audit Committee received an update during 2019/20 on cyber risks, and as a result of an adopted recommendation from that meeting, has since taken out a cyber insurance policy. ICT also reviewed the ICT Security Policy during 2019/20.
16. Internal Audit has reported an 'Adequate' opinion on the overall control environment. Three limited assurance audit opinions were given and monitoring of progress against the management actions of these audits has been conducted during 2019/20 and will continue into 2020/21 where necessary. The following audit areas have previously received high priority recommendations:
  - Payment Card Industry Data Security Standard Accreditation
  - Business Continuity
    - Good joint work underway with Hampshire County Council to test the Council's approach to business continuity. Also the Council's response to the Covid-19 pandemic starting March 2020 enabled it to fully test its business continuity arrangements with positive results. The new Covid-19 Task and Finish Groups will examine the outcome of the Council's response and will consider future ways of working and make appropriate recommendations.
17. The Council has developed an accurate and up to date draft Partnership Register during the year to ensure that terms of reference, the risks of collaborative working and the added value of partnership working is reviewed and suitably documented.
18. During 2019/20, the Council undertook a significant project to replace the aging and largely unsupported Financial Management System. Governance on this project was provided by way of a formal Board, containing 2 Executive Officers from the Council (including the S151 Officer), 2 Cabinet Members, 2 representatives from our third party implementation partner and our client manager from the software provider. During the implementation of this difficult project, a key motivation and outcome was to move away from extreme levels of NFDC customisations to the more standard product and processes that are used more readily across the user base.

## **5. Significant Governance Issues**

Whilst there have been a number of improvements made throughout the year, the Council constantly strives for continuous improvement. The following significant areas will be included in the action plan:

1. Payment Card Industry Data Security Standard Accreditation
2. A review of the new workflow processes as included within the new Finance System to ensure their appropriateness in offering suitable financial control and management

## 6. Certification

To the best of our knowledge, governance arrangements, as defined above, have been in place at New Forest District Council for the year ended 31<sup>st</sup> March 2020 and up to the date of approval of the annual report and statement of accounts.

We propose to take steps over the coming year to address those areas identified above to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified during the review of effectiveness and will monitor their implementation and operation as part of our next annual review.

|         |   |         |   |
|---------|---|---------|---|
| Signed: | Cllr B Rickman<br>.....<br><b>Leader of the Council</b> | Signed: | Mr R Jackson<br>.....<br><b>Chief Executive</b> |
| Date:   | <b>27 November 2020</b>                                 | Date:   | <b>27 November 2020</b>                         |

### Annual Governance Statement Action Plan for 2020/21

| <b>Heading</b>          | <b>Update / Action</b>   | <b>Responsible</b>    | <b>Target</b> |
|-------------------------|--|-----------------------|---------------|
| PCI Accreditation       | Work is underway on PCI accreditation in light of the recent changes to the Finance System and Telephone Payment System.<br><br>Action: to finalise the process in relation to seeking PCI accreditation   | Chief Finance Officer | March 2021    |
| Finance System Workflow | Following the implementation of the new finance system which went live on 1/4/20, a review will be undertaken to provide assurance on the suitability of the adopted workflow processes imbedded within it.<br><br>Action: to complete an audit review of the new workflow processes within the new Finance System | Chief Finance Officer | March 2021    |