



STATEMENT OF ACCOUNTS

2020/2021

Introduction

- | | |
|----------------------------------|----|
| 1. Narrative Report | 3 |
| 2. Statement of Responsibilities | 14 |

Core Financial Statements:

- | | |
|---|----|
| 3. Comprehensive Income and Expenditure Statement | 15 |
| 4. Movement in Reserves Statement | 16 |
| 5. Balance Sheet | 18 |
| 6. Cash Flow Statement | 20 |

Notes to the Financial Statements

Page numbers for supplementary notes can be found on the next page

- | | |
|--|----|
| 3. Notes to the Comprehensive Income and Expenditure Statement | 21 |
| 4. Notes to the Movement in Reserves Statement | 36 |
| 5. Notes to the Balance Sheet | 39 |
| 6. Notes to the Cash Flow Statement | 84 |
| 7. Additional Notes to the Accounts | 88 |

Supplementary Financial Statements

- | | |
|--------------------|-----|
| 8. Collection Fund | 108 |
| 9. Group Accounts | 114 |

Glossary and Independent Auditor's Report

- | | |
|--|-----|
| 10. Glossary | 115 |
| 11. Independent Auditor's Report to the Members of Hart District Council | 124 |

Index of Notes to the Financial Statements

Note		Page
	Notes to the Comprehensive Income and Expenditure Statement	
3.01	Expenditure and Funding Analysis	21
3.02	Note to the Expenditure and Funding Analysis	22
3.03	Income and Expenditure Analysed by Nature	25
3.04	Other Operating Expenditure	26
3.05	Financing and Investment Income and Expenditure	26
3.06	Taxation and Non Specific Grant Incomes	27
3.07	Material Items of Income and Expense	27
3.08	Agency Services	28
3.09	Members Allowances	28
3.10	Officers' Remuneration and Termination Benefits	29
3.11	External Audit Costs	31
3.12	Grant Income	32
3.13	Operating Leases	34
3.14	Construction Contracts	35
	Notes to the Movement in Reserves Statement	
4.01	Adjustments Between Accounting Basis and Funding Basis Under Regulations	36
	Notes to the Balance Sheet	
5.01	Property, Plant and Equipment	39
5.02	Investment Properties	47
5.03	Intangible Assets	48
5.04	Financial Instruments	50
5.05	Debtors	56
5.06	Cash and Cash Equivalents	56
5.07	Assets Held for Sale	57
5.08	Borrowing	58

Note		Page
	Notes to the Balance Sheet continued...	
5.09	Creditors	59
5.10	Provisions	59
5.11	Usable Reserves	60
5.12	Unusable Reserves	64
5.13	Capital Expenditure and Capital Financing	70
5.14	Finance Leases	72
5.15	Defined Benefit Pension Schemes	73
5.16	Events After the Balance Sheet Date	82
5.17	Grants Received in Advance	82
	Notes to the Cash Flow Statement	
6.01	Operating Activities	84
6.02	Investing Activities	85
6.03	Financing Activities	86
6.04	Reconciliation of Liabilities arising from Financing Activities	87
	Additional Notes to the Accounts	
7.01	Accounting Standards that have been Issued but have not yet been Adopted	88
7.02	Critical Judgements in Applying Accounting Policies	88
7.03	Assumptions made about the Future and Other Major Sources of Estimation Uncertainty	89
7.04	Related Party Transactions	92
7.05	Contingent Assets and Liabilities	93
7.06	Nature and Extent of Risks Arising from Financial Instruments	93
7.07	Further Accounting Policies	97
7.08	Going Concern	101
7.09	Prior Period Adjustment	102

I NARRATIVE REPORT

1.01 INTRODUCTION

The Statement of Accounts summarises the financial performance for financial year 2020/21 and the overall financial position of the council. This narrative report explains the most significant matters reported in the accounts and provides a simple summary of the council's overall financial position.

The Statement of Accounts for 2020/21 has been prepared on an International Financial Reporting Standards (IFRS) basis. The framework within which these Accounts are prepared and published is regulated by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Whilst these accounts are presented as simply as possible, the use of some technical terminology cannot be avoided. To aid a better understanding of the terminology used, a glossary of the terms is included at the end of the document. An explanation of the key financial statements including explanatory notes and other relevant supplementary information is also provided.

The key financial statements set out within this document include:

- **The Statement of Responsibilities** declares the respective responsibilities of the council and the Head of Corporate Services and Section 151 Officer for the production of the Statement of Accounts.
- **The Expenditure and Funding Analysis** is a note to the financial statements, rather than a key statement. It shows all income and expenditure incurred by the council throughout the year under statutory funding provisions and the adjustments that are required to these figures to produce the Comprehensive Income and Expenditure Statement under generally accepted accounting practices.
- **The Movement in Reserves Statement (MiRS)** – this Statement sets out the movement on the different reserves held by the council which are analysed into usable and unusable reserves. It analyses the increase or decrease in net worth of the council as a result of incurring expenses, gathering income and from movements in the fair value of the assets. It also analyses the movement between reserves in accordance with statutory provisions.
- **The Comprehensive Income and Expenditure Statement (CIES)** – this Statement brings together all the functions of the council and summarises all the resources it has generated, consumed or set aside in providing services during the year. As such, it is intended to show the true financial position of the council, before allowing for the concessions provided by statute to raise council tax according to different rules and the ability to divert particular expenditure to be met from capital resources.
- **The Balance Sheet** – this records the council's year-end financial position. It shows the balances and reserves at the council's disposal, its long-term debt, net current assets or liabilities, and summarises information on the non-current assets held. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e., those reserves that the council can use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve

I NARRATIVE REPORT

that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the council cannot use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations.

- **The Cash Flow Statement** – this summarises the inflows and outflows of cash arising from transactions with third parties for both capital and revenue.
- **Notes to the Financial Statements** – the notes provide more detail about the items contained in the key financial statements, the council's Accounting Policies and other information to aid the understanding of the financial statements.
- **The Collection Fund** – the council is responsible for collecting council tax and local business rates. The proceeds of council tax are distributed to the council, Hampshire County Council, Hampshire Police Authority, Hampshire Fire and Rescue Authority and local town/parish councils. Local business rates are distributed between the council, the Government, Hampshire County Council and Hampshire Fire and Rescue Authority. The Fund shows the income due and application of the proceeds.

The Independent Auditor's Report explains how the council's auditors, Ernst and Young LLP, plan their audit and the basis on which they provide an opinion on the council's Statement of Accounts. It also gives the auditor's opinion on the council's arrangements for securing economy, efficiency and effectiveness in the use of resources in the year.

I.02 HART DISTRICT

Hart District is primarily rural, covers some 21,500 hectares (83 sq. miles) and is situated in north-east Hampshire, bordering both Surrey and Berkshire. It is a popular place to live, as it benefits from low unemployment, low crime rates and good schools. It has a healthy, active population with high participation in sports and leisure. There are approximately 97,000 residents and an estimated 40,410 homes in Hart. There is an increasing and ageing population, with the number of residents expected to rise to 105,800 by 2024 and increases expected in older age groups in particular. The main centres of population including Fleet, Yateley and Blackwater/Hawley are in the north and east of the district and just over 30% of the population live in the rural areas.

I NARRATIVE REPORT

I.03 HART DISTRICT COUNCIL

Hart District Council (“the council”) comprises 33 councillors who represent their 11 wards. Each ward has 3 councillors who represent it, although once elected councillors will make decisions for the whole district, not just for the ward they were elected for. Elections are held in 3 out of every 4 years, with one seat in each ward contested at each election. The political make-up of the council is currently: Conservative Party 12, Community Campaign Hart 10, Liberal Democrat Party 10, and one independent councillor.

The council is a multifunctional organisation. The policies are directed by the political leadership and implemented by the officers of the council. The council has adopted the Leader and Cabinet model as its political management structure. The Leader of the council has responsibility for the appointment of members of the Cabinet, the allocation of Portfolios and the delegation of Executive Functions. Cabinet Members are held to account by a system of scrutiny.

Supporting the work of councillors is the organisational structure of the council headed by the Joint Chief Executives, who are supported by four Heads of Service.

During the year the council establishment was 130 full-time equivalent employees. The council has a significant level of outsourced and shared services.

I.04 CORPORATE STRATEGY

The council has adopted a 5-year Corporate Plan for the period 2017-2022. It provides a focus for our activities and services and will inform decision making and allocation of resources across the council. The Corporate Plan is centred around four priorities:

- A Thriving Local Economy
- A Clean, Green and Safe Environment
- Healthy Communities and People
- An Efficient and Effective Council

The Corporate Plan is underpinned by a Service Plan which will run for the lifetime of the plan and be updated annually. This shows in detail how the council will make progress against the priorities in the Corporate Plan. Each year a review is undertaken to update the Service Plan and ensure it continues to highlight the significant projects that the council is taking forward in pursuit of its four corporate priorities.

I NARRATIVE REPORT

The 2021/22 Service Plan reflects the fundamental key strategies for the council: climate change, continued improvements in digitalisation, and commercial initiatives to ensure the council can achieve a greater level of financial self-sustainability.

In addition to the Service Plans, new obligations were placed upon the council on the 1 April 2021 which include;

- Co-ordination of the council declared Climate Change Emergency across all Services
- Continued distribution of COVID-19 based grants,
- Providing support for businesses ensuring COVID safe environments
- Working with communities on post COVID recovery

Achievements in 2020/21

The council has made progress in a number of areas over the 2020/21 financial year. The majority relate to activities committed to in the 2017 – 2022 Corporate Plan in addition to responding to the COVID-19 situation. The pandemic necessitated the acceleration of digital implementation projects.

Achievements include:

- Building and opening a regionally renowned Mountain Bike Track at Edenbrook
- Insourced HR, Payroll and Community Safety Services.
- Distributing over £22m of government COVID grants to businesses and individuals in the district
- Winning 3 Green Flag / Green Heritage international awards for the delivery of quality green spaces. Green Flag Sites are an internationally recognised benchmark standard. This will be the 9th year in a row.
- Moving the council and all council services to agile and remote working.
- Facilitating online Committee Meeting and democratic decision making.
- Adoption of the Local Plan at the first 'virtual' meeting of the council.
- Creating the Hart Response Hub, to protect and support those shielding and help them with food and medicines.
- Ensuring all people homeless were 'brought in' and provided with social isolation payments if appropriate.
- Providing a range of discretionary social isolation and hardship payments and grants to the community and voluntary groups who were supporting the community during COVID-19

I NARRATIVE REPORT

I.05 FINANCIAL PERFORMANCE – REVENUE (including COVID compensation)

The council's actual outturn for 2020/21 was £493k lower than the budget. This will be adjusted to a net nil spend after accruals, carry forwards and transfers from reserves.

Revenue Budget Outturn*	Revised Budget	Actual Expenditure	Variance
	2020/21	2020/21	2020/21
	£000	£000	£000
Corporate Services	4,806	5,398	592
Community Services	1,015	509	(506)
Place Services	2,180	1,914	(266)
Environment & Technical	3,083	2,723	(360)
Controllable Net Service Expenditure	11,084	10,544	(540)
Debt Interest and MRP	481	528	47
New Homes Bonus	(2,377)	(2,377)	0
	9,188	8,695	(493)

The Comprehensive Income and Expenditure Statement (CIES) on Page 15 illustrates that Corporate Services Expenditure reduced from 2019/20 to 2020/21 by £3,408k. This is attributable to movements within various areas of Corporate Services, the main one being in Leisure Services. Gross Expenditure for Corporate Services for 2019/20 incurred an Impairment Charge in respect of the Leisure Centre of £3,485k, compared to an upwards Valuation of (£60k) in the 2020/21 accounts.

I NARRATIVE REPORT

I.06 CAPITAL BUDGET

The overall performance against the 2020/21 capital budget is shown in the table below:

Area	Approved Budget* 2020/21 £000	Actual Expenditure 2020/21 £000	Variance 2020/21 £000
Corporate Services	17,193	247	(16,946)
Community Place	579 24	649 0	70 (24)
Environment and Technical	4,582	438	(4,144)
	22,378	1,334	(21,044)

*Includes £2.356m carry forward from 2019/20

The main areas of variation contributing to the overall Net Underspend were as follows:

Corporate Services

The significant under performance is due to the deferral of the Capital Investment Programme, which can largely be attributed to the COVID Pandemic.

Community Services

The variation in expenditure is due to higher levels of the delivery of Disabled Facilities adaptations. This was expected and was funded by earmarked reserves.

Place Services

Planned expenditure in 2020/21 on a replacement Dog Warden Van was deferred until 2021/22.

I NARRATIVE REPORT

Environment and Technical Services

There is a significant underspend of £4.1m in this service area. The key variances being:

- An underspend in respect of Fleet Pond Green Engineering (£2.044m)
- An underspend on Fleet Pond Green Grid Ecology (£0.720m)
- Additional expenditure of £0.287m in respect of S106 Parish Projects; this has been funded from specific Earmarked Reserves.
- Additional expenditure of £0.50m in respect of Edenbrook Skate Park which has been funded from a carried forward reserve from 2019/20.

The capital programme for 2020/21 was financed as follows:

Financed By	2020/21 £000
Useable Capital Receipts	213
Developer's Contributions	317
Disabled Facilities Grant	645
Environment Agency	4
Earmarked Reserves	155
	1,334

1.07 PENSION LIABILITY

The application of International Accounting Standard (IAS) 19 has resulted in a pension liability of £30.061m shown in the Balance Sheet, an increase of £2.179m in the year.

The liability represents our share of the liability to Hampshire County Council's Pension Fund. This amount is matched by a Pensions Reserve also shown on the Balance Sheet and therefore has no immediate impact on the council's overall financial position and its General Fund Balances (small differences may arise over the balance sheet date due to accruals being made for invoices not yet received).

I NARRATIVE REPORT

Further details are set out in the Accounting Policies and Pension Note (Note 5.15).

IAS19 does not directly impact on the actual level of employer contributions paid to the Hampshire County Council Fund. Employers' levels of contributions are determined by triennial actuarial valuations which are based on the Fund's actual investment strategy (rather than being based on corporate bond yields).

The movement to the Fund is set out in more detail in note 5.15. The total liability has an 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 sound. The deficit on the scheme will be recovered through increased contributions over the remaining life of the employees as assessed by the actuary.

1.08 FINANCIAL OUTLOOK

The council has not received Revenue Support Grant since 2018/19. The current outlook is uncertain due to delays in implementation of Fairer Funding and uncertainty of when New Homes Bonus will end.

Prior to COVID-19 the council was reliant on continuing housing development, increases in the council tax base, income from the leisure outsourcing contract and commercial income to balance its medium term financial position. Following COVID-19 each of these income streams contain an element of uncertainty. However, in the medium term the council has sufficient reserves in place to deal with income shortfalls. The long term financial sustainability of the council relies on recovery to pre-COVID income levels to enable the council to become self-sufficient.

The COVID-19 outbreak will continue to have a significant financial impact on the council in 2021/22 and recovery will take place over a number of years. The council began to experience the impact of the outbreak in March 2020 when a number of front-line service facilities were closed and supplier relief began to be provided to key contractors. There has been an increase in claims for Local Council Tax Support and an expected reduction in business rate income due to business closures. Consequently, the council will continue to suffer significant reductions in income in 2021/22 and beyond. The council's spending has also increased to cope with the outbreak. Whilst some COVID-19 financial support has been received from Government, it is unclear if this will continue past June 2021. This represents a financial risk to the council that will form part of future medium term financial planning.

It should be noted that there is considerable uncertainty nationally about local government finance levels from 2022/23. The delayed Fair Funding Review may lead to significant changes in the distribution of funding between council tiers.

I NARRATIVE REPORT

Medium Term Financial Plan

The Medium Term Financial Plan (MTFP) is based on an analysis of the key influences on the council's future financial position and an assessment of the main financial risks facing the council. The financial forecast set out in the table below models income and expenditure and resources available over the next four years, and is considered to be the most likely outcome based on forecasts and assumptions for pay and price inflation, etc.

Given the uncertainty referred to above, the council continually models a range of MTFP scenarios. These are updated as more information becomes available, or assumptions change.

I NARRATIVE REPORT

Medium Term Financial Plan	2021/22	2022/23	2023/24
	£000	£000	£000
Net Service Budget	10,536	11,930	11,866
SANG Expenditure	258	567	567
Cost of Service	10,794	12,497	12,433
MRP & Debt Interest	516	654	654
New Homes Bonus	(1,847)	(1,760)	(1,200)
Other non-ringfenced grant	(199)	0	0
Pressures	600	0	0
Net Expenditure	9,864	11,391	11,887
Financed by:			
Retained Business Rates	(1,400)	(1,400)	(1,400)
Council Tax Income	(7,487)	(7,813)	(7,897)
S106 Receipts	(53)	0	0
SANG Receipts	(258)	(567)	(567)
Commercial Income	(783)	(1,074)	(1,102)
Savings	0	(537)	(648)
Total Financing	(9,981)	(11,391)	(11,614)
(Surplus)/Deficit	(117)	0	273

I NARRATIVE REPORT

I.09 FURTHER INFORMATION

Further information about these accounts is available from:

Head of Corporate Services
Hart District Council
Civic Offices
Harlington Way
Fleet
Hampshire
GU51 4AE

Telephone: 01252 622122

Email: enquiries@hart.gov.uk

I.10 INSPECTION AND AUDIT

Interested members of the public have the statutory right to inspect these accounts before the audit is completed. For the 2020/21 accounts, the inspection period is 1 July to 11 August 2021. These dates were advertised on the council's website.

2 STATEMENT OF RESPONSIBILITIES

2.01 THE COUNCIL'S RESPONSIBILITIES

The council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this council, that officer is the Head of Corporate Services, Emma Victoria Foy.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

2.02 CHIEF FINANCE OFFICER RESPONSIBILITIES

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

In preparing this Statement of Accounts, the chief financial officer has:

- selected suitable accounting policies and then applied them consistently,
- made judgements and estimates that were reasonable and prudent,
- complied with the local authority Code.

The Section 151 Officer also:

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

2.03 CHIEF FINANCE OFFICER CERTIFICATE

I certify that the Statement of Accounts 2020/21 present a true and fair view of the financial position of the council (the Balance Sheet) and of its income and expenditure for the year ended 31 March 2021.

Signed
Date

Emma Victoria Foy
22.3.22

Emma Victoria Foy, FCCA
Head of Corporate Services and S151 Officer

2.04 CHAIRMAN OF AUDIT COMMITTEE CERTIFICATE

I certify that the Statement of Accounts 2020/21 has received the full approval of Members.

Signed
Date

Tim Southern
22 March 2022

Tim Southern
Vice - Chairman, Audit Committee
And Chairman of the Audit Committee Meeting on 22 March 2022

3 COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

	Note	RESTATED 2019/2020			2020/2021		
		Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
		£000	£000	£000	£000	£000	£000
Community Services		4,350	(3,511)	839	4,068	(2,593)	1,475
Corporate Services		23,480	(15,251)	8,229	20,072	(15,628)	4,444
Place Services		3,844	(1,889)	1,955	6,033	(1,637)	4,396
Environmental and Technical Services		11,132	(9,590)	1,542	10,748	(9,287)	1,461
Cost of Services		42,806	(30,241)	12,565	40,921	(29,145)	11,776
Other Operating Expenditure	3.04	3,233	(90)	3,143	3,395	0	3,395
Financial & Investment Income	3.05	841	(364)	477	1,855	(543)	1,312
Taxation and non-specific grant income and expenditure	3.06	11,730	(26,735)	(15,005)	18,062	(35,387)	(17,325)
(Surplus) or Deficit on provision of services		58,610	(57,430)	1,180	64,233	(65,075)	(842)
(Surplus) or Deficit on the revaluation of property, plant and equipment assets				(3,554)			(1,954)
Remeasurement of the net defined benefit liability/(asset)				2,187			864
Other Comprehensive Income and Expenditure				(1,367)			(1,090)
Total Comprehensive Income and Expenditure				(187)			(1,932)

4 MOVEMENT IN RESERVES STATEMENT

The Movement in Reserves Statement shows the movement from the start to the end of the year on the different reserves held by the council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 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 the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movement in the year following those adjustments. This balance includes earmarked reserves which have been segregated within the General Fund for specific projects.

2020/2021	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Balance at 31 March 2020	21,627	595	11,139	33,361	(2,674)	30,687
Total Comprehensive Income and Expenditure	842	0	0	842	1,090	1,932
Adjustments between accounting basis and funding basis under regulation (Note 4.01)	9,997	(213)	301	10,085	(10,085)	0
Increase or (decrease) in year	10,838	(213)	301	10,927	(8,995)	1,932
Balance at 31 March 2021	32,466	382	11,440	44,288	(11,669)	32,619

4 MOVEMENT IN RESERVES STATEMENT

RESTATED 2019/2020	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000
Balance at 31 March 2019	19,220	746	9,484	29,450	1,050	30,500
Total Comprehensive Income and Expenditure	(1,180)	0	0	(1,180)	1,367	187
Adjustments between accounting basis and funding basis under regulation (Note 4.01)	3,587	(151)	1,655	5,091	(5,091)	0
Increase or (decrease) in year	2,407	(151)	1,655	3,911	(3,724)	187
Balance at 31 March 2020	21,627	595	11,139	33,361	(2,674)	30,687

5 BALANCE SHEET STATEMENT

The Balance Sheet shows the value of the assets and liabilities recognised by the council as at the balance sheet date. The net assets of the council (assets less liabilities) are matched by the reserves held by the council.

Grants received in advance are presented as a separate category of liabilities for the years ending 2020 and 2021 instead of short term creditors.

		RESTATED 31 March 2020	31 March 2021
	Note	£000	£000
Property, Plant & Equipment	5.01		
Other land and buildings		36,307	36,101
Vehicles, plant, furniture and equipment		1,155	1,236
Infrastructure assets		238	231
Community assets		4,014	4,077
Assets under construction		755	798
Surplus assets		42	0
		42,511	42,443
Investment properties	5.02	6,350	5,422
Intangible assets	5.03	8	0
Long term debtors	5.05	1,254	1,049
Long Term Assets		50,123	48,914
Short term investments	5.04	11,000	17,000
Short term debtors	5.05	4,285	16,632
Cash and cash equivalents	5.06	18,760	16,127
Current Assets		34,045	49,759

		RESTATED 31 March 2020	31 March 2021
	Note	£000	£000
Short term borrowing	5.08	(1,377)	(1,383)
Short term creditors	5.09	(7,805)	(20,651)
Provisions	5.10	(302)	(527)
Current Liabilities		(9,484)	(22,561)
Long term borrowing	5.08	(11,008)	(10,152)
Pension liability	5.15	(27,882)	(30,061)
Grants received in advance	5.17	(5,107)	(3,280)
Long Term Liabilities		(43,997)	(43,493)
Net Assets		30,687	32,619

5 BALANCE SHEET STATEMENT

		RESTATED 31 March 2020	31 March 2021
	Note	£000	£000
Usable Reserves			
Earmarked reserves	5.11.1	16,176	25,556
General fund		5,451	6,910
Capital receipts		595	382
Capital grants unapplied		11,139	11,440
		33,361	44,288
Unusable Reserves			
Revaluation reserve	5.12.1	6,876	8,694
Capital adjustment account	5.12.2	18,588	16,282
Financial instrument adjustment account	5.12.3	(12)	(11)
Pension reserve	5.12.4	(27,803)	(29,981)
Collection fund	5.12.5	(255)	(6,502)
Accumulated absences	5.12.6	(68)	(151)
		(2,674)	(11,669)
Total Reserves		30,687	32,619

Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets were sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

These financial statements replace the unaudited financial statements certified by Emma Foy, Head of Corporate Services and S151 Officer on 30 June 2021.

Signed Date.....

Emma Victoria Foy, FCCA
Head of Corporate Services and S151 Officer

6 CASHFLOW 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 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.

This cash flow statement is prepared using the indirect method whereby the Surplus or Deficit on the Provision of Services is adjusted for non-cash items, removing the effects of accruals and extracting transactions relating to investing or financing activities.

	RESTATED 2019/2020	2020/2021
Note	£000	£000
Net surplus or (deficit) on the provision of services	(1,180)	842
Adjustments to net surplus or deficit on the provision of services for non-cash movements	8,112	12,544
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(3,549)	(1,385)
Net cash flows from Operating Activities	3,383	12,001
Investing Activities	(3,230)	(5,645)
Financing Activities	(655)	(8,989)
Net increase or (decrease) in cash and cash equivalents	(502)	(2,633)
Cash and cash equivalents at the beginning of the reporting period	19,262	18,760
Cash and cash equivalents at the end of the reporting period	18,760	16,127

3 NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

3.01 EXPENDITURE AND FUNDING ANALYSIS

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

	RESTATED 2019/2020		2020/2021		
	Net Expenditure chargeable to the General Fund £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure chargeable to the General Fund £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
Community Services	2,032	1,193	1,131	(344)	1,475
Corporate Services	3,670	(4,559)	3,272	(1,172)	4,444
Place Services	1,607	(348)	2,541	(1,855)	4,396
Environmental and Technical Services	1,238	(304)	1,182	(279)	1,461
Cost of Services	8,547	(4,018)	8,126	(3,650)	11,776
Other income and expenditure	(10,954)	431	(18,965)	(6,347)	(12,618)
(Surplus) or Deficit	(2,407)	(3,587)	(10,839)	(9,997)	(842)
Opening General Fund Balance	(19,220)		(21,627)		
Plus Surplus on General Fund in year	(2,407)		(10,839)		
Closing General Fund Balance	(21,627)		(32,466)		

3 NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

3.02 NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

2020/2021	Adjustments between Funding and Accounting Basis				
	Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000	£000
Community Services	(207)	(117)	(20)	(344)	
Corporate Services	(918)	(229)	(25)	(1,172)	
Place Services	(1,555)	(283)	(17)	(1,855)	
Environmental and Technical Services	(60)	(199)	(20)	(279)	
Net Cost of Services	(2,740)	(828)	(82)	(3,650)	
Other income and expenditure from the Expenditure and Funding Analysis	386	(487)	(6,246)	(6,347)	
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(2,354)	(1,315)	(6,328)	(9,997)	

3 NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

RESTATED 2019/2020	Adjustments between Funding and Accounting Basis				
	Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000	£000
Community Services	1,252	(59)	0		1,193
Corporate Services	(4,430)	(122)	(7)		(4,559)
Place Services	(212)	(128)	(8)		(348)
Environmental and Technical Services	(187)	(112)	(5)		(304)
Net Cost of Services	(3,577)	(421)	(20)		(4,018)
Other income and expenditure from the Expenditure and Funding Analysis	941	(422)	(88)		431
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(2,636)	(843)	(108)		(3,587)

Adjustments for Capital Purposes

For **Services** this column adds in depreciation, impairment and revaluations gains and losses.

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

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

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

3 NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Net change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:
For **services** this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.

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

Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

For **services** this represents the change in the accumulated absences reserve attributable to each service.

For **Financing and investment income and expenditure** the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

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

3 NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

3.03 INCOME AND EXPENDITURE ANALYSED BY NATURE

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

	RESTATED 2019/2020 £000	2020/2021 £000
Expenditure		
Employee benefits expenses	6,457	7,305
Other services expenses	30,772	30,936
Depreciation, amortisation, impairment	6,157	3,326
Interest payments	258	244
Changes in fair value of investment properties	3	966
Precepts and levies	3,233	3,395
Non-domestic rates tariff, levy and deficit charges	11,730	18,061
Total Expenditure	58,610	64,233
Income		
Fees, charges and other service income	(13,985)	(11,648)
Interest and investment income	(364)	(543)
Income from council tax and non-domestic rates	(23,601)	(29,742)
Government grants and contributions	(19,390)	(23,142)
Gain on the disposal of assets	(90)	0
Total Income	(57,430)	(65,075)
Surplus or Deficit on the Provision of Services	1,180	(842)

3 NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

3.04 OTHER OPERATING EXPENDITURE

	2019/2020 £000	2020/2021 £000
Parish council precepts	3,233	3,395
(Gains)/loss on the disposal of non-current assets	(90)	0
	<u>3,143</u>	<u>3,395</u>

3.05 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2019/2020 £000	2020/2021 £000
Interest payable and similar charges	258	244
Net interest on the defined benefit liability	580	645
Interest receivable and similar income	(334)	(157)
(Income) and expenditure in relation to investment properties and changes in their fair value	(27)	580
	<u>477</u>	<u>1,312</u>

3 NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

3.06 TAXATION AND NON SPECIFIC GRANT INCOME AND EXPENDITURE

	2019/2020 £000	2020/2021 £000
Council tax income	(10,272)	(10,748)
Non-domestic rates income and safety net	(13,329)	(18,895)
Non-domestic rates tariff, levy and deficit charges	11,730	18,062
Non-ring fenced government grants	(2,344)	(5,317)
Capital grants and contributions	(790)	(427)
	(15,005)	(17,325)

The breakdown of 'non-ring fenced government grants' and 'capital grants and contributions' can be seen in more detail in note 3.12 Grant Income.

3.07 MATERIAL ITEMS OF INCOME AND EXPENSE

The council incurs significant expenditure through its delivery of services, and it receives significant income from a number of sources to fund this. For example, the council incurs a significant proportion of its spend on benefit payments, which is funded predominantly by government grant.

This income and expenditure is reported in the Consolidated Income and Expenditure Account in these statements and is supported by notes within the same section.

The council does not consider that there were any other material items of income and/or expense that were incurred and/or received in the normal day to day provision of the services.

3 NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

3.08 AGENCY SERVICES

The council provides a number of services on behalf of Hampshire County Council. In 2020/21 the council received £182,338 for providing these services (2019/20 £134,177).

3.09 MEMBERS ALLOWANCES

The council paid the following amounts to members of the council during the year:

	2019/20 £000	2020/21 £000
Allowances	232	242
Expenses	7	6
	239	248

3 NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

3.10 OFFICERS' REMUNERATION AND TERMINATION BENEFITS

3.10.1 Remuneration

The remuneration paid to the council's senior employees is shown below.

		Salary, Fees and Allowances £	Expenses Allowances £	Pension Contributions £	Total £
Joint Chief Executive	2020/21	100,804	3,869	17,641	122,314
	2019/20	98,106	3,969	15,795	117,870
Joint Chief Executive	2020/21	100,804	3,869	17,641	122,314
	2019/20	104,460	3,969	15,795	124,224
Section 151 Officer and Head of Corporate Services*	2020/21	24,467	0	3,664	28,131
	2019/20	79,078	2,555	12,731	94,364
Section 151 Officer and Head of Corporate Services**	2020/21	56,521	0	9,891	66,412
	2019/20	0	0	0	0
Head of Place***	2020/21	84,769	0	14,835	99,604
	2019/20	27,278	0	4,391	31,669
Head of Environmental and Technical Services	2020/21	85,011	0	14,877	99,888
	2019/20	69,096	3,000	10,649	82,745
Head of Community Services	2020/21	85,011	0	14,877	99,888
	2019/20	69,629	1,895	11,210	82,734

* Section 151 Officer left the council in June 2020.

** Section 151 Officer joined the council in August 2020.

*** Head of Place in 2019/20 started in December 2019. Figure for 2019/20 is not a full financial year comparable.

3 NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The council's other employees whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 were:

	Number of Employees 2019/20	Number of Employees 2020/21
£50,000 to £54,999	5	6
£55,000 to £59,999	1	5
£60,000 to £64,999	1	1
£65,000 to £69,999	1	2
	8	14

3.10.2 Termination Benefits

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

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

3 NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	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 £s	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
£0 - £20,000	1	0	0	0	1	0	1,824	0
£20,001 - £40,000	1	0	0	0	1	0	20,832	0
	2	0	0	0	2	0	22,656	0

3.11 EXTERNAL AUDIT COSTS

The council has incurred the following costs in relation to the audit of the Statement of Accounts and certification of grant claims provided by the council's external auditors, Ernst and Young LLP.

The final external audit fee for 2019/20 was £99,236 which is broken down as £84,978 for 'Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year' and £14,258 for 'Fees payable to external auditors for the certification of grant claims and returns for the year'. Below shows the published figures from the 2019/20 Statement of Accounts.

	2019/20	2020/21
	£000	£000
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	41	66
Fees payable to external auditors for the certification of grant claims and returns for the year	12	12
	53	78

3 NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

3.12 GRANT INCOME

Grants, third party contributions and donations are recognised as due to the council when there is reasonable assurance that:

- The council will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Amounts recognised as due to the council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the revenue 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 revenue grant or contribution are required to be consumed by the recipient as specified, or the future economic benefits or service potential must be returned to the transferor.

Monies advanced as revenue 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 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.

The council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2020/21 (table on following page).

Additional grants of £25.2m were received from the Government as part of their response to the Covid-19 pandemic, where the council was deemed to be acting as an agent and so passing these funds onto the eventual beneficiaries. These transactions do not have an impact on the Statement of Accounts, except where they pass through the Cash Flow Statement.

3 NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	RESTATED 2019/20 £000	2020/21 £000
Credited to Taxation and Non Specific Grant Income		
Non-ring fenced Government Grants		
New Homes Bonus	(2,283)	(2,377)
Non-ringfenced Government Grants - COVID Income Loss Support Grant	0	(1,702)
Non-ringfenced Government Grants - COVID Support	0	(1,165)
Non-ringfenced Government Grants - COVID New Burdens	0	(58)
Other Non-ring fenced Government Grants	(61)	(15)
	<u>(2,344)</u>	<u>(5,317)</u>
Capital Grants and Contributions		
Developer's Leisure Contributions	(108)	(307)
Other Capital Grants and Contributions	(682)	(120)
	<u>(790)</u>	<u>(427)</u>
	<u>(3,134)</u>	<u>(5,744)</u>
Credited to Services		
Housing Benefits/Council Tax Subsidy and Grants	(12,608)	(11,543)
Disabled Facilities Grant	(739)	(838)
Welfare	(906)	(1,201)
COVID-19 Grants	0	(3,277)
Developer's Contributions	(1,373)	(143)
Other Grants and Contributions	(630)	(397)
	<u>(16,256)</u>	<u>(17,399)</u>

3 NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

3.13 OPERATING LEASES

3.13.1 Council as Lessee

Leases that do not meet the definition of finance leases are accounted for as operating leases and the expenditure is charged to service revenue accounts on a straight-line basis over the term of the lease. The land and buildings elements of a lease require separate identification for both lease classifications and subsequent valuation. In most cases, the land element of a lease will be an operating lease.

The council has no material operating lease agreements.

3.13.2 Council as Lessor

Where the council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments.

The council owns a number of property, plant and equipment assets that are leased to other bodies for one or a combination of the following purposes:

- To gain rental income from its investment properties
- For economic development purposes to provide suitable affordable accommodation for local businesses.
- To provide leisure facilities for public use

3 NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

	31 March 2020 £000	31 March 2021 £000
Not later than one year	(1,281)	(1,109)
Later than one year and not later than five years	(6,338)	(6,760)
Later than five years	(3,854)	(1,954)
	(11,473)	(9,823)

3.14 CONSTRUCTION CONTRACTS

At 31 March 2021 the Council had one significant contract to build 41 flats at Edenbrook with Berkeley Homes Ltd.

4 NOTES TO THE MOVEMENT IN RESERVES STATEMENT

4.01 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

General Fund Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

4 NOTES TO THE MOVEMENT IN RESERVES STATEMENT

2020/21	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000
Adjustments to the Revenue Resources			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements			
Pensions Costs (<i>transferred to (or from) the Pensions Reserve</i>)	1,315	0	0
Financial Instruments (<i>transferred to the Financial Instruments Adjustments Account</i>)	(1)	0	0
Council tax and NDR (<i>transfers to (or from) Collection Fund</i>)	6,247	0	0
Holiday Pay (<i>transferred to the Accumulated Absences Reserve</i>)	83	0	0
Reversal of entries included in the Surplus or Deficit on the Provisions of Services in relation to capital expenditure (<i>these items are charged to the Capital Adjustment Account</i>)	2,924	0	305
Total Adjustments to Revenue Resources	10,568	0	305
Adjustments between Revenue and Capital Resources			
Statutory provision for the repayment of debt (<i>transfer from the Capital Adjustment Account</i>)	(516)	0	0
Capital expenditure financed from revenue balances (<i>transfer to the Capital Adjustment Account</i>)	(55)	0	0
Total Adjustments between Revenue and Capital Resources	(571)	0	0
Adjustments to Capital Resources			
Use of the Capital Receipts Reserve to finance capital expenditure	0	(213)	0
Application of Capital grants to finance capital expenditure	0	0	(4)
Total Adjustments to Capital Resources	0	(213)	(4)
Total Adjustments	9,997	(213)	301

4 NOTES TO THE MOVEMENT IN RESERVES STATEMENT

RESTATED 2019/20	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000
Adjustments to the Revenue Resources			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements			
Pensions Costs (transferred to (or from) the Pensions Reserve)	843	0	0
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	36	0	0
Council tax and NDR (transfers to (or from) Collection Fund)	88	0	0
Holiday Pay (transferred to the Accumulated Absences Reserve)	20	0	0
Reversal of entries included in the Surplus or Deficit on the Provisions of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	3,244	0	1,927
Total Adjustments to Revenue Resources	4,231	0	1,927
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(178)	178	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(445)	0	0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(21)	0	0
Total Adjustments between Revenue and Capital Resources	(644)	178	0
Adjustments to Capital Resources			
Use of the Capital Receipts Reserve to finance capital expenditure	0	(329)	0
Application of Capital grants to finance capital expenditure	0	0	(272)
Total Adjustments to Capital Resources	0	(329)	(272)
Total Adjustments	3,587	(151)	1,655

5 NOTES TO THE BALANCE SHEET

5.01 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.

Assets are initially measured at cost, comprising the purchase price plus 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

Charges to Revenue for Non-current Assets – Services and support services are debited with the following amounts to record the cost of holding non-current assets during the year:

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

The council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement (equal to an amount calculated on a prudent basis determined by the council in accordance with statutory guidance). Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Component Accounting - Where components of an asset are significant in value in relation to the value of the asset as a whole, and they have substantially different economic lives, they will be recognised separately. Components will be recognised separately as and when they are replaced or re-valued. Individual assets valued at less than £200,000 will be disregarded for componentisation.

Capital Expenditure and De minimis - Expenditure on the acquisition, creation or enhancement of tangible fixed assets is accounted for on an accruals basis. Capitalisation thresholds apply so that for land and buildings a de minimis of £10k applies, and for plant and equipment a de minimis of £5k applies, where it meets the criteria of having a life greater than a year and/or has increased the value/life of an asset or enhanced the usability of the asset.

5 NOTES TO THE BALANCE SHEET

5.01.1 Revaluations

The council carries out a rolling programme that ensures all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years and all assets within a class are revalued simultaneously. For the 2020/21 financial year, valuations were carried out as at 31 March 2021. Increases in valuation are matched by credits to the Revaluation Reserve to recognise unrealised gains. Where decreases in value are identified, they are accounted for as follows:

- 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 on the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

All valuations were carried out externally by independent valuers Capita Property and Infrastructure Ltd. Valuations of land and buildings were carried out in accordance with methodologies and basis for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

Assets are then carried on the Balance Sheet using the following measurement basis:

- Infrastructure, community assets and assets under construction - depreciated historical cost
- Surplus assets – fair value
- All other assets – current value

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

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

Fair Value - The council measures some of its non-financial assets, such as surplus assets and investment properties at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market

5 NOTES TO THE BALANCE SHEET

participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The council measures the fair value of an asset or liability on the same basis that market participants would use when pricing the asset or liability (assuming those market participants were acting in their economic best interest).

When measuring the fair value of a non-financial asset, the council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The council uses appropriate valuation techniques for each circumstance, maximising the use of relevant known data and minimising the use of estimates or unknowns. This takes into account the three levels of categories for inputs to valuations for fair value assets:

- Level 1 – quoted prices.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – unobservable inputs for the asset or liability

The council's surplus assets have been assessed as Level 3 for valuation purposes.

5 NOTES TO THE BALANCE SHEET

	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Surplus Assets £000	Total £000
Carried at historical cost	0	3,051	271	4,526	798	0	8,646
Valued at:							
31 March 2021	29,237	0	0	0	0	0	29,237
31 March 2020	3,384	0	0	0	0	0	3,384
31 March 2019	2,118	0	0	0	0	0	2,118
31 March 2018	700	0	0	0	0	0	700
31 March 2017	789	0	0	0	0	0	789
Total cost or valuation	36,228	3,051	271	4,526	798	0	44,874

5.01.2 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 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 relevant service lines in the Comprehensive Income and Expenditure Statement.

5 NOTES TO THE BALANCE SHEET

- Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service lines 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.

There were no impairment losses recognised in the year 2020/21 (2019/20 had no impairment losses).

5.01.3 Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life and assets that are not yet available for use such as assets under construction.

Depreciation is calculated on a straight-line allocation over the useful life of the assets. Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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 calculated on the following bases:

- Infrastructure - straight line allocation over the life of the asset
- Buildings – straight line allocation over the life of the property as estimated by the valuer
- Land – is not depreciated
- Assets under construction – not depreciated
- Vehicles, plant and equipment – straight line allocation over the life of the asset
- IT and Intangible Assets – straight line allocation over the life of the asset

5 NOTES TO THE BALANCE SHEET

The Useful Economic Life of assets in each category can vary depending on the type, make, construction and use of the asset. Current lives used for accounting purposes are:

- | | |
|---------------------------------|----------------|
| • Infrastructure | 3 to 25 years |
| • Buildings | 10 to 53 years |
| • Land | 99 years |
| • Vehicles, plant and equipment | 1 to 5 years |
| • IT and Intangible Asset | 3 years |

5.01.4 Capital Commitments

At the 31 March 2021, the authority has entered into an agreement for:

- Construction of two blocks of 41 apartments at Hitches Lane, Fleet £6.6m
- Upgrade of IT Infrastructure £23k
- Purchase, and installation fencing and gates at Hazeley Heath £22k
- Fleet Pond Green Corridor - Construction of a Pathway £24k

Capital commitments in place at the 31 March 2020 were £6.6m for construction of two blocks of 41 apartments at Hitches Lane, Fleet

5 NOTES TO THE BALANCE SHEET

5.01.5 Movements on Balances

2020/21	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Surplus Assets £000	Total £000
Cost or Valuation							
At 1 April 2020	36,585	2,755	267	4,402	755	42	44,806
Additions	10	296	4	124	43	0	477
Revaluation increases / (decreases) recognised in the Revaluation Reserve	1,437	0	0	0	0	(1)	1,436
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(1,804)	0	0	0	0	(3)	(1,807)
Reclassifications	0	0	0	0	0	(38)	(38)
At 31 March 2021	36,228	3,051	271	4,526	798	0	44,874
Accumulated Depreciation & Impairment							
At 1 April 2020	(278)	(1,600)	(29)	(388)	0	0	(2,295)
Depreciation charge	(1,260)	(215)	(11)	(61)	0	0	(1,547)
Depreciation written out to the Revaluation Reserve	518	0	0	0	0	0	518
Depreciation written out to the Surplus / Deficit on the Provision of Services	893	0	0	0	0	0	893
At 31 March 2021	(127)	(1,815)	(40)	(449)	0	0	(2,431)
Net Book Value							
31 March 2021	36,101	1,236	231	4,077	798	0	42,443
31 March 2020	36,307	1,155	238	4,014	755	42	42,511

5 NOTES TO THE BALANCE SHEET

2019/20	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Surplus Assets £000	Total £000
Cost or Valuation							
At 1 April 2019	36,935	3,350	219	4,284	0	51	44,839
Additions	381	322	48	118	755	0	1,624
Revaluation increases / (decreases) recognised in the Revaluation Reserve	2,525	0	0	0	0	(2)	2,523
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(3,256)	0	0	0	0	(7)	(3,263)
Derecognition - disposals	0	(917)	0	0	0	0	(917)
At 31 March 2020	36,585	2,755	267	4,402	755	42	44,806
Accumulated Depreciation & Impairment							
At 1 April 2019	(101)	(2,287)	(18)	(330)	0	0	(2,736)
Depreciation charge	(1,305)	(230)	(11)	(58)	0	(36)	(1,640)
Depreciation written out to the Revaluation Reserve	1,031	0	0	0	0	0	1,031
Depreciation written out to the Surplus / Deficit on the Provision of Services	97	0	0	0	0	36	133
Derecognition - disposals	0	917	0	0	0	0	917
At 31 March 2020	(278)	(1,600)	(29)	(388)	0	0	(2,295)
Net Book Value							
31 March 2020	36,307	1,155	238	4,014	755	42	42,511
31 March 2019	36,835	1,063	201	3,954	0	51	42,103

5 NOTES TO THE BALANCE SHEET

5.02 INVESTMENT PROPERTIES

An investment property is defined as a property which is held exclusively for revenue generation or for the capital gains that the asset is expected to generate. In this respect, the asset is not used directly to deliver the council's services.

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. 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.

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

Fair Value - The council's investment property portfolio has been assessed as Level 2 for valuation purposes (see Note 5.01.1 for explanation of fair value levels).

Valuations have taken account of the following factors: existing lease terms and rentals taken from the tenancy schedule, independent research into market evidence including Market rentals and yields, and then adjusted to reflect the nature of each business tenancy or void and the covenant strength for existing tenants. There has been no change in the valuation techniques used during the year for investment properties.

	2019/20	2020/21
	£000	£000
Rental income from investment property	30	386
Net gain	30	386

5 NOTES TO THE BALANCE SHEET

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

	2019/20 £000	2020/21 £000
Balance at start of year	70	6,350
Additions:		
Purchases	6,283	0
Net gains or (losses) from fair value adjustments	(3)	(966)
Transfers (to) or from Property, Plant and Equipment	0	38
Balance at end of year	6,350	5,422

5.03 INTANGIBLE ASSETS

Intangible Assets are created when expenditure on non-monetary assets that do not have physical substance but are controlled by the council as a result of past events (e.g. software licences), are capitalised and it is expected that future economic benefits or service potential will flow from the intangible asset to the council.

Intangible assets are measured initially at cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service area in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

The council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include only purchased licenses.

5 NOTES TO THE BALANCE SHEET

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the council. The useful life assigned to the major software suites used by the council is three years.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £8k charged to revenue in 2020/21 was charged to the IT and Finance Administration cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services.

	2019/20 £000	2020/21 £000
Balance at the start of year:		
Gross carrying amounts	366	362
Accumulated amortisation	(349)	(354)
Net carrying amount at the start of the year	17	8
Disposals	(4)	0
Amortisation for the period	(9)	(8)
Other changes - Amortisation on disposals	4	0
Net carrying amount at the end of year	8	0
Comprising:		
Gross carrying amounts	362	362
Accumulated amortisation	(354)	(362)
	8	0

5 NOTES TO THE BALANCE SHEET

5.04 FINANCIAL INSTRUMENTS

5.04.1 Categories of Financial Instruments

Classification and Measurement of Financial Assets Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics.

There are three main classes of financial assets measured at:

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

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

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

Expected Credit Loss Model Expected credit losses for all of financial assets held at amortised cost are recognised either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables, and contract assets and trade receivables with a significant financing component.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses.

Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

5 NOTES TO THE BALANCE SHEET

For trade and contract receivables without a significant financing component the council has applied a simplified approach consistently to calculate expected credit losses, under which impairment losses are automatically based on lifetime expected credit losses, removing the need to consider changes in credit risk since initial recognition

In accordance with the Code of Accounting Practice, no impairment loss allowance is recognised for monies owed by Central and Local Government bodies.

2018/19 saw the introduction of IFRS 9 a movement away from IAS 39. With the introduction of a new standard the council has had to assess whether this makes any changes to the valuation methodology of its financial instruments or the classifications. The impact on Hart District Council is that there is no change to valuation methodologies and all financial assets and liabilities are now classified as amortised assets and liabilities.

The following categories of financial instruments are carried in the Balance Sheet:

Financial Assets	Non-current				Current				Total	
	Investments / Cash & Cash Equivalents		Debtors		Investments / Cash & Cash Equivalents		Debtors			
	31 March 2020 £000	31 March 2021 £000	31 March 2020 £000	31 March 2021 £000	31 March 2020 £000	31 March 2021 £000	31 March 2020 £000	31 March 2021 £000		
Amortised cost-soft loan	0	0	1,254	1,049	0	0	209	217	1,463	1,266
Amortised cost-other	0	0	0	0	29,760	33,127	2,292	2,601	32,052	35,728
Total Financial Assets	0	0	1,254	1,049	29,760	33,127	2,501	2,818	33,515	36,994
Non-financial instruments balance	0	0	0	0	0	0	1,784	13,814	1,784	13,814
Total	0	0	1,254	1,049	29,760	33,127	4,285	16,632	35,299	50,808

5 NOTES TO THE BALANCE SHEET

Financial Liabilities	Non-current				Current				Total	
	Borrowings		Creditors		Borrowings		Creditors		Total	
	31 March 2020	31 March 2021	31 March 2020	31 March 2021	31 March 2020	31 March 2021	31 March 2020	31 March 2021	31 March 2020	31 March 2021
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Amortised costs	(11,008)	(10,152)	0	0	(1,377)	(1,383)	(3,656)	(3,992)	(16,041)	(15,527)
Total Financial Liabilities	(11,008)	(10,152)	0	0	(1,377)	(1,383)	(3,656)	(3,992)	(16,041)	(15,527)
Non-financial instruments balance	0	0	0	0	0	0	(4,149)	(16,659)	(4,149)	(16,659)
Total	(11,008)	(10,152)	0	0	(1,377)	(1,383)	(7,805)	(20,651)	(20,190)	(32,186)

5 NOTES TO THE BALANCE SHEET

5.04.2 Material soft loans made by authority

The loan to Serco Ltd, as part of the waste agreement with Basingstoke and Dean Borough Council, for vehicles is deemed to be material soft loan. The loan is an interest free loan of £1.931m to Serco Ltd over seven years.

Material Soft Loans made by authority	2019/20 £000	2020/21 £000
Balance at start of the year:		
Opening balance	1,506	1,463
Nominal value of new loans granted in the year	166	23
Fair value adjustment on initial recognition	(11)	(2)
Loans repaid	(198)	(218)
Closing balance at the end of the year	1,463	1,266
Nominal value at 31 March	1,585	1,358

5 NOTES TO THE BALANCE SHEET

5.04.3 Income, Expense, Gains and Losses

Income Expense Gains & Losses	2019/20 Surplus or Deficit on Provision of Services £000	2020/21 Surplus or Deficit on Provision of Services £000
Interest Expense:		
Financial liabilities measured at amortised cost	258	244
Total Expense	258	244
Interest Revenue:		
Financial assets measured at amortised cost	(334)	(157)
Total Income	(334)	(157)
Net (Profit) / Loss for the year	(76)	87

5.04.4 Fair Value of Financial Assets

Fair values are shown 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
 - For the council's investments in externally managed pooled funds, fund values published by the fund manager have been used as these represent the prices in the principal market within which the council would normally enter into a transaction to sell the asset.
 - For the Stable or Low Volatility Net Asset Value money market funds, the valuation used assumes that, for each £1 for every of principal invested, the fund will return £1 of principal on withdrawal by the council, plus interest.

5 NOTES TO THE BALANCE SHEET

- 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

Financial Assets & Liabilities	RESTATED		31 March 2021	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial Assets				
Amortised cost - Investments	29,760	29,776	33,127	33,127
Amortised cost - Short term debtors	2,501	2,501	2,818	2,818
Long term debtors	1,254	1,254	1,049	1,049
Total Financial Assets	33,515	33,531	36,994	36,994
Financial Liabilities				
Amortised cost - Short term borrowing	(1,377)	(1,377)	(1,383)	(1,383)
Amortised cost - Short term creditors	(3,656)	(3,656)	(3,992)	(3,992)
Long term borrowing	(11,008)	(10,888)	(10,152)	(10,548)
Total Financial Liabilities	(16,041)	(15,921)	(15,527)	(15,923)

5 NOTES TO THE BALANCE SHEET

5.05 DEBTORS

Income is recognised in the accounts when it becomes due. Income that is due but has not been received at the end of the financial year is carried under the debtors heading in the balance sheet.

This debtor balance is reviewed at each year end to assess the recoverability of the sums due and where it is doubtful that debts will be settled the balance of debtors is written down and an impairment charge made to the relevant account for the income that might not be collected. This assessment is carried out using the council's past experience and current knowledge of collection rates for different groups of debtors.

	RESTATED 31 March 2020 £000	31 March 2021 £000
Short-term Debtors		
Central government bodies	187	8,686
Other local authorities	966	4,392
Other entities and individuals	3,132	3,554
	<u>4,285</u>	<u>16,632</u>
Long-term Debtors		
Other entities and individuals	1,254	1,049
	<u>1,254</u>	<u>1,049</u>

5.06 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 in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

5 NOTES TO THE BALANCE SHEET

	31 March 2020 £000	31 March 2021 £000
Bank current accounts	2,439	1,477
Short-term deposits	16,322	14,650
	<u>18,760</u>	<u>16,127</u>

5.07 ASSETS HELD FOR SALE

Assets held for sale are items of property, plant or equipment or a group of assets and liabilities whose carrying amount is to be recovered principally through a sale rather than its continued use by the authority. As at 31 March 2021 there are no assets classified as held for sale.

	31 March 2020 £000	31 March 2021 £000
Balance outstanding at start of year	88	0
Assets newly classified as held for sale:		
Property, Plant & Equipment	0	0
Assets Sold	(88)	0
Balance outstanding at year-end	<u>0</u>	<u>0</u>

5 NOTES TO THE BALANCE SHEET

5.08 BORROWINGS

The total borrowings in the Balance Sheet carry the principal amount repayable. Interest is charged to the Comprehensive Income and Expenditure statement in accordance with the loan agreement.

The council have borrowing with Public Works Loan Board (PWLB) and Hampshire County Council (HCC) as shown in the table below:

	31 March 2020	31 March 2021
	£000	£000
Short term Borrowing		
PWLB	377	383
HCC	1,000	1,000
Total	1,377	1,383
Long term Borrowing		
PWLB	8,577	8,242
HCC	2,431	1,910
Total	11,008	10,152
Total	12,385	11,535

5 NOTES TO THE BALANCE SHEET

5.09 CREDITORS

Creditors are all amounts owed by the council as at 31 March 2021.

	RESTATED 31 March 2020 £000	31 March 2021 £000
Central government bodies	(2,337)	(13,980)
Other local authorities	(3,001)	(2,475)
Other entities and individuals	(2,467)	(4,196)
	(7,805)	(20,651)

5.10 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.

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 council settles the obligation.

5 NOTES TO THE BALANCE SHEET

	Balance at 1 April 2020 £000	Additional provisions made in 2020/21 £000	Amounts used in 2020/21 £000	Unused amounts reversed in 2020/21 £000	Balance at 31 March 2021 £000
Business Rates Appeals Provision	(302)	(1,100)	875	0	(527)
	(302)	(1,100)	875	0	(527)

5.11 USABLE RESERVES

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

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

General Fund - the primary fund of the council. It records all assets and liabilities of the council that are not assigned to a special purpose fund. It provides the resources necessary to sustain the day-to-day activities and thus pays for all administrative and operating expenses.

Earmarked Reserves - Earmarked reserves are created for specific purposes (legal/contractual requirement) that span financial years for which there is a definitive time frame. The council has a number of earmarked reserves and details of the main earmarked reserves can be found in the earmarked reserves below.

Capital Receipts Reserve - represents the capital receipts available to finance capital expenditure in future years, after setting aside any statutory amounts for the repayment of loans. The receipt arising from the disposal of an asset will be classed as a capital receipt, to be used to finance capital expenditure, if it is greater than £10,000. If the receipt falls below this threshold it will fall to the income and expenditure account, in accordance with the Local Government Act 2003.

5 NOTES TO THE BALANCE SHEET

Capital Grants Unapplied Reserve - where a capital grant or contribution has been recognised as income in the Comprehensive Income and Expenditure Statement, but the expenditure to be financed from that grant or contribution has not been incurred at the Balance Sheet date, the grant or contribution shall be transferred to the Capital Grants Unapplied Reserve. These balances are a capital resource available to finance expenditure.

Movements in the council's usable reserves are detailed in 4.0 Movement in Reserves Statement and Note 4.01 Adjustments between accounting basis and funding basis under regulation.

The balances of the individual reserves can be seen on the Balance Sheet.

5 NOTES TO THE BALANCE SHEET

5.1.1.1 TRANSFERS TO / FROM EARMARKED RESERVES

Earmarked reserves are created for specific purposes (legal/contractual requirement) that span financial years for which there is a definitive time frame. The note below sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2020/21.

	Balance at 1 April 2019 £000	Transfers In 2019 £000	Transfers Out 2019 £000	Balance at 31 Mar 2020 £000	Transfers in 2020/21 £000	Transfers Out 2020/21 £000	Balance at 31 Mar 2021 £000
Hitches Lane SANG	6,019	1,039	(135)	6,922	712	(272)	7,362
NNDR Smoothing Account	1,124	500	0	1,624	4,994	0	6,618
Bramshot - SANG	958	1,173	(322)	1,809	3,367	(1,878)	3,298
Corporate Services	2,592	150	(576)	2,166	500	(283)	2,383
Small SANG Sites	576	1	(20)	558	1,537	(69)	2,026
Housing	1,410	639	(569)	1,480	960	(626)	1,814
Digital Transformation	0	500	0	500	0	(35)	465
COVID-19 Reserves	0	0	0	0	413	0	413
Open Spaces	324	49	(53)	320	29	(54)	295
Planning	217	0	0	217	59	0	276
Health Contribution	263	2	0	265	0	0	265
Regulatory Services	50	57	0	107	0	(34)	73
Community Reserve	39	0	(26)	13	0	0	13
Other Earmarked Reserves	110	123	(38)	195	184	(124)	255
	13,682	4,233	(1,739)	16,176	12,755	(3,375)	25,556

5 NOTES TO THE BALANCE SHEET

A brief description of those reserves with balances over £50,000 is provided below.

SANGs

Developer's contributions to provide Suitable Alternative Natural Green (SANG) spaces.

NNDR Smoothing Account

To fund any NNDR deficit

Open Spaces

Developer's contributions towards the maintenance of Elvetham Heath plus funds for supporting roundabout sponsorship.

Regulatory Services

To support our democratic structure in delivering web streaming of regulatory services committee meetings.

Homelessness Housing Reserve

To facilitate the provision of services to homeless people in the District.

Corporate, Planning and Community Reserves

To fund a number of projects within these service areas.

Health Contribution

Health Contribution in respect of Queen Elizabeth Barracks (QEB).

Digital Transformation

Following the COVID-19 pandemic the importance of digital transformation, flexible and agile working has been recognised as a necessity for the council.

COVID-19

To support specific projects and responsibilities as a direct result of the pandemic.

5 NOTES TO THE BALANCE SHEET

5.12 UNUSABLE RESERVES

5.12.1 Revaluation Reserve

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

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

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

	31 March 2020	31 March 2021
	£000	£000
Balance at 1 April	3,450	6,876
Upward revaluation of assets	4,429	1,956
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(876)	(1)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	3,554	1,955
Difference between fair value depreciation and historical cost depreciation	(128)	(137)
Amount written off to the Capital Adjustment Account	(128)	(137)
Balance at 31 March	6,876	8,694

5 NOTES TO THE BALANCE SHEET

5.12.2 Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements in accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the council as finance for the costs of acquisition, construction and enhancement.

The account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the council. The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note, some totals may not cast by £1,000 due to rounding's but need to remain to reconcile through the accounts.

5 NOTES TO THE BALANCE SHEET

31 March 2020 31 March 2021
£000 £000

Balance at 1 April	22,564	18,588
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non-current assets	(1,640)	(1,547)
Revaluation gains or (losses) on Property, Plant and Equipment	(3,130)	(914)
Amortisation of intangible assets	(9)	(8)
Revenue expenditure funded from capital under statute	(1,376)	(857)
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	(88)	0
Adjusting amounts written out of the Revaluation Reserve	<u>(6,243)</u>	<u>(3,327)</u>
	128	137
Net written out amount of the cost of non-current assets consumed in the year	<u>(6,115)</u>	<u>(3,190)</u>
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	329	213
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,075	1,063
Application of grants to capital financing from the Capital Grants Unapplied Account	272	4
Statutory provision for the financing of capital investment charged against the General Fund balance	445	516
Capital expenditure charged against the General Fund balance	21	55
	<u>2,142</u>	<u>1,850</u>
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(3)	(966)
Balance at 31 March	<u>18,588</u>	<u>16,282</u>

5 NOTES TO THE BALANCE SHEET

5.1.2.3 Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

The council uses the account to manage fair value adjustments regarding the soft loan for Bramshot Farm and the soft loan for Serco. Balance Sheet represents adjustment for Bramshot Farm Loan received from Hampshire County Council and soft loan to Serco.

	31 March 2020	31 March 2021
	£000	£000
Balance at 1 April	23	(12)
Amount by which finance costs charged to the comprehensive income and expenditure statement are different from finance costs chargeable in the year in accordance with statutory requirements	(35)	1
Balance at 31 March	(12)	(11)

5.1.2.4 Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements in accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation and changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed at the time the council makes the employer contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall between 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.

5 NOTES TO THE BALANCE SHEET

	31 March 2020 £000	31 March 2021 £000
Balance at 1 April		
Re-measurement of the net defined benefit liability / asset	(24,773)	(27,803)
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	(2,187)	(863)
Employer's pensions contributions and direct payments to pensioners payable in the year	1,213	962
Balance at 31 March	(27,803)	(29,981)

5.12.5 Collection Fund Adjustment Account

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

	Total 31 March 2020 £000	Council Tax 31 March 2021 £000	Non- domestic Rates 31 March 2021 £000	Total 31 March 2021 £000
Balance at 1 April	(167)	31	(286)	(255)
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income and non-domestic rates income calculated for the year in accordance with statutory requirements	(88)	30	(6,277)	(6,247)
Balance at 31 March	(255)	61	(6,563)	(6,502)

5 NOTES TO THE BALANCE SHEET

5.12.6 Accumulated Absences Account

Benefits payable during employment are short-term employee benefits due to be settled wholly 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 (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render services to the council. Where wages/salaries, overtime, and any other allowances have not physically been paid for within the period but relates to the period then the period will be charged by the means of an accrual.

However these transactions must not have a financial impact upon the General Fund. To mitigate this accrual a corresponding entry will be made to the Accumulated Absences Account.

	31 March 2020	31 March 2021
	£000	£000
Balance at 1 April	(48)	(68)
Settlement or cancellation of accrual made at the end of the preceding year	48	68
Amounts accrued at the end of the current year	(68)	(151)
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	(20)	(83)
Balance at 31 March	(68)	(151)

5 NOTES TO THE BALANCE SHEET

5.13 CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

Revenue Expenditure Funded by Capital Under Statute (REFCUS) - These amounts represent expenditure on capital grants and other payments which do not result in an asset belonging to the council. Under the government's capital controls this expenditure would be treated as revenue expenditure. These amounts should be written off over a period consistent with the consumption of the economic benefits controlled by the council.

As the council does not control the economic benefit arising from this particular expenditure, 100% of the expenditure is written off to revenue in the year it is incurred, leaving no balance at the end of the year. The expenditure (net of grants received) is written off to the Capital Adjustment Account via the Movement in Reserves Statement.

5 NOTES TO THE BALANCE SHEET

	2019/20	2020/21
	£000	£000
Opening Capital Financing Requirement	16,263	23,405
Capital Investment		
Property, Plant and Equipment	1,624	478
Investment Properties	6,283	0
Revenue Expenditure Funded from Capital under Statute	1,376	857
Sources of Finance		
Capital receipts	(329)	(213)
Government grants and other contributions	(1,346)	(1,067)
Sums set aside from revenue		
Direct revenue contributions	(21)	(55)
Minimum revenue provision	(445)	(516)
Closing Capital Financing Requirement	23,405	22,889
Explanation of movements in year		
Increase/(decrease) in underlying need to borrow (unsupported by Government financial assistance)	7,142	(516)
Increase/(decrease) in Capital Financing Requirement	7,142	(516)

5 NOTES TO THE BALANCE SHEET

5.14 FINANCE 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.

Embedded leases within contracts - There is a requirement for the council to identify any instances where there are contracts in place to provide a service to the council and consider whether there are any embedded leases within these contracts.

5.14.1 Council as Lessee

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception. The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the council are added to the carrying amount of the asset.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- A finance charge debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The council doesn't have any of these assets.

5.14.2 Council as Lessor

Finance leases – Where the council grants a finance lease over property, plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet 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. A gain, representing the council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal, matched by a lease asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

Hart District Council

5 NOTES TO THE BALANCE SHEET

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease debtor, and
- Finance income credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt.

The council received no material rental income from properties under finance leases.

5.15 DEFINED BENEFIT PENSION SCHEME

5.15.1 Participation in pension schemes

The council participates in one post-employment scheme:

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

- The liabilities of the HCC pension scheme 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, employees turnover rates etc. and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bond (gross redemption yield on the iBoxx Sterling Corporates Index, AA over 15 years).
- A significant proportion of the assets of the Scheme are invested in equities. The assets of the HCC 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
 - Unlisted securities-current bid price
 - Property-market value

5 NOTES TO THE BALANCE SHEET

- The change in the net pension's liability is analysed into seven components:
 - Service cost comprising:
 - current service cost - the increase in liabilities as a result of years of service earned for the year - allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked.
 - past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.
 - Net interest on the net defined benefit liability/asset i.e. net interest expense for the council – the change during the period in the net defined benefit liability/asset that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement - this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability/asset at the beginning of the period, taking into account any changes in the net defined benefit liability/asset during the period as a result of contribution and benefit payments.
 - Re-measurements comprising:
 - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability - charged to the Pension Reserve as Other Comprehensive Income and Expenditure.
 - actuarial gains and losses - changes in the net pension's 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 Pension Reserve as Other Comprehensive Income and Expenditure.
 - Contributions paid to the HCC pension fund - cash paid as the employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

5.15.2 Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

5 NOTES TO THE BALANCE SHEET

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2019/20	2020/21	2019/20	2020/21
	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement				
Operating cost comprising:				
Current Service Cost	1,476	1,632	0	0
Net interest expense	534	603	46	42
Total Post-employment Benefits Charged to the (Surplus) or Deficit on the Provision of Services	2,010	2,235	46	42
Remeasurement of the net defined benefit liability comprising:				
Return on plan assets (excluding the amount included in the net interest expense)	1,757	(12,267)	0	0
Actuarial (gains) and losses arising on changes in demographic assumptions	(1,925)	0	(35)	0
Actuarial (gains) and losses arising on changes in financial assumptions	(1,626)	14,054	(17)	138
Actuarial (gains) and losses due to liability experience	3,948	(1,035)	85	(27)
Total Post-employment Benefit (Gains) and Losses Charged to the Comprehensive Income and Expenditure Statement	4,164	2,987	79	153

5 NOTES TO THE BALANCE SHEET

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2019/20	2020/21	2019/20	2020/21
	£000	£000	£000	£000
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(2,010)	(2,235)	(46)	(42)
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions to the scheme	1,055	804	0	0
Retirement benefits payable to pensioners	0	0	158	158

5.15.3 Pension Assets and Liabilities Recognised in the Balance Sheet

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2019/20	2020/21	2019/20	2020/21
	£000	£000	£000	£000
Present value of the defined benefit obligation	78,640	93,058	2,002	1,997
Fair value of plan assets	(52,760)	(64,995)	0	0
Net liability arising from defined benefit obligation	25,880	28,063	2,002	1,997

5 NOTES TO THE BALANCE SHEET

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2019/20 £000	2020/21 £000	2019/20 £000	2020/21 £000
Opening fair value of scheme assets	54,733	52,760	0	0
Opening fair value of scheme assets adjustment	(4)	0	0	0
Interest income	1,296	1,183	0	0
Remeasurement gain/(loss):				
Return on plan assets, excluding the amount in the net interest expense	(1,757)	12,267	0	0
Contributions from employer	1,055	804	159	157
Contributions from employees into the scheme	279	330	0	0
Benefits paid	(2,842)	(2,349)	(159)	(157)
Closing fair value of scheme assets	52,760	64,995	0	0

5 NOTES TO THE BALANCE SHEET

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2019/20 £000	2020/21 £000	2019/20 £000	2020/21 £000
Opening balance at 1 April	77,500	78,640	2,085	2,002
Opening balance at 1 April adjustment	0	0	(3)	0
Current service cost	1,476	1,632	0	0
Interest cost	1,830	1,786	46	42
Contributions from scheme participants	279	330	0	0
Actuarial (gains) and losses arising on changes in demographic assumptions	(1,925)	0	(35)	0
Actuarial (gains) and losses arising on changes in financial assumptions	(1,626)	14,054	(17)	138
Actuarial (gains) and losses due to liability experience	3,948	(1,035)	85	(27)
Benefits paid	(2,842)	(2,349)	(159)	(158)
Closing balance at 31 March	78,640	93,058	2,002	1,997

5 NOTES TO THE BALANCE SHEET

5.15.6 Local Government Pension Scheme Assets

The fair value of the scheme assets are:

	2019/20		2020/21		2020/21		2020/21	
	Total £000	%	Quoted £000	%	Unquoted £000	%	Total £000	
Cash and cash equivalents	1,794	3.4	910	1.4	0	0.0	910	
Equities	27,752	52.6	32,108	49.4	4,939	7.6	37,047	
Bonds:								
Government	11,185	21.2	11,244	17.3	0	0.0	11,244	
Property	3,693	7.0	520	0.8	3,445	5.3	3,965	
Other*	8,336	15.8	10,334	15.9	1,495	2.3	11,829	
Total	52,760	100	55,116	84.8	9,879	15.2	64,995	

*Other holdings cover hedge funds, currency holdings, asset allocation futures and other financial instruments. The return is in line with that of equities.

5.15.7 Basis for Estimating Assets and Liabilities

Results under IAS 19 can change dramatically depending on market conditions which when taken in conjunction with discount rate volatility will lead to volatility in the funded status of the pension plan and thus to volatility in the net pension liability on the council's Balance Sheet, Other Comprehensive Income and the IAS 19 pension expense in Cost of Services. The council has disclosed information about the sensitivity of the defined benefit to changes in key assumptions in accordance with the requirements of the revised IAS 19.

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions. The sensitivity analyses below have 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 assumption remained constant. The assumptions in longevity, by way of an example, assume that

5 NOTES TO THE BALANCE SHEET

life expectancy increases or decreases for men and women when in practice this is unlikely to occur and also 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, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels etc. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

The Local Government Pension Scheme and discretionary benefits liabilities have been estimated by Aon Hewitt Limited, an independent firm of actuaries, with estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2019.

	Local Government Pension Scheme	
	2019/20	2020/21
Mortality assumptions:		
Longevity at 65 for current pensioners:		
- men	23.0	23.1
- women	25.5	25.5
Longevity at 65 for future pensioners:		
- men	24.7	24.8
- women	27.2	27.3
RPI increases	0.0%	0.0%
CPI increases	2.0%	2.7%
Rate of increase in salaries	3.0%	3.7%
Rate of increase in pensions	2.0%	2.7%
Pension accounts revaluation rate	2.0%	2.7%
Rate for discounting scheme liabilities	2.3%	2.1%

5 NOTES TO THE BALANCE SHEET

The impact on the Defined Benefit Obligation in the scheme is:

	Increase in Assumption £000	Decrease in Assumption £000
Assumption adjustment:		
Discount rate (scheme liabilities) - increase/decrease by 0.1%	(1,675)	1,768
Salaries - increase/decrease by 0.1%	93	(93)
Pensions - increase/decrease by 0.1%	1,582	(1,582)
Longevity - increase/decrease by 1 year*	3,350	(3,257)

*A rating of +1 year means that members are assumed to follow the mortality pattern of the base table for an individual that is 1 year older than them.

5.15.8 Impact on the council's cash flows

The objective of the Local Government Pension Scheme is to keep employers' contributions at a rate that is as constant as possible. Hampshire County Council has agreed a strategy with the actuary to achieve a level of 100% over the next few years and the next triennial valuation is due to be completed on 31 March 2022. Funding levels are monitored annually.

Benefits accrued up to 31 March 2014 were based on final salary and length of service. Changes to the structure of the LGPS from 1 April 2014 result in benefits accruing from that date being based on a career average salary but with various protections for those members in the scheme prior to the 1 April 2014.

It is anticipated to pay £0.836 million in expected contributions to the scheme in 2021/22.

5 NOTES TO THE BALANCE SHEET

5.16 EVENTS AFTER THE BALANCE SHEET DATE

The unaudited statement of accounts was authorised for issue by the S151 Officer on 30 June 2021. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for the following events, which took place after 31 March 2021, as they provide information that is relevant to an understanding of the authority's financial position but do not relate to conditions at that date:

- Hart Housing Property Management Company Ltd (HHPMC) was incorporated on 16th June 2021. Its purpose is to manage residential properties. The company is 100% owned by Hart District Council.
- The council completed the purchase of 41 apartments at Edenbrook, Fleet on 14th May 2021 for £7 million. HHPMC will manage the letting and management of these homes as affordable rented properties.
- The council completed the purchase of Centenary House, an office building in Basingstoke, Hampshire on 28th June 2021 for £11.69 million.

5.17 GRANTS RECEIVED IN ADVANCE

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.

5 NOTES TO THE BALANCE SHEET

The council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances within Grants Received in Advance at the year-end are as follows:

	31 March 2020 £000	31 March 2021 £000
Grampian Conditions	5,107	3,280
	5,107	3,280

These Grampian conditions prohibit development to begin until a specific action has been completed. If the development was cancelled these funds would be payable back to the developer.

6 NOTES TO THE CASH FLOW STATEMENT

6.01 OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2019/20	2020/21
	£000	£000
Interest received	401	155
Interest paid	(260)	(193)

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

	RESTATED 2019/20	2020/21
	£000	£000
Depreciation and Amortisation	1,651	1,555
Impairment and downward valuations	3,130	914
Net book value of disposed assets (Increase) / Decrease in Debtors	88	0
Increase / (Decrease) in Creditors	399	(1,285)
Increase / (Decrease) in Provisions	1,708	10,681
Movement in Pension Liability	(31)	225
Changes in fair value of investment properties	842	1,316
Movement in Fair Values of Financial instruments	3	966
Other non-cash items charged to the net surplus or deficit on the provision of services	36	(1)
	286	(1,827)
	8,112	12,544

6 NOTES TO THE CASH FLOW STATEMENT

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

	2019/20	2020/21
	£000	£000
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(178)	0
Any other items for which the cash effects are investing or financing cash flows	(3,371)	(1,385)
	(3,549)	(1,385)

6.02 INVESTING ACTIVITIES

	2019/20	2020/21
	£000	£000
Purchase of property, plant & equipment, investment property and intangible assets	(7,884)	(606)
Purchases of short & long term investments	0	(6,000)
Other payments for investing activities	(5)	(5)
Proceeds from sale of property, plant & equipment, investment property and intangible assets	288	0
Proceeds from short & long term investments	1,000	0
Other receipts for investing activities	3,371	966
Net cash flows from investing activities	(3,230)	(5,645)

6 NOTES TO THE CASH FLOW STATEMENT

6.03 FINANCING ACTIVITIES

	2019/20	2020/21
	£000	£000
- Council Tax Preceptor Cash Receipts	743	0
- COVID-19 Grants Central Government Cash Receipts	0	2,598
Repayment of short & long term borrowing	(1,321)	(878)
Other payments from financing activities		
- Council Tax Preceptor Cash Payments	0	(1,000)
- NNDR Cash Payments	(77)	(9,709)
Net cash flows from financing activities	(655)	(8,989)

6 NOTES TO THE CASH FLOW STATEMENT

6.04 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

2020/2021	1 April 2020	Financing Cash Flows	Other Non-Cash Changes	31 March 2021
	£000	£000	£000	£000
Long term borrowing	11,008	0	(857)	10,151
Short-term borrowing	1,377	(878)	884	1,383
Other (payments)/receipts for financing activities	835	(8,111)	0	(7,276)
	13,220	(8,989)	27	4,258

2019/2020	1 April 2019	Financing Cash Flows	Other Non-Cash Changes	31 March 2020
	£000	£000	£000	£000
Long term borrowing	12,277	0	(1,269)	11,008
Short-term borrowing	1,372	(1,321)	1,326	1,377
Other (payments)/receipts for financing activities	169	666	0	835
	13,817	(655)	57	13,220

7 ADDITIONAL NOTES TO THE ACCOUNTS

7.01 ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code) requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. The Code requires an authority to disclose information relating to 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 for the relevant financial year.

- **IFRS 3 Business Combinations**
- **Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9 (Financial Instruments), IAS 39 (Financial Instruments), IFRS 7 (Financial Instruments), and IFRS 4 (Insurance Contracts)**

It is anticipated that the above amendments will not have a material impact on the information provided in the statement of accounts.

7.02 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out within the notes in the Statement of Accounts the council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

Future Funding

The 2016 funding settlement increased certainty with the offer of a four-year settlement to any council that wished to take it up, alongside indicative allocations for each year of the Spending Review period. At this point, it was expected that the government would implement the outcomes of the Fair Funding Review, reset the Business Rates baseline, and also extend Business Rates Retention to a 75% scheme. The anticipated effects of these would have been detrimental to the future funding for district councils. All of these were delayed due to the Pandemic and were not implemented for the single year settlement for 2021-22. It now appears increasingly likely that they will also not be implemented for 2022-23. However, this does remain a risk and reserves are being held accordingly to protect the medium term financial position of the council. The next Spending Review will be undertaken by the Chancellor of the Exchequer in autumn 2021 and the effect of this on local government funding is yet to be determined

7 ADDITIONAL NOTES TO THE ACCOUNTS

Leases

The council classifies the leases it holds, both as a lessee and lessor, as either operating or finance leases. Under International Financial Reporting Standards the council is deemed to control assets that fall within contractual and other arrangements which involve the provision of a service using specific assets and which therefore are considered to contain a lease. The appropriate accounting policy for each lease has been applied to these arrangements (where they have been identified) and as a result additional assets are recognised as Property, Plant and Equipment in the council's Balance Sheet.

7.03 ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions made by the authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the council's Balance Sheet at 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

7 ADDITIONAL NOTES TO THE ACCOUNTS

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	<p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the council may be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. However the council's assets are subject to a periodic revaluation and an annual impairment review and any changes in valuation are accounted for in the year that they occurred.</p> <p>The outbreak of COVID-19 has and continues to impact many aspects of daily life and the global economy. In some cases, "lockdowns" have been applied to varying degrees and to reflect further "waves" of COVID-19; although these may imply a new stage of the crisis, they are not unprecedented in the same way as the initial impact. The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date some property markets have started to function again.</p> <p>Accordingly, and for the avoidance of doubt, our valuation is not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £107,000 for every year that useful lives had to be reduced.</p> <p>If the actual valuation differs from the assumptions made then these will be adjusted when the asset is revalued.</p>
Fair Value Measurement of Investment Properties	<p>Investment properties are revalued every year and, therefore, takes into account the current market conditions.</p>	<p>A 1% movement in the valuation of investment properties would equate to a movement of £54,220</p>

7 ADDITIONAL NOTES TO THE ACCOUNTS

Item	Uncertainties	Effect if actual results differ from assumptions
Pension Liability	<p>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.</p> <p>When the LGPS benefit structure was reformed in 2014, transitional protections were applied to certain older members close to normal retirement age. The benefits accrued from 1 April 2014 by these members are subject to an 'underpin' which means that they cannot be lower than what they would have received under the previous benefit structure. The underpin ensures that these members do not lose out from the introduction of the new scheme, by effectively giving them the better of the benefits from the old and new schemes.</p>	<p>The effects on the net pension liability for funded LGPS benefits of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumptions would result in a decrease in the pension liability of £1,675,000</p> <p>However, the assumptions interact in complex ways. During 2020/21, the council's actuaries advised that the net pension liability had decreased by £1,062,000 as a result of estimates being corrected as a result of experience and increased by £1,925,000 attributable to the updating of assumptions.</p>
Provisions	<p>The council has made provision in relation to National Non-Domestic Rate Appeals. This provision is based on an estimation of any future liability and the likelihood that these costs will be incurred.</p>	<p>If the estimates used in the calculation of the provision prove to be inaccurate then there will be further income or expenditure incurred by the General Fund via the Collection Fund.</p>
Arrears	<p>At 31 March 2021, the council had a balance of sundry (trade) debtors of £1,842,673. A review of significant balances suggested that an impairment of doubtful debts of £559,956 (30%) was appropriate. It is not certain that this impairment allowance would be sufficient as the council cannot assess with certainty which debts will be collected or not. The economic impact of the COVID-19 pandemic has made the estimation of debt impairment more difficult as there is more uncertainty about the economic viability of debtors and hence their ability to settle their debts.</p>	<p>If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £559,956 to set aside as an allowance from revenue. The council has earmarked £465,000 to help tackle the impact of COVID-19, in part it would be used to offset any impairments above which have already been allowed for.</p>

7 ADDITIONAL NOTES TO THE ACCOUNTS

7.04 RELATED PARTY TRANSACTIONS

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

Central government has effective control over the general operations of the council. It is responsible for providing the statutory framework, within which the council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the council has with other parties (e.g. housing benefits). Details of transactions with government departments are set out in the previous note, Grant Income.

Elected Members of the council have direct control over the council's financial and operating policies. Members are required to observe the Code of Conduct for Councillors, register financial interests in the council's register (maintained under section 81(1) of the Local Government Act 2000) and register the receipt of any gifts/hospitality. There were no material receipts of any gift or hospitality to disclose for 2020/21.

As of the date of the Responsible Finance Officer signing the accounts, there were 5 returns from elected members outstanding. From those who had returned their declaration, there were no material related parties to disclose.

Officers are required to observe the Code of Conduct for Officers and register the receipt of any gifts/hospitality. The council had no material related party transactions with officers during 2020/21.

Related party transactions with the precepting bodies and the pension fund are disclosed in the Defined Benefit Pension Scheme note within these accounts.

The council had no significant interest in companies.

7 ADDITIONAL NOTES TO THE ACCOUNTS

Amounts due to or from those parties able to control or influence the council or to be controlled/ influenced by the council are as follows:

	31 March 2020	31 March 2021
	£000	£000
Amounts due to Central Government	(2,337)	(13,980)
Amounts due to Hampshire County Council	(107)	(25)
Amounts due from Central Government	187	8,686
Amounts due from Hampshire County Council	244	2,488

7.05 CONTINGENT ASSETS AND LIABILITIES

Contingent assets and liabilities are not included within the Comprehensive Income and Expenditure Statement or Balance Sheet but are disclosed by way of a note to the accounts where a receipt or some other economic benefit is probable (contingent asset), or where there is a possible obligation that may require payment or other transfer of economic funds (contingent liability).

The council has no contingent assets and liabilities to report.

7.06 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

7.06.1 Disclosure and Nature and Extent of Risk arising from Financial Instruments

The council's activities expose it to a variety of financial risks, the key risks are:

- Credit risk – the possibility that other parties might fail to pay amounts due to the council.
- Liquidity risk – the possibility that the council might not have funds available to meet its commitments to make payments.

7 ADDITIONAL NOTES TO THE ACCOUNTS

- Market risk – the possibility that financial loss might arise for the council as a result of changes in such measures as interest rates and stock market movements.

The authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the council in the annual treasury management strategy. The council provides written principles for overall risk management, as well as written policies covering specific areas such as interest rate risk, credit risk and the investment of surplus cash.

7.06.2 Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the council's customers.

The risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Fitch, Moody's and Standard & Poors Rating Services. The Annual Investment Strategy also imposes a maximum sum and time to be invested with a financial institution located within each category.

The council's treasury management advisors, Link Asset Services, give a credit rating based on the latest market information.

This council applies the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poors. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies.
- CDS spreads to give early warning of likely changes in credit ratings.
- Sovereign ratings to select counterparties from only the most creditworthy countries.

The table below summarises the nominal value of the council's investment portfolio at 31 March 2021 with each level of counterparty. All investments were made in line with the council's approved credit rating criteria at the time of placing the investment and the council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

7 ADDITIONAL NOTES TO THE ACCOUNTS

Credit Risk – Investments and Cash & Cash Equivalents

	31 March 2020 £000	31 March 2021 £000
AAA rated counterparties	14,000	4,975
AA- rated counterparties	0	10,000
A+ rated counterparties	15,760	4,996
A rated counterparties	0	13,156
	29,760	33,127

The council does not generally allow credit for customers. As per the Code of Practice requirements, the disclosure below includes details only of debtors that have arisen as a result of trading activities. Balances and transactions arising from statutory functions (i.e. council tax and NNDR payments) are excluded from this disclosure note as they have not arisen from contractual trading activities

The past due but not impaired amount can be analysed by age as follows:

Credit Risk – Debtors

	31 March 2020 £000	31 March 2021 £000
Less than three Months	1,466	817
Three to six months	439	28
Six months to one year	332	47
More than one year	327	951
	2,564	1,843

7 ADDITIONAL NOTES TO THE ACCOUNTS

7.06.3 Liquidity risk

The council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the council has ready access to borrowings from the Money Markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial liabilities is as follows:

	31 March 2020	31 March 2021
	£000	£000
Less than one year	1,377	1,383
Between one and two years	1,289	1,303
Between two and five years	2,530	2,025
Between five and ten years	1,913	1,955
Between ten and fifteen years	2,133	2,180
Between fifteen and twenty years	2,378	2,431
More than twenty years	765	257
	12,385	11,534

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

7.06.4 Market 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.

7 ADDITIONAL NOTES TO THE ACCOUNTS

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other 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 and affect the General Fund balance. Movements in the fair value of fixed rate investments that have a quoted marketplace will be reflected in Other Comprehensive Income and Expenditure.

The council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the council's prudential and treasury indicators and it's expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance, during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long-term returns, similarly the drawing of longer-term fixed rates borrowing would be postponed. The risk of interest rate loss is partially mitigated by Government grant payable on financing costs.

As at 31 March 2021 there was no material exposure to changes in interest rates due to the Bank of England base rate dropping to a record low of 0.10% as at the 19 March 2020. Therefore, had the interest rate been 1% higher (or conversely 1% lower), there would be no material impact on other financial statements with these accounts.

7.07 FURTHER ACCOUNTING POLICIES

The majority of the accounting policies which the council adopts have been put before their respective statements and notes to aid the readability and understanding of this document. However there are a few which cover the accounts as a whole and do not necessarily relate to just one area, these are detailed below.

These accounts have been prepared on a going concern basis which means that the functions of the council will continue in operational existence for the foreseeable future

7 ADDITIONAL NOTES TO THE ACCOUNTS

Accruals

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

- Revenue from sale of goods is recognised when the council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the council.
- Revenue from provision of services is recognised when the council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as inventories on the balance sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when the payments are made.

Available for Sale/Financial Instruments Revaluation 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. Following the introduction of IFRS9 this reserve is moved to Financial Instrument Revaluation Reserve.

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of noncurrent assets but for which cash settlement has yet to take place. 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 eventually takes place, amounts are transferred to the Capital Receipts Reserve

7 ADDITIONAL NOTES TO THE ACCOUNTS

Disposal of Assets

Where an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet 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.

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.

Investments

The council accounts for investments in accordance with the Treasury Management Strategy, which is set annually. The council's investment priorities are:

- the security of capital and
- the liquidity of its investments
- the yield on maturity of the investment

Minimum revenue provision (MRP)

Regulations 27 and 28 in the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 requires the council to make an annual charge to revenue to contribute towards the reduction in its overall borrowing requirement - known as a Minimum Revenue Provision.

The council has adopted the asset life method of calculating MRP where the charge is spread in equal annual instalments over the life of each asset that creates a borrowing requirement. MRP commences in the financial year following either the year in which the expenditure was incurred or the year when the asset becomes operational. This excludes all investment properties as these properties will be financed once the property is sold and if the value of the property reduces a reserve will be created. Any interest costs to the Comprehensive Income and Expenditure Statement in relation to finance leases will also be mitigated by a corresponding MRP adjustment.

7 ADDITIONAL NOTES TO THE ACCOUNTS

Overheads

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

Prior Period Adjustments, changes in Accounting Policies and Estimates and Errors

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

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

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

Revenue recognition

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net worth. Revenue is recognised when it is probable that future economic benefits will flow to the council and these benefits can be measured reliably. IFRS 15 (Revenue from Contracts with Customers) is applied in accounting for revenue arising from the following transactions and events:

- the sale of goods
- the rendering of services
- interest, royalties and dividends.
- non-exchange transactions (i.e. council tax)
- where previously a liability had been recognised (i.e. creditor) on satisfying the revenue recognition criteria

The amount of revenue arising on a transaction is usually determined by agreement between the council and the buyer or user of the asset. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the council.

7 ADDITIONAL NOTES TO THE ACCOUNTS

VAT

Value Added Tax is excluded from both revenue and capital in terms of both income and expenditure except where the council is not able to recover VAT on expenditure. HM Revenue and Customs allow local councils to recover the majority of VAT incurred.

7.08 GOING CONCERN

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.

Since the draft financial statements were first published the Council has approved a balanced budget for 2022/23 and currently estimates that whilst earmarked reserves will be required to breakeven in 2021/22 the original £381k of general fund that was forecast as required to bring forward a balanced budget will no longer be required. At the end of Quarter three, the Council was forecasting a breakeven position on its controllable revenue budget after agreed drawdown from earmarked reserves. This drawdown is required due to loss of income from the Leisure Contract being a direct impact of COVID-19.

The Council currently forecasts a total deficit of income of £3.8m between 2023/24 and 2026/27. The Council remains confident in its ability to maintain sufficient cash throughout the medium term. The council has undertaken cashflow forecasting for the period through to the end of March 2023, covering beyond the 12-month going concern period. This shows that cash flow balances remain positive with no requirement to borrow cash to fund working capital requirements.

7 ADDITIONAL NOTES TO THE ACCOUNTS

In terms of cash and cash equivalent balances the council held the following: -

	31 March 2020 £000	31 March 2021 £000
Bank current accounts	2,439	1,477
Short-term deposits (< 7 days' notice)	3,322	9,654
	5,761	11,131

As the table illustrates above, the council held cash balances of over £11.131m on 31 March 2021 in comparison to £5.761m at the 31 March 2020. This represents an increase of £5.370m over the 12-month period and provides evidence that Hart DC can meet its financial obligations.

Furthermore, the council is continually assessing the capital programme, although no postponements have been agreed, this is an option if further protection to the levels of cash and useable reserves were needed.

For these reasons, the council does not consider that there is material uncertainty in respect of its ability to continue as a going concern for the period of 12 months from the date of approval of these financial statements.

7.09 PRIOR PERIOD ADJUSTMENT

A review of the accounts concluded that a restatement of the 2019/20 figures was required for the following reasons;

- (i) Waste Contract Accruals - A review of the waste contract identified that two invoices had been mistreated as debtors instead of creditors and two invoices had been omitted from the accounts resulting in net expenditure within Environmental and Technical Services being understated by £929k and on the balance sheet, debtors were overstated by £371k and creditors understated by £558k.

7 ADDITIONAL NOTES TO THE ACCOUNTS

- (ii) Section 106 Debtor - A S106 debtor invoice had been incorrectly recognised within 2019/20 accounts where the agreement trigger point had not yet been activated. This resulted in net expenditure within Community Services being understated by £395k and debtors on the balance sheet being overstated by £395k.

The Primary Statements that have changed due to this Prior Period Adjustment are:

- Comprehensive Income and Expenditure Statement
- Movement in Reserves Statement
- Balance Sheet
- Cash Flow

List of changes to the primary statements from published to restated figures can be found below.

Other Notes affected include:

- Expenditure and Funding Analysis
- Note to the Expenditure and Funding Analysis
- Income and Expenditure Analysed by Nature
- Grant Income
- Adjustments Between Accounting Basis and Funding Basis Under Regulations
- Financial Instruments
- Creditors and Debtors
- Operating Activities

7 ADDITIONAL NOTES TO THE ACCOUNTS

Comprehensive income and Expenditure Statement

As a result of the above changes the (Surplus) or Deficit on provision of services has increased by £1,324k in 2019/20.

Comprehensive Income and Expenditure Statement	31 March 2020 Published	31 March 2020 Restatement	Movement in Net Expenditure
Community Services - Net Expenditure	444	839	395
Corporate Services - Net Expenditure	8,229	8,229	0
Place Services - Net Expenditure	1,955	1,955	0
Environmental and Technical Services - Net Expenditure	613	1,542	929
Cost of Services	11,241	12,565	1,324
Other Operating Expenditure - Net Expenditure	3,143	3,143	0
Financial & Investment Income	477	477	0
Taxation and non-specific grant income and expenditure	(15,005)	(15,005)	0
(Surplus) or Deficit on provision of services	(144)	1,180	1,324
Other Comprehensive Income and Expenditure	(1,367)	(1,367)	0
Total Comprehensive Income and Expenditure	(1,511)	(187)	1,324

7 ADDITIONAL NOTES TO THE ACCOUNTS

Movement in Reserves Statement

The following restatement was also required for the Movement in Reserves Statement for Usable Reserves to accommodate the £1,324k change in Total Comprehensive Income and Expenditure. This movement of £1,324k is made up of £929k reducing the general fund reserve and £395k reducing the capital grants unapplied reserve as shown in the balance sheet extract below.

Movement in Reserves Statement	Usable Reserves			Unusable Reserves		
	31 March 2020 Published	31 March 2020 Restatement	Movement in MiRS	31 March 2020 Published	31 March 2020 Restatement	Movement in MiRS
Balance at 31 March 2019	29,450	29,450	0	1,050	1,050	0
Total Comprehensive Income and Expenditure	144	(1,180)	(1,324)	1,367	1,367	0
Adjustments between accounting basis and funding basis under regulation	5,091	5,091	0	(5,091)	(5,091)	0
Increase or (decrease) in year	5,235	3,911	(1,324)	(3,724)	(3,724)	0
Balance at 31 March 2020	34,685	33,361	(1,324)	(2,674)	(2,674)	0

Balance Sheet

The effect on line items in the Balance Sheet 31 March 2020 is as follows:

7 ADDITIONAL NOTES TO THE ACCOUNTS

Balance Sheet	31 March 2020 Published	31 March 2020 Restatement	Movement in Balance Sheet
Long Term Assets	50,123	50,123	0
Short term investments	11,000	11,000	0
Short term debtors	5,051	4,285	(766)
Cash and cash equivalents	18,760	18,760	0
Current Assets	34,811	34,045	(766)
Short term borrowing	(1,377)	(1,377)	0
Short term creditors	(7,247)	(7,805)	(558)
Provisions	(302)	(302)	0
Current Liabilities	(8,926)	(9,484)	(558)
Long Term Liabilities	(43,997)	(43,997)	0
Net Assets	32,011	30,687	(1,324)
Earmarked reserves	16,176	16,176	0
General fund	6,380	5,451	(929)
Capital receipts	595	595	0
Capital grants unapplied	11,534	11,139	(395)
Usable Reserves	34,685	33,361	(1,324)
Unusable Reserves	(2,674)	(2,674)	0
Total Reserves	32,011	30,687	(1,324)

7 ADDITIONAL NOTES TO THE ACCOUNTS

Cash Flow

The effect on the Cashflow 31 March 2020 is as follows:

Cashflow	31 March 2020 Published	31 March 2020 Restatement	Movement in Balance Sheet
Net surplus or (deficit) on the provision of services	144	(1,180)	(1,324)
Adjustments to net surplus or deficit on the provision of services for non-cash movements	6,788	8,112	1,324
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(3,549)	(3,549)	0
Net cash flows from Operating Activities	3,383	3,383	0
Investing Activities	(3,230)	(3,230)	0
Financing Activities	(655)	(655)	0
Net increase or (decrease) in cash and cash equivalents	(502)	(502)	0
Cash and cash equivalents at the beginning of the reporting period	19,262	19,262	0
Cash and cash equivalents at the end of the reporting period	18,760	18,760	0

8 COLLECTION FUND

The Collection Fund Statement is a record of revenue expenditure and income relating to the council's role as a billing authority for council tax and national non-domestic rates (NDR) in accordance with the requirements of section 89 of the Local Government Finance Act 1988. Its primary purpose is to show the transactions of the billing authority in relation to the collection from taxpayers of tax due and its distribution to other local authorities, Major Preceptors and the Government. Collection Fund Statement items are only included within the Comprehensive Income and Expenditure Account and Balance Sheet when they relate to the council's own entitlements or commitments as distinct from those of Local Government or Central Government partners. Amounts owed to or owing by taxpayers at the Balance Sheet Date are therefore not shown in the council's Balance Sheet with the exception of the proportion of council tax to which the council itself is entitled

It also shows how the income is distributed between Hart District Council, Hampshire County Council, Hampshire Police and Crime Commissioner and Hampshire Fire and Rescue Authority.

Billing authorities in England are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of council tax and non-domestic rates (NDR). The fund key features relevant to accounting for council tax in the core financial statements are:

- While the council tax income for the year credited to the Collection Fund is the accrued income for the year regulations determine when it should be released from the Collection Fund and transferred to the General Fund of the billing authority or paid out of the Collection Fund to major preceptors.
- Council tax income included in the Comprehensive Income and Expenditure Account for the year shall be the accrued income for the year. The difference between the income included in the Comprehensive Income and Expenditure Account and the amount required by regulation to be credited to the Collection Fund shall be taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

Since the collection of council tax and NDR Income is in substance an agency arrangement:

- Cash collected by the billing authority from council tax debtors belongs proportionately to the billing authority and the major preceptors. There will be therefore a debtor/creditor position between the billing authority and each major preceptor to be recognised since the net cash paid to each major preceptor in the year will not be its share of the cash collected from council taxpayers.
- Cash collected from NDR taxpayers by billing authorities (net of the cost of collection allowance) belongs to the government and preceptors and the amount not yet paid to them at the Balance Sheet date shall be included in the Balance Sheet as a creditor; similarly, if cash paid to the government and preceptors exceeds the cash collected from NDR taxpayers (net of the billing authority's cost of collection allowance), the excess shall be included in the Balance Sheet as a debtor.

8 COLLECTION FUND

	Council Tax 2019/20 £000	Non-Domestic Rates 2019/20 £000	Total Collection Fund 2019/20 £000	Council Tax 2020/21 £000	Non-Domestic Rates 2020/21 £000	Total Collection Fund 2020/21 £000
Amounts required by statute to be credited to the Collection Fund						
Council Tax Receivable (net of benefits' discounts for prompt payment and transitional relief)	(72,019)	N/A	(72,019)	(75,589)	N/A	(75,589)
Transitional protection payments / (relief adjustment)	3	390	393	(325)	536	211
Non Domestic Rates Receivable (net of discretionary and mandatory reliefs)	N/A	(30,569)	(30,569)	N/A	(16,626)	(16,626)
	(72,016)	(30,179)	(102,195)	(75,914)	(16,090)	(92,004)
Amounts required by statute to be debited to the Collection Fund						
Precepts/demands for council tax and shares of non-domestic rating income	50,346	2,744	53,090	52,873	2,763	55,636
- Hampshire County Council	8,200	N/A	8,200	8,692	N/A	8,692
- Hampshire Police and Crime Commissioner	2,756	305	3,061	2,839	307	3,146
- Hampshire Fire and Rescue Service	10,228	12,197	22,425	10,665	12,279	22,944
- Hart District Council	N/A	15,246	15,246	N/A	15,349	15,349
Payment with respect to central government share of NDR (net of allowable deductions)	150	(282)	(133)	0	0	0
Impairment of Debts/Appeals	46	123	170	403	800	1,203
- write-off of uncollectable debts	N/A	(79)	(79)	N/A	563	563
- change in the impairment allowance for doubtful debts	N/A	99	99	N/A	97	97
- change in allowance for loss of income on appeals	(290)	174	(116)	(442)	16,068	15,626
Charge to the General Fund for allowable collection costs for non-domestic rates						
(Surplus) or Deficit for Year						
<i>Continued on next page</i>						

8 COLLECTION FUND

Continued from previous page

	Council Tax 2019/20 £000	Non-Domestic Rates 2019/20 £000	Total Collection Fund 2019/20 £000	Council Tax 2020/21 £000	Non-Domestic Rates 2020/21 £000	Total Collection Fund 2020/21 £000
Contribution towards previous year's estimated surplus or deficit:						
- Hampshire County Council	(230)	24	(206)	153	(34)	119
- Hampshire Police and Crime Commissioner	(34)	N/A	(34)	25	N/A	25
- Hampshire Fire and Rescue Service	(13)	3	(10)	8	(4)	4
- Hart District Council	(47)	107	60	31	(151)	(120)
- Central Government	N/A	134	134	N/A	(188)	(188)
Movement on the fund	(614)	442	(172)	(225)	15,691	15,466
Opening fund balance	400	273	674	(214)	715	501
Closing fund balance	(214)	715	501	(439)	16,406	15,967

8 COLLECTION FUND

8.1 COUNCIL TAX

The average council tax at Band D set by the council was as follows:

	2019/20	2020/21
	£	£
Hampshire County Council	1,236.87	1,286.28
Hampshire Police and Crime Commissioner	201.46	211.46
Hampshire Fire and Rescue Service	67.71	69.06
Hart District Council	171.84	176.84
Town and Parish Councils	79.44	82.60
	1,757.32	1,826.24

8 COLLECTION FUND

The amount of income generated in 2020/21 by each council tax band was as follows:

Band	Chargeable Dwellings	Band Multiplier	Band D Equivalent	Council Tax income per band £
A	477	6/9	318.00	597,266
B	1,440	7/9	1,120.10	2,103,767
C	6,894	8/9	6,127.70	11,509,022
D	7,852	9/9	7,851.70	14,747,032
E	7,262	11/9	8,875.20	16,669,365
F	6,512	13/9	9,406.10	17,666,500
G	3,657	15/9	6,095.60	11,448,732
H	226	18/9	451.00	847,066
			40,245.40	
Class O Exempt Properties			603.80	
Plus allowance for new properties and ending of discounts 0.5%			779.33	
Less allowance for properties being demolished and additional discounts 0.01%			0.00	
Assumed losses on collection 1.3%			(523.19)	
Tax Base (equivalent Band D) approved by council			41,105.34	

8 COLLECTION FUND

8.2 INCOME COLLECTABLE FROM BUSINESS RATE PAYERS

The council collects non-domestic rates for its area based on local rateable values multiplied by a uniform national rating multiplier. The total NDR Rateable Value as at 31 March 2021 was £73,740,339 (£74,213,954 as at 31 March 2020)

The non-domestic rate multiplier for 2020/21 was 49.9 pence for qualifying properties of less than £51,000 rateable value and 51.2 pence for qualifying properties of more than £51,000 rateable value (2019/20 49.1 pence and 50.4 pence respectively).

9 GROUP ACCOUNTS

Under the terms of IFRS3 where the council has an interest in any other entity, it is required to prepare a Group Income and Expenditure Account and Group Balance Sheet. The council holds no interest in any other entity at the balance sheet date and therefore no group accounts have been produced.

Where either the council, or its Elected Members or Senior Officers are connected with any other entity that it transacts any business with, it is required to disclose these as related party interests. These are shown in the Related Party Transactions note of these accounts.

10.0 GLOSSARY

Accounts

A generic term for statements setting out details of income and expenditure or assets and liabilities or both in a structured manner. Accounts may be categorised by the type of transactions they record e.g. revenue accounts, capital accounts or by the purpose they serve e.g. management accounts, final accounts, balance sheets.

Accounting policies

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through:

- (a) recognising
- (b) selecting measurement bases for, and
- (c) presenting assets, liabilities, gains, losses and changes to reserves.

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the revenue account or balance sheet it is to be presented.

Accounting standards

A set of rules explaining how accounts are to be measured, maintained and reported. By law, local authorities must follow 'proper accounting practices', which are set out in Acts of Parliament and in professional codes and statements of recommended practices. These standards make comparability, among other things, possible.

Accrual

The recognition of income and expenditure as it is earned or incurred, as opposed to when cash is received or paid.

Actuarial gains and losses

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

- (a) events have not coincided with the actuarial assumptions made for the last valuation (experience gains or losses); or
- (b) the actuarial assumptions have changed.

10 GLOSSARY

Amortisation

The reducing of the value of assets to reflect their reduced worth over time. The term means the same as depreciation, though in practice amortisation tends to be used for the write-off of intangible assets.

Assets

These can either be:

Long term (non-current), tangible assets that give benefits to the authority for more than one year.

Property, Plant and Equipment, assets which are held for use in the production or supply of goods and services, for rental to other, or for administrative purposes.

Investment property is property (land or a building, or part of a building, or both) held solely to earn rentals or for capital appreciation, or both.

Intangible assets, these are usually stand-alone intellectual property rights such as software licences that, although they have no physical substance are right to show on the balance sheet where they have been capitalised as being of benefit for more than the year of account. Where software is integral to the running of hardware it is properly included in the value of the hardware.

Audit – internal

The council has an internal audit service, they have a wide ranging role and are responsible for auditing key financial systems and all other activities of the council on a rolling programme. They make recommendations to improve internal controls, safeguard assets and secure value for money.

Audit – external

Our external auditor is Ernst and Young LLP. They report to the council on a number of issues, but in this context they provide assurance to the council that this statement of accounts ‘presents fairly’ the council’s financial affairs and position.

Balance sheet

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

Budget

A forecast of the council’s planned expenditure. The level of council tax is set by reference to detailed revenue budgets. Budgets are reviewed during the course of the financial year to take account of pay and price changes, and other factors affecting the level or cost of services.

10 GLOSSARY

Cabinet

The Cabinet is the executive board responsible for undertaking all of the council's functions, except those functions which are reserved to the full council or delegated to committees or officers. When the executive councillors meet collectively they are known as the Cabinet.

Capital Adjustment Account

This account includes the amalgamated balances of the Property, Plant and Equipment Restatement Account and the Capital Financing Account at 31 March and holds financing transactions relating to capital expenditure.

Capital charges

Charges made to service expenditure accounts based on the service's use of property, plant and equipment assets (depreciation and impairment) plus credits relating to government grants and capital contributions used to pay for those assets.

Capital expenditure

Expenditure on the acquisition or enhancement of property, plant and equipment assets, Revenue Expenditure Financed by Capital under Statute (REFCUS), advances (loans) or grants to other individuals/organisations.

Capital receipts

Income received from the sale of property, plant and equipment assets.

Central services to the public

This includes the costs of local tax collection, elections, emergency planning, local land charges and any general grants.

CIPFA

CIPFA is the Chartered Institute of Public Finance and Accountancy, which is the leading professional accountancy body for public services.

Code of Practice on Local Authority Accounting in the United Kingdom

Issued by CIPFA, this is the guidance which is followed when preparing these statements. It provides expert support in dealing practically with the preparation of the year-end accounts and is the guidance by which every local authority must follow.

10 GLOSSARY

Collection fund

The fund into which are paid amounts of council tax and non-domestic rates and from which are met demands by county and district councils and payments to the national non-domestic rates pool.

Community assets

Community assets are a class of property, plant and equipment assets which are expected to be held by the council in perpetuity. Examples include parks, historic buildings and works of art.

Corporate and democratic core

Comprises all activities which local authorities engage in because they are elected, multi-purpose authorities. It includes the costs of the Head of the Paid Service, costs of treasury management and bank charges and the costs of democratic representation.

Council tax

A local tax set by councils to help pay for local services. There is one bill per dwelling based on its relative value compared to others in the area. There are discounts, including where only one adult lives in the dwelling. Bills will also be reduced for properties with people on low incomes, for some people with disabilities and some other special cases.

Current service cost (pensions)

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

Current Value

The amount at which would be paid for the asset in its existing use.

Deferred credits

Income still to be received (or applied in the accounts) where deferred payments (or application) have been allowed. For example the principal outstanding from the sale of former council houses (deferred capital receipts).

Defined Benefit scheme

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

10 GLOSSARY

Depreciation

Depreciation is the measure of the consumption or wearing out of the useful economic life of a property, plant and equipment asset.

Events after the balance sheet date

Significant events, favourable and unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

Fair value

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

Finance lease

A lease that transfers substantially all of the risks and rewards of ownership of a property, plant and equipment asset to the lessee.

General Fund (GF)

This is the primary revenue account which records the cost of providing the majority of the council's services.

Housing Benefit

The housing benefit scheme is a national scheme administered at a local level by the council on the behalf of the Department for Work and Pensions. It is a means-tested service where the council can pay all, or part of, a household's rent or council tax, or both.

Housing benefit subsidy

The government reimburses the council for most of the housing benefit payments made to residents plus an allowance to cover the costs of administering the scheme.

International Accounting Standard 19 – Employee Benefits

This Standard is based on the principle that an organisation should account for retirement benefits when it is committed to give them, even if the actual giving will be many years into the future.

Impairment

A reduction in the value of a property, plant and equipment asset below its carrying amount on the balance sheet.

10 GLOSSARY

International financial reporting standards (IFRS)

Since 2010/11 the council has had to prepare its statements in line with International Financial Reporting Standards. On implementation, this resulted in a significant change to the way that budgets and accounts are prepared with different accounting treatment being applied to asset valuations, leases, some accruals and derivatives.

Lease

An agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.

Liabilities

Amounts the authority either owes or anticipates owing to others, whether they are due for immediate payment or not.

Minimum revenue provision (MRP)

The minimum amount that the council must charge to the revenue account in the year in respect of the repayment of principal of borrowing for capital purposes.

National non-domestic rates (NDR) also known as Business Rates

The form of local taxation charged on non-residential premises at a level set by central government.

Net Book Value

The amount at which property, plant and equipment assets are included in the balance sheet i.e. their historical cost or fair value less the cumulative amounts provided for depreciation and impairment.

Net service expenditure

Comprises of all expenditure less all income, other than income from council tax and revenue support grant, in respect of a particular service.

Non-distributed costs

Overheads for which no user now benefits and should not be apportioned to services. Costs generally included under this heading are those arising from early retirement payments to the pension fund.

10 GLOSSARY

Operating lease

A lease agreement in which substantially all of the risks and rewards of ownership of a property, plant and equipment asset remain with the lessor.

Outturn

The final total expenditure and income amount in any financial year.

Overheads

The costs of overheads and support services are charged to those services that benefit from the supply or service. 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.

Past service cost

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

Precept

The charge made by another authority on the council to finance its net expenditure. The council currently has the following precepting authorities: Hampshire County Council, Police and Crime Commissioner for Hampshire, Hampshire Fire and Rescue Authority and all the town and parish councils in the district.

Prior period adjustments

The adjustments applicable to prior years arising from the correction of material errors.

Provisions

Amounts set aside for liabilities of uncertain timing or amount that have been incurred.

10 GLOSSARY

Related parties

This is defined under Financial Reporting Standard 8. The council is required to disclose material transactions with related parties, which can include central government, subsidiary and associated companies, the Pension Fund, other councils, and chief and senior officers. IAS24 requires attention to be drawn to the possibility that the reported financial position may have been affected by the existence of related parties and by material transactions with them. Two or more parties are related parties when at any time during the financial period:

- (a) one party has direct or indirect control of the other; or
- (b) the parties are subject to common control from the same source; or
- (c) one party has influence over the financial and operational policies of the other party to the extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- (d) the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interest.

Remuneration

All sums paid to or receivable by an employee and sums due by way of expenses allowances and the money value of any other benefits received other than in cash (excludes employer pension contributions).

Reserves

The general capital and revenue balances of the council. There are two types of reserves which might be described as either available or not available to finance expenditure. Revenue reserves which result from monies being set aside or surpluses or delayed expenditure can be spent or earmarked at the discretion of the council (e.g. General Fund). The capital receipts reserve is also available to the extent allowed for by statute. However, other capital reserves are not available to meet expenditure, e.g. the capital adjustment account.

Revaluation reserve

This account includes transactions relating to the revaluation and impairment of the councils assets.

Revenue Expenditure

Day to day expenditure incurred in the provision of services including salaries and wages, transport and goods and services.

Revenue Expenditure Financed by Capital under Statute (REFCUS)

A type of capital expenditure which may be deferred but which does not give rise to tangible assets. Examples are renovation grants and disabled facilities grants (grants to private individuals and companies to improve housing standards) and capital grants to other organisations.

10 GLOSSARY

Revenue Support Grant

A historic grant that used to be paid by the government in support of the council's revenue expenditure, as part of the Formula Grant.

Section 151 Officer

Another term to describe the Statutory Chief Financial Officer of the council with responsibilities as set out in the Statement of Responsibilities for the Statement of Accounts and within Section 151 of the Local Government Act.

I | INDEPENDENT AUDITOR'S REPORT

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. The maintenance and integrity of the Hart District Council web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Communication schedule for uncorrected misstatements

Entity: Hart District Council Period Ended: 31-Mar-2021 Currency: GBP

No.	WIP ref.	Account (Note 1)	Analysis of misstatements				Effect on the current period OCI	Income statement effect of the current period	Income statement effect of the prior period
			Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current			
(misstatements are recorded as journal entries with a description)			Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit)	Debit/(Credit)	

Factual misstatements:

1		21 HDC Purchasers costs not deducted at appropriate level for two assets (Civic Centre and The Pavilion)		(66,700)					
		The Pavilion and Civic Offices NBV					66,700		
		Financing and Investment I&E							

2		Purchasers cost not deducted in PY - The Pavilion							283,000
---	--	---	--	--	--	--	--	--	---------

Projected misstatements:

		<Title of the misstatement>							
--	--	-----------------------------	--	--	--	--	--	--	--

Judgmental misstatements:

		<Title of the misstatement>							
--	--	-----------------------------	--	--	--	--	--	--	--

Total of uncorrected misstatements before income tax	0	66,700	0	0	0	0	66,700	283,000
Total of uncorrected misstatements	0	(66,700)	0	0	0	0	66,700	(283,000)
Financial statement amounts	49,759	48,914	(22,561)	(43,493)	(32,819)			
Effect of uncorrected misstatements on F/S amounts	0.0%	-13.64%	0.0%	0.0%	0.0%		0.0%	0.0%

Do not remove any categories of misstatements above, even if there are no misstatements; removing these categories may adversely affect

Memo: Total of non-taxable items (marked 'X' above)
 Uncorrected misstatements before income tax
 Less: Tax effect of misstatements at current year marginal rate
 Uncorrected misstatements in income tax
 Cumulative effect of uncorrected misstatements after tax but before turnaround
 Turnaround effect of prior period uncorrected misstatements
 All factual and projected misstatements: Judgmental misstatements (Note 3):
 Cumulative effect of uncorrected misstatements, after turnaround effect
 Current year income before tax

After tax	283,000	283,000
Before tax	(283,000)	(283,000)
	0.0%	0.0%

Emmesley. 22.3.22



Communication schedule for uncorrected misstatements

Entity: Hart District Council

Period Ended: 31-Mar-2021 Currency: GBP

No.	W/P ref.	Account (Note 1) (misstatements are recorded as journal entries with a description)	Analysis of misstatements Debit/(Credit)				Effect on the current period OCI Debit/(Credit)	Income statement effect of the prior period	
			Assets Current Debit/(Credit) (Note 2)	Assets Non-current Debit/(Credit) (Note 2)	Liabilities Current Debit/(Credit) (Note 2)	Liabilities Non-current Debit/(Credit) (Note 2)		Equity components Debit/(Credit)	Income statement effect of the prior period Debit/(Credit)

Current year income after tax

0

ENR.



Date: 22 March 2022
Our Ref: EF/saw
Telephone: 01252 622122



Ernst & Young
Grosvenor House
Grosvenor Square
Southampton
SO15 2BE

Hart District Council,
Harlington Way,
Fleet, Hampshire
GU51 4AE

Telephone: 01252 622122
www.hart.gov.uk
DX: 32632 FLEET

Dear Sirs

This letter of representations is provided in connection with your audit of the financial statements of Hart District Council ("the Council") for the year ended 31 March 2021. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of Hart District Council as of 31 March 2021 and of its income and expenditure for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and are free of material misstatements, including omissions. We have approved the financial statements.

3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.
5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the auditor because [specify reasons for not correcting misstatement].

B. Non-compliance with law and regulations, including fraud

1. **We acknowledge that we are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.**
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
 - involving financial statements;
 - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council's financial statements;
 - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's activities, its ability to continue to operate, or to avoid material penalties;
 - involving management, or employees who have significant roles in internal controls, or others; or

- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the financial statements, including those related to the COVID-19 pandemic.
3. We have made available to you all minutes of the meetings of the Council and committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: *[list date]*.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21
6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

7. From the date of our last management representation letter (25 November 2020) through the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in the financial statements all guarantees that we have given to third parties.

E. Going Concern

1. Note 7.08 to the financial statements discloses all the matters of which we are aware that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

F. Subsequent Events

1. Other than events described in Note 5.16 to the financial statements, there have been no events, including events related to the COVID-19 pandemic, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report and the Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

H. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of property, plant and equipment, investment properties, and pension liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

I. Estimates

1. We confirm that the significant judgments made in making the accounting estimates for the valuation of property, plant and equipment, investment properties, and the pension liability have taken into account all relevant information and the effects of the COVID-19 pandemic, of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the estimates.
3. We confirm that the significant assumptions used in making the estimates appropriately reflect our intent and ability to carry out any relevant course of action on behalf of the entity.
4. We confirm that the disclosures made in the financial statements with respect to the accounting estimates, including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
5. We confirm that appropriate specialized skills or expertise has been applied in making estimates.
6. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements, including due to the COVID-19 pandemic.

J. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

K. Comparative information – corresponding financial information

(i) Waste Contract Accruals - A review of the waste contract identified that two invoices had been mistreated as debtors instead of creditors and two invoices had been omitted from the accounts resulting in net expenditure within Environmental and Technical Services being understated by £929k in the comprehensive income and expenditure account. On the balance sheet, debtors were overstated by £371k and creditors understated by £558k.

(ii) Section 106 Debtor - A S106 debtor invoice had been incorrectly recognised within 2019/20 accounts where the agreement trigger point had not yet been activated. This resulted in net expenditure within Community Services being understated by £395k and debtors on the balance sheet being overstated by £395k.

The comparative amounts have been correctly restated to reflect the above matter(s) and appropriate note disclosure of this (these) restatement(s) has (have) also been included in the current year's financial statements.

Yours faithfully



Emma Foy
Head of Corporate Services and s151 Officer



(Chairman of the Audit Committee)

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HART DISTRICT COUNCIL

Opinion

We have audited the financial statements of Hart District Council for the year ended 31 March 2021 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,
- the related notes 3.01 to 3.14, 4, 5.01 to 5.17, 6.01 to 6.04, 7.01 to 7.09 and 9, and
- Collection Fund and the related notes 8.1 to 8.2.

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 2020/21.

In our opinion the financial statements:

- give a true and fair view of the financial position of Hart District Council as at 31 March 2021 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 2020/21.

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 Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (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

In auditing the financial statements, we have concluded that the Head of Corporate Services and s151 Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the authority's ability to continue as a going concern for a period of twelve months to 31 March 2023 from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Head of Corporate Services and s151 Officer with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the authority's ability to continue as a going concern.

Other information

The other information comprises the information included in the Statement of Accounts 2020/2021, other than the financial statements and our auditor's report thereon. The Head of Corporate Services and s151 Officer is responsible for the other information contained within the Statement of Accounts 2020/2021.

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

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

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- 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;
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014;
- we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have nothing to report in these respects

Responsibility of the Head of Corporate Services and s151 Officer

As explained more fully in the Statement of Responsibilities set out on page 14, the Head of Corporate Services and s151 Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Head of Corporate Services and 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the council and determined that the most significant are:

- Local Government Act 1972,
- Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992),
- Local Government Act 2003,
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018 and 2020,

- The Local Audit and Accountability Act 2014, and
- The Accounts and Audit Regulations 2015.

In addition, the council has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment legislation, tax legislation, general power of competence, procurement and health & safety.

We understood how Hart District Council is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, head of internal audit, and those charged with governance and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the council's committee minutes, through enquiry of employees to confirm council policies, and through the inspection of other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

We assessed the susceptibility of the council's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified, inappropriate capitalisation of revenue expenditure and management override of controls to be our fraud risks.

To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the council's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine. We also tested whether expenditure classified as revenue expenditure funded by capital under statute (REFCUS) was appropriately classified.

To address our fraud risk of management override of controls, in common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk. We tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any identified significant transactions that were unusual or outside the normal course of business.

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 reporting criteria issued by the Comptroller and Auditor General (C&AG) in April 2021, as to whether Hart District Council had proper arrangements for financial sustainability, governance and

improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Hart District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

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, Hart 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.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or our work on value for money arrangements.

Use of our report

This report is made solely to the members of Hart 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 Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Kevin Suter
Ernst + Young LLP

Kevin Suter (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Southampton
24 March 2022

