



Eastleigh
Borough Council
**Statement
of Accounts**
for the Financial Year
2020/21

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Financial Services Unit Eastleigh Borough Council



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NARRATIVE STATEMENT

a Introduction

The accounting statements that follow show the Council's financial performance for the year 2020-21. The style of presentation of the statement is determined by the Code of Practice on Local Authority Accounting 2020-21 that the Council is legally required to follow. The Council's accounts for the financial year 2020-21 consist of the following statements:

- **Statement of Responsibilities for the Statement of Accounts** - this statement describes the Authority's and Chief Financial Officer's responsibilities in relation to the administration of the Council's affairs.

- **The Accounting Statements prepared under International Financial Reporting Standards (IFRS)**

Movement in Reserves Statement - This statement shows the movement in the year on the different reserves held by the Council, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus or deficit on the provision of services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The net increase/decrease before transfers to earmarked reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Comprehensive Income and Expenditure Statement - This statement shows the accounting cost in the year of providing services in accordance with International Financial Reporting Standards (IFRS), rather than the amount to be funded from taxation. The Council raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The Deficit on Provision of Services is shown in the Movement in Reserves Statement.

2019-20 £'000	2020-21 £'000
(10,994) (Surplus)/Deficit on Provision of Services	(20,548)

Balance Sheet - The balance sheet shows the value as at the balance sheet date of assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held. 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. The second category are unusable reserves, which reflect equity changes which cannot be distributed. The table at the top of the following page shows the change in net worth of the balance sheet.

NARRATIVE STATEMENT

a Introduction - continued

Change in net worth in the Balance Sheet

2019-20 £'000	2020-21 £'000
59,550 Net worth in the Balance Sheet	78,469
Change in net worth in the Balance Sheet (31 March 2020 over 31 March 2021)	18,919

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

All amounts stated in this set of accounts are expressed in round thousands, unless specifically denoted as being displayed to another basis.

- **Accounting Policies** - these are the specific principles, bases, conventions, rules and practices applied by the Council in preparing and presenting the financial statements.
- **Notes to the Accounts** - these are essential notes that the reader will find of particular assistance regarding interpretation of the core financial statements.
- **Collection Fund** - this account reflects the statutory requirement for the Council (as a billing Authority) to maintain a separate Collection Fund. This shows the transactions of the Council as a billing Authority in relation to non-domestic rates and the council tax. The statements to the fund illustrate the way in which these have been distributed to preceptors and the General Fund.
- **Notes to the Collection Fund** - further explanatory information about the Collection Fund.
- **Independent auditors' report to the Members of Eastleigh Borough Council**
- **Glossary of terms**
- **Annual Governance Statement - including details on the effectiveness of the system of Internal Control** - The Accounts and Audit Regulations require the Council to conduct a review of the effectiveness of its system of internal control, and to prepare an Annual Governance Statement to be approved by the relevant authority (Audit and Resources Committee) in advance of the approval of the statement of accounts.

The preparation and publication of the Annual Governance Statement in accordance with 'Delivering Good Governance in Local Government' fulfils the statutory requirement. Readers of this Statement of Accounts will therefore find reference to the effectiveness of the system of internal control within the Annual Governance Statement for 2020-21.

NARRATIVE STATEMENT

b Net Service expenditure and related matters

The 2020-21 service expenditure is presented in the table below, highlighting interest payable and receivable, other operating costs together with income from local taxpayers and revenue grants. The service expenditure includes the effect of some IFRS transactions which are subsequently adjusted out towards the bottom of the table to produce the change in the General Fund Reserve.

2019-20 £'000 Final Outturn	Portfolio	2020-21 £'000		
		Rolling Budget	Final Outturn	Outturn Variance
(2,640)	Area Committees	680	530	150
144	Skills & Business	214	815	(601)
4,637	Environment	4,392	4,539	(147)
1,538	Health	2,464	2,475	(11)
7,613	Planning & Property	(5,439)	(6,552)	1,113
830	Social Policy	1,385	1,985	(600)
(1,214)	Transport	(986)	(428)	(558)
10,908	Net Cost of Services	2,710	3,364	(654)
5,786	Interest Payable	5,531	4,710	821
(5,737)	Interest Receivable	(5,515)	(5,785)	270
4,497	Transfers to Earmarked Reserves	6,976	17,982	(11,006)
(5,542)	Other Amount Relating to Capital and the Pension Fund	942	(75)	1,017
(6,058)	Demand on the Collection Fund	(6,110)	(6,228)	118
0	General Government Grants	0	(12,361)	12,361
(3,207)	Non Domestic Rates Distribution	(4,147)	(4,345)	198
647	Net Movement (To)/From the General Fund	387	(2,738)	3,125

Full details of the General Fund position can be found on the July 2021 Cabinet Agenda.

NARRATIVE STATEMENT

c Material assets acquired or liabilities incurred in the year

Items of capital expenditure that resulted in material additions to non-current assets in the year.

2019-20 £'000	Items of material capital expenditure that resulted in addition to non-current assets in the year 2020-21 (The amount of expenditure for the same assets is given for 2019-20)	2020-21 £'000
4,131	Horton Heath Housing	18,777
0	Strategic Land Acquisition	6,458
1,096	10-12 Romsey Road	4,857
0	Stoneham Lane Phase 5	4,169
5,289	Stoneham Lane Development	3,072
3,500	Pembers Hill Development	2,000
394	Sundays Hill Development	1,658
0	Enterprise House	1,374
801	North Stoneham Local Centre	1,036
703	3 - 7 Upper Northam Road	781
3,978	Sports Pitch Relocation Project	512
0	Land to the South of Chalcroft	400
14	Pirelli Open Spaces	314
1,273	Vehicle Replacement Programme	254
27	14 Station Hill	209
0	North Stoneham Play Area	209
180	Horton Heath Eastern Land	182
277	Redesign & Digital Business	112
148	Wheeled Bins	134
117	Black Horse House	126
242	1 Upper Northam Road	121
319	The Point	118
0	Solar Park Purchase	107
135	Fleming Park Leisure Centre	104
43	Hiltingbury Lakes	101
22,667	Total value of all material capital expenditure that resulted in non-current assets in the year	47,185

Materiality value is any project item in excess of £100,000 in the financial year 2020-21

Material revenue expenditure financed from capital under statute

Material items of capital expenditure that resulted in revenue expenditure financed by capital under statute are listed in the table below:

2019-20 £'000	Items of material capital expenditure that resulted in being written to revenue expenditure financed by capital under statute in year 2020-21 (expenditure for the same scheme given for 2019-20).	2020-21 £'000
1,292	Disabled Facility Grant	1,076
533	Wildern Swimming Pool	611
0	St Nicholas Church	111
1,825	Total value of all material capital expenditure that resulted in revenue expenditure financed by capital under statute	1,798

Materiality value is any project item in excess of £100,000 in the financial year 2020-21

Total capital expenditure, in the form of non-current assets and revenue expenditure financed by capital under statute is presented in detail at Note 44 on page 79.

NARRATIVE STATEMENT

c Material assets acquired or liabilities incurred in the year- continued

Material liabilities incurred

The trend set in previous years regarding the increase in material liabilities continued for 2020-21. The Council acquired strategic land and continued to progress a number of key schemes including the development of a number of housing sites including Kestrel Park, Pembers Hill, Fanfare Place, St Johns and Horton Heath.

Interest rates on short-term borrowing continued to be attractive during the financial year, and the Council did not undertake any new element of long-term borrowing. The table below contains relevant balance sheet information to identify the analysis of this change in relation to the increasing net liability.

31 March 2020 £'000	Overall net investment/borrowing position	Change yr on yr £'000	31 March 2021 £'000
4,254	Cash and Cash Equivalents	1,593	5,847
(134,748)	Short Term Borrowing	(18,485)	(153,233)
(350,000)	Long Term Borrowing	0	(350,000)
(480,494)	Total net investment/borrowing position	(16,892)	(497,386)

d Pensions liability

Significance of pensions liability - Under the requirements of International Financial Reporting Standard IAS 19 (as revised for accounting periods commencing on or after 1 January 2013), costs of services delivered by the Council are restated to include an actuarially assessed cost of the increased liability falling upon the Council in respect of pensions under the Local Government Pension Scheme, as opposed to the actual employer contributions paid during the year in accordance with the scheme.

Adjustments are made to the cost of services in the Comprehensive Income & Expenditure Statement to ensure that the impact on council tax is neutral. The requirements are linked to the Pension scheme's assets and liabilities, offset by a Pension Reserve.

At 31 March 2021 there was a pension liability with a corresponding negative Pension Reserve. This pension liability is the difference between the value at 31 March 2021 of the scheme's assets (investments and other items) attributable to the Council and the present value of the liabilities relating to pensions for Council employees (past and present).

31 March 2020 £'000	Pension liability	Change yr on yr £'000	31 March 2021 £'000
(57,518)	Net liability related to defined benefit pension scheme	(11,282)	(68,800)

NARRATIVE STATEMENT

e Material charges/credits in the accounts

For the year 2020-21 there were material/unusual charges within the accounts. These charges relate to the additional Section 31 grant income from Government to support Business Rate losses from the additional reliefs given to businesses.

f Significant changes in accounting policies

There are no changes to accounting policies for 2020-21.

g Major change in statutory functions

The Council has not been affected by a change in statutory function during the financial year 2020-21.

NARRATIVE STATEMENT

h Current borrowing facilities and capital borrowing

The table below shows the changes relating to capital expenditure incurred that is financed by borrowing, net of revenue provisions calculated in accordance with the Council's policy for the financial year.

2019-20 £'000	Changes made to borrowing as defined by the Prudential Code	2020-21 £'000
476,799	Accumulated Prudential Code debt outstanding at the beginning of the year	491,800
	<u>Transactions in the year:</u>	
19,374	Capital expenditure funded by borrowing	34,065
(4,373)	Minimum revenue provision	(5,055)
	- Adjustment regarding discharge of liability related to IFRIC 12	-
491,800	Prudential Code debt outstanding at the end of the financial year	520,810

Borrowing has increased at 31 March 2021 when compared to 31 March 2020. The table below shows the borrowing at the end of the year 2020-21 compared to the position at the end of the previous financial year.

31 March 2020 £'000	Borrowing	31 March 2021 £'000
(134,748)	Short-term borrowing	(153,233)
(350,000)	Long-term borrowing	(350,000)
(484,748)	Total of all current borrowing	(503,233)

The information in the above table relates only to borrowing, and this information can additionally be identified in the context of net-borrowing within the table at "c" on page 5.

NARRATIVE STATEMENT

i Internal & external sources of funds for capital expenditure

The resources applied to finance the year's capital expenditure fully accord to the equivalent value of the year's expenditure. The table below gives a brief analysis of the resources applied.

2019-20 £'000	Internal & external sources of funds for capital expenditure	2020-21 £'000
34,278	Capital expenditure resulting in the creation of non-current assets	48,942
2,625	Revenue expenditure funded from capital under statute (This forms part of the deficit on the Comprehensive Income and Expenditure Statement at page 12)	2,360
36,903	Total capital expenditure in the year	51,302
	Resources applied to finance capital expenditure incurred in the year	
	<u>External resources</u>	
7,387	Grants	13,778
1,151	Developers' contributions	1,420
	<u>Internal resources</u>	
7,820	Capital receipts	262
1,171	Revenue contribution to capital	1,777
17,529	Total of all resources applied to finance capital expenditure	17,237
19,374	Use of prudential code borrowing to finance specific element of the capital expenditure	34,065
36,903	Total capital expenditure in the year	51,302

j Significant provisions, contingencies and material write-offs

The Council has one significant provision as at 31 March 2021 in relation to appeals for National Non-Domestic Rating. This provision is specifically highlighted at note 27 on page 61.

NARRATIVE STATEMENT

k Material events after the reporting date

These accounts for 2020-21 were authorised by the Chief Financial Officer for issue on 12 January 2022. See note 54 page 88 regarding the events which occur after the balance sheet date.

l Impact of the current economic climate

The Council continues to make appropriate budget plans to cope with economic conditions in the knowledge that future funding is uncertain.

Due the current COVID-19 pandemic the Council is operating in unprecedented and very uncertain times it should be noted that additional Reserves and Bad Debt provisions have been included within these accounts to help mitigate any future impacts.

There are significant financial implications arising from the Covid-19 pandemic which need to be estimated and monitored. Whilst restrictions on normal life continue to be eased and estimates are becoming more accurate it is not possible to be certain on the financial impact either on the Council or the wider community.

Current forecasts demonstrate the Council can maintain the target General Fund Reserve balance and continue to operate all services at the same level as before COVID-19 (where restrictions allow).

A full Medium Term Financial Plan and COVID business update was presented to Cabinet in July 2021 and can be found on the link below.

<https://meetings.eastleigh.gov.uk/ieListDocuments.aspx?CId=254&MId=6603&Ver=4>

Regular updates are being presented to Council throughout the year and all reports can be found using the link below;

<https://meetings.eastleigh.gov.uk/ieListMeetings.aspx?CId=254&Year=0>

The Council recognises, however, that its ability to continue to operate as a going concern and maintain the level of service provision assumed by the Medium-Term Financial Plan continues to rely on both its ability to refinance existing debt, and its ability to borrow further. Considering this, there remain material uncertainties that cast significant doubt upon the Council's forecasts which could require an increase in planned income or a reduction in costs to ensure all services levels are maintained. Further detail of management's going concern assessment is set out in Note 1.01 to the financial statements.

m Future events

There are no significant events that the Council will enter into after the balance sheet date. See Note 54 on page 88 regarding events after the balance sheet date.

n Prior period adjustment

These accounts do not contain any prior period adjustments.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required to:

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

The Chief Financial Officer's 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 Chief Financial Officer has also:

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

I certify that the Statement of Accounts gives a true and fair view of the financial position of Eastleigh Borough Council and its income and expenditure for the year ended 31 March 2021.

Sarah King CPFA

Chief Financial Officer

Date: 12 January 2022

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The (surplus) or deficit on the provision of services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The net increase/decrease before transfers to earmarked reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Movement in reserves for 2019-20	General Fund Balance £'000	Earmarked GF Reserves £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
Balance @ 31 March 2019	(1,995)	(17,619)	(12,077)	(31,691)	(18,802)	(50,493)
(Surplus)/Deficit on provision of services	(10,994)	-	-	(10,994)	-	(10,994)
Other Comprehensive Expenditure and Income	-	-	-	-	1,937	1,937
Total Comprehensive Income and Expenditure	(10,994)	-	-	(10,994)	1,937	(9,057)
Adjustments between accounting basis and funding basis under regulations See Note 7 on page 43	7,424	-	(51)	7,373	(7,373)	-
Net (increase) before transfers to earmarked reserves	(3,570)	-	(51)	(3,621)	(5,436)	(9,057)
Transfers to/(from) Earmarked Reserves - See Note 8 Page 45	4,497	(4,497)	-	-	-	-
(Increase)/Decrease in year	927	(4,497)	(51)	(3,621)	(5,436)	(9,057)
Balance @ 31 March 2020	(1,068)	(22,116)	(12,128)	(35,312)	(24,238)	(59,550)
Movement in reserves for 2020-21						
(Surplus)/Deficit on provision of services	(20,548)	-	-	(20,548)	-	(20,548)
Other Comprehensive Expenditure and Income	-	-	-	-	1,629	1,629
Total Comprehensive Income and Expenditure	(20,548)	-	-	(20,548)	1,629	(18,919)
Adjustments between accounting basis and funding basis under regulations See Note 7 on page 41	(172)	-	191	19	(19)	-
Net (increase) before transfers to earmarked reserves	(20,720)	-	191	(20,529)	1,610	(18,919)
Transfers to/(from) Earmarked Reserves - See Note 8 Page 45	17,982	(17,982)	-	-	-	-
(Increase)/Decrease in year	(2,738)	(17,982)	191	(20,529)	1,610	(18,919)
Balance @ 31 March 2021	(3,806)	(40,098)	(11,937)	(55,841)	(22,628)	(78,469)

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2019-20			2020-21			
Gross Exp £'000	Gross Income £'000	Net Exp £'000	Portfolio	Gross Exp £'000	Gross Income £'000	Net Exp £'000
2,194	(4,834)	(2,640)	Area Committees	2,377	(1,847)	530
1,676	(1,532)	144	Skills & Business	1,631	(816)	815
11,667	(7,030)	4,637	Environment	14,636	(10,097)	4,539
4,142	(2,604)	1,538	Health	7,345	(4,870)	2,475
25,893	(18,280)	7,613	Planning & Property	28,766	(35,318)	(6,552)
23,020	(22,190)	830	Social Policy	24,096	(22,111)	1,985
4,520	(5,734)	(1,214)	Transport	2,334	(2,762)	(428)
73,112	(62,204)	10,908	Cost of services - continuing operations	81,185	(77,821)	3,364
			Other Operating Expenditure			
3,193	-		Precepts of local precepting authorities	3,344	-	
-	(7,871)		(Gain)/Loss on the disposal of Property, Plant & Equipment	275	-	
3,193	(7,871)			3,619	-	
		(4,678)	Total Other Operating Expenditure			3,619
			Financing and investment income and expenditure			
5,627	(6,911)		(Income) and Expenditure in relation to Investment Properties and changes in their fair value	2,161	(15,562)	
-	342		(Income) and Expenditure in relation to Pooled Investment Funds	66	-	
-	(4,348)		Housing Debtor Revaluation	-	(1,898)	
5,786	(5,737)		Interest payable/(receivable) and similar charges	4,710	(5,785)	
1,228	-		Pensions interest cost and expected return on pensions assets	1,292	-	
12,641	(16,654)			8,229	(23,245)	
		(4,013)	Total Financing and Investment Income and Exp			(15,016)
			Taxation and Non-Specific Grant Income			
-	(9,871)		Demand on Collection Fund	-	1,676	
-	(1,639)		General revenue grants(inc S31)	-	(12,369)	
-	(23,186)		Business Rates allocation	-	(24,024)	
19,933	-		Business Rates tariff	20,258	-	
-	1,552		Business Rates Levy	-	1,944	
19,933	(33,144)			20,258	(32,773)	
		(13,211)	Total Taxation and Non-Specific Grant Income			(12,515)
		(10,994)	(Surplus)/Deficit on Provision of Services			(20,548)
			Above balance transferred to the next page			

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2019-20			2020-21		
Gross Exp £'000	Gross Income £'000	Net Exp £'000	Gross Exp £'000	Gross Income £'000	Net Exp £'000
		<u>(10,994)</u>			<u>(20,548)</u>
		Deficit on Provision of Services transferred from previous page			
		(2,894)			(5,751)
		Net (gains)/losses on the revaluation of Property, Plant and Equipment			
		3,081			0
		Net (gains)/losses on the Fair Value of Investments			
		1,750			7,380
		Actuarial (gains)/losses on pension fund assets and liabilities			
		<u>1,937</u>			<u>1,629</u>
		Other comprehensive income and expenditure			
		<u>(9,057)</u>			<u>(18,919)</u>
		Total Comprehensive Income and Expenditure			Total Comprehensive Income and Expenditure

BALANCE SHEET

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

@ 31 March 2020	Balance Sheet	@ 31 March 2021	
£'000		£'000	Notes
232,201	Property, Plant & Equipment	243,394	9
902	Heritage Assets	939	10
87,252	Investment Property	107,355	12
1,974	Intangible Assets	1,772	14
42,851	Finance Lease Asset	42,850	15
32,104	Long-term Investments	34,038	16 & 21
75,386	Long Term Debtors	84,746	18
472,670	Long Term Assets	515,094	
106,888	Inventories	126,495	22
26,108	Short Term Debtors	43,348	23
32,500	Short Term Investments	24,000	16
4,254	Cash and Cash Equivalents	5,847	24
169,750	Current Assets	199,690	
(134,748)	Short Term Borrowing	(153,233)	25
(21,647)	Short Term Creditors	(44,068)	26
(2,820)	Provisions	(2,156)	27
(159,215)	Current Liabilities	(199,457)	
(350,000)	Long Term Borrowing	(350,000)	28
(16,137)	Capital Grants Receipts in Advance	(18,058)	29
(57,518)	Net liability related to defined benefit pension scheme	(68,800)	31e
(423,655)	Long Term Liabilities	(436,858)	
59,550	Net Assets	78,469	

BALANCE SHEET

@ 31 March 2020	Balance Sheet	@ 31 March 2021	Notes
£'000		£'000	
1,068	General Fund Balance	3,806	-
22,116	Earmarked reserves	40,098	8
12,128	Capital receipts reserve	11,937	30
35,312	Usable Reserves	55,841	
(2,561)	Capital Adjustment Account	15,914	31c
1,270	Collection Fund Adjustment Account	(12,491)	31f
(175)	Accumulated Absences Account	(175)	
42,847	Deferred Capital Receipts Reserve	42,847	31d
41,156	Revaluation Reserve	46,180	31a
(781)	Pooled Investment Fund Adjustment A/C	(847)	21
(57,518)	Pensions Reserve	(68,800)	31e
24,238	Unusable Reserves	22,628	
59,550	Total Reserves	78,469	

Sarah King CPFA

Chief Financial Officer

Date: 12 January 2022

CASH FLOW STATEMENT

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

2019-20	2020-21
£'000	£'000
(10,994) Net (surplus) or deficit on the provision of services	(20,548)
7,039 Adjust net (surplus) or deficit on the provision of services for non cash movements - see Note 35 on page 68	(21,764)
(49) Adjust for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities - see Note 32 on page 67.	1,075
(4,004) Net cash flows from Operating Activities	(41,237)
48,383 Investing Activities - see Note 33 on page 67	41,638
(43,600) Financing Activities - see Note 34 on page 67	(1,993)
779 Net (increase) or decrease in cash and cash equivalents	(1,592)
5,033 Cash and cash equivalents at the beginning of the reporting period	4,254
4,254 Cash and cash equivalents at the end of the reporting period	5,847
(779) Increase/(Decrease) in cash and cash equivalents	1,593

Accounting Policies for application in the year 2020-21**1.00 Reporting Entity**

Eastleigh Borough Council is a Local Authority governed by the Local Government Act 1972. For the purposes of financial reporting Eastleigh Borough Council is a public body.

1.01 Basis of Preparation and Going Concern

The financial statements have been prepared in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom, which includes the requirement to comply with International Financial Reporting Standards (IFRS) or their adaptation and applicability for a Local Authority.

The measurement basis applied is historical cost, modified by the revaluation of certain assets and liabilities as identified in this summary of significant accounting policies. The accrual basis of accounting has been used unless otherwise stated. The reporting period for these financial statements is the year ended 31 March 2021.

The financial statements are presented in UK Sterling, rounded to the nearest thousand, unless otherwise stated.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

Going Concern

These accounts have been prepared on a going concern basis, assuming that that the Council will continue in operational existence for the period to March 2023.

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. If an authority were in financial difficulty, the prospects are thus that alternative arrangements would 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.

Unlike when setting the 2020/21 budget, the 2021/22 budget and Medium Term Financial plan set in February 2021, recognises the estimated impact of Covid-19 for 2021/21 and into the future. During 2020/21 and 2021/22, the Council has forecast it will incur approximately £2.9M of additional expenditure and income is forecast to reduce by approximately £6.65M due to the closure of services such as leisure facilities and parking. There is continued uncertainty over how quickly and to what extent income streams will return. As at June 2021 the collection rate of Property rents that were due to be paid in 2020/21 stood at 72%. The rate of collection for income due in 2021/22 stands at 88% as at November 2021. This continues to be reviewed weekly by the Council and outstanding debt now has revised payment plans in place. To mitigate against any future pressures additional provisions have been raised within the medium-term financial plan for unpaid debt and property costs totalling £3.6M, with further usable reserves of £16.8M available should the level of losses exceed this amount

The Council has to date credited £4.8M to services from Government as grant funding towards the cost of Covid-19. The Council has already made plans to make some service areas that were closed more sustainable in the future. Further applications were made to the Government Fees & Charges funding scheme which has now repaid approximately £2M in lost income. The Medium-Term Financial Plan is now updated quarterly to ensure the ongoing situation is monitored and any known impacts are reflected in forecasts. This ensures that any mitigation steps can be taken early should they be required.

The Council had a cash balance of £8.3M at the end of November 2021, similar to the 31 March 2021 year-end figure of £7.6M. The Council also had £24m in money market funds available the same day. Although the extent and duration of income losses brought about by the impact of Covid-19 remains inherently uncertain, for example new variants of Covid-19 could lead to a return to lockdown conditions, there is more certainty than in the prior year given the widespread take-up and success of the Covid-19 vaccination programme in the UK, a further years' experience of actual income losses brought about by Covid-19 and the successful agreement of rent deferral arrangements

Continued

17

Going Concern - Continued

with the Council's most significant commercial income debtors in 2021/22. The Council therefore has no concerns that

continued reductions in income brought about by Covid-19 could lead to it having insufficient cash to support planned service provision through the period to 31 March 2023.

As at the balance sheet date the Council held short term borrowing of £153M. By definition this will need to be either repaid or re-financed in 2021/22, with any replacement or new short term borrowing also potentially needing to also be re-financed in the 2021/22 or 2022/23 financial years. Now, over a year on from the start of the pandemic the previous uncertainty over the Council's ability to do this in 2020/21 has not materialised as there remains significant available cash within the local authority to local authority borrowing market. However, there remains a risk that available cash in the local authority to local authority market may become more constrained this is expected to continue to be the case for the foreseeable future. Should the Council be unable to borrow from other local authorities the option to borrow from the Public Works Loan Board (PWLB) remains. Any additional borrowing entered into with either the Local Government sector or PWLB will incur additional interest costs, but with budgets set in-line with specialist advice the Council is confident any impact of borrowing costs can be funded. It is important to note that recent rules regarding borrowing from the PWLB relating to borrowing purely for commercial yield are unlikely to impact the Council's ability to access funds from the PWLB. This is because the Council has decided, considering both revised PWLB eligibility rules and the ongoing impact of Covid 19 on some commercial investments, that it will not borrow primarily for yield either inside or outside of the Borough. On this basis the Council is satisfied that funding for significant planned capital schemes for which borrowing is initially anticipated to be short-term, for example the One Horton Heath development, could be readily converted to long-term fixed rate borrowing should the need to do so arise in the future to reduce the Council's exposure to interest rate and re-financing risks.

The Council recognises that its level of total borrowing at the balance sheet date is close to its approved borrowing limit with further borrowing anticipated by the end of the cash flow forecasting period. There is therefore a risk that it may be unable to enter into additional borrowing and/or keep within its current approved borrowing limit. However, based on the Council's projections, sufficient headroom will be maintained between the forecast level of total borrowing and the forecast approved borrowing limit up to the end of the cashflow forecast period. The Council reassesses and determines its approved borrowing limit at least twice annually considering approved capital expenditure and Prudential Indicators, with the latest revision approved in July 2021. As set out above the Council plans to maintain a balanced revenue budget and at least its stated minimum level of General Fund balance of £1m, together with further usable earmarked reserves of £16.8M. Any further borrowing entered into is therefore expected to be linked to assets on the Council's balance sheet rather than to finance revenue cost pressures. Despite this, the Council recognises it would be unable to stay liquid for the period to 31 March 2023 if it is not able to refinance short term borrowing due for repayment, or enter into further borrowing to support planned capital developments.

Despite the impact of Covid-19 the financial position of the Council has remained sound to date. In February 2021 a detailed report to update the Medium-Term Financial Plan was published showing the Council forecasts it can maintain a General Fund position over the next 5 years at target levels. Considering this, and the other mitigations set out above, the Council is confident that it will be able to maintain its current level of service provision, and the Medium-Term Financial Plan is predicated on this assumption. The Council recognises, however, that its ability to do this and maintain the level of service provision assumed by the Medium-Term Financial Plan continues to rely on both its ability to refinance existing debt, and its ability to borrow further. Therefore a material uncertainty exists that may cast significant doubt upon the Council's forecasts which could require an increase in planned income or a reduction in costs to ensure all services levels are maintained. No adjustments have been made in the financial statements to the carrying value of assets should funding not be forthcoming.

1.02 Judgements and estimations

The preparation of financial statements in conformity with the Code of Practice on Local Authority Accounting in the United Kingdom incorporating IFRS requirements requires judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Where material, information on the major assumptions is provided in the relevant accounting policy or in the relevant note.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Subsequent actual results may differ from these estimates.

1.02 Judgements and estimations - Continued

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised when the revision affects only that period. If the revision affects both current and future periods, it is reflected in the respective period to which it relates. Judgements that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the relevant notes.

1.03 General Principles

The Statement of Accounts summarises the Council's transactions for the 2020-21 financial year and its position at the year-end of 31 March 2021. The Authority is required to prepare an annual statement of accounts by the Accounts and Audit regulations, which those regulations require to be prepared in accordance with proper accounting practices.

These practices primarily comprise; the Code of Practice on Local Authority Accounting in the United Kingdom and the Service Reporting Code of Practice supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

1.04 Accruals of Income and Expenditure

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

Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.

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 stocks on the balance sheet where the items purchased are of a material nature.

Capital works are added as a Non Current Asset when they are completed, before which they are carried as assets under construction on the balance sheet.

Interest payable on borrowings and receivable on investments is accounted for in the year, to which it relates, on a basis that reflects the overall effect of the loan or investment. Interest accruals are an integral part of the carrying amount of financial instruments.

Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Income and expenditure are credited and debited to the relevant service revenue account, unless they properly represent capital receipts or capital expenditure.

1.05 Foreign Currency Translation

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

1.06 Cash and Cash Equivalents

The Council treats the following as Cash and Cash Equivalents:

- Instant Access Call Accounts
- Instant Access Short Term Funds
- Deposits with one day to maturity

The Council treats the following as Investments:

- Notice Call Accounts
- Term Deposits with more than 1 day to maturity
- Certificates of Deposit
- Bonds

The treatment will be determined on the following basis:

- The portfolio, or any proportion thereof, shall be treated as an Investment where the mandate states that settlement is greater than one day, or where the underlying investments can only be settled in greater than one day, or where the underlying investments are exposed to risk of significant change in capital value.
- The portfolio, or any proportion thereof, shall be treated as Cash or Cash Equivalent where the mandate states that settlement is one day or less, and where the underlying investments can be settled in one day or less, and where the underlying investments are not exposed to risk of significant change in capital value.

1.07 Exceptional Items

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

1.08 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

1.08 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

1.09 Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

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

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. 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 authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the Minimum Revenue Provision (MRP) contribution in the General Fund Balance.

1.10 Employee Benefits

An accrual for employee benefits (holiday leave, flexible hours entitlement leave and time off in lieu) is recognised as a liability when benefits are earned but not paid. Holiday leave, flexible hours entitlement leave and time off in lieu is calculated on an actual entitlement basis at the current hourly earnings.

Long-service compensated absences such as long service leave or sabbatical leave, long service benefits and long-term disability benefits are calculated on an actuarial basis based on the likely future entitlements accruing to staff, after taking into account years of service, years to entitlement, the likelihood that staff will reach the point of entitlement, and other contractual entitlements information. Such matters are only accrued into the accounts where the individual entitlement amount exceeds £10,000. Where applicable, the present value of the estimated future cash flows is calculated using an inflation factor and a discount rate. The inflation rate used is the annual Consumer Price Index. The discount rate used is based on yields on high quality corporate bonds.

1.10 Employee Benefits- continued

Termination benefits (where applicable) are recognised in the Comprehensive Income & Expenditure Statement only when there is a demonstrable commitment to either terminate employment prior to normal retirement date or to provide such benefits as a result of an offer to encourage voluntary non-occupancy of a post. Recognition of a capitalisation direction is observed if circumstances are applicable.

1.11 Events after the Balance Sheet date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the statement of accounts is authorised for issue. Two types of events can be identified.

- Those that provide evidence of conditions that existed at the end of the reporting period – the statement of accounts is adjusted to reflect such events.

- Those that are indicative of conditions that arose after the end of the reporting period – the statement of accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect. Events taking place after the date of authorisation for issue are not reflected in the statement of accounts.

1.12 Financial InstrumentsFinancial Liabilities

Financial liabilities are recognised on the balance sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the balance sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the amount written down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

The Council has no plans to repay any of its borrowings before the agreed settlement date.

1.12 Financial Instruments- continued

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial assets

Financial assets are measured in two ways:

- (i) Amortised cost - assets whose contractual terms are basic lending arrangements (i.e., they give rise on specified dates to cashflows that are solely payments of principal or interest on the principal amount
- (ii) Fair value - all other financial assets

Amortised cost assets are measured in the Balance Sheet at the outstanding principal repayable (plus accrued interest). Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) are based on the carrying amount of the asset, multiplied by the effective rate of interest for the instrument.

Allowances for impairment losses have been calculated for amortised cost assets, applying the expected credit losses model, see note 19. Changes in these allowances are debited/credited to the Financing and Investment Income and Expenditure line in the CIES

Local Authorities are required to follow the fair value hierarchy under IFRS13. This hierarchy categorises into three levels the inputs to valuation techniques used to measure the fair value, these include;

Level 1 - quoted prices in active markets for identical assets or liabilities

Level 2 - inputs other than quoted prices that are observable for the asset or liability

Level 3 - unobservable inputs for the asset or liability

Fair values are shown in note 19, split by their level in the fair value hierarchy

Changes in the value of assets carried at fair value (described as fair value through Profit and Loss) are debited/credited to the Financing and Investment Income and Expenditure in the CIES as they arise.

There is a statutory override in place that ensures that any gains or losses in the Council's CCLA property fund investment do not affect the General Fund Balance. These movements are instead reversed out of the CIES and to the Pooled Investment Funds Adjustment Account, within Unusable Reserves in the Balance Sheet.

1.12 Financial Instruments- continued

Assets are maintained in the balance sheet at fair value. Values are based on the following principles:

- (i) instruments with quoted market prices - the market price
- (ii) other instruments with fixed and determinable payments - discounted cash flow analysis
- (iii) equity shares with no quoted market prices - independent appraisal of company valuations

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain / loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

Instruments Entered Into Before 1 April 2006

The Council entered into a number of financial guarantees that are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts to the extent that provisions might be required or a contingent liability note is needed under the policies set out in the section on Provisions, Contingent Liabilities and Contingent Assets.

1.13 Revenue Grants and Contributions

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

- the Council will comply with the conditions attached to the payments and
- the grants/contributions will be received.

1.13 Revenue Grants and Contributions- continued

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant / contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant/contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor. Monies advanced as grants / contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant / contribution is credited to the relevant Service line or Taxation and Non-Specific Grant income 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 once they have been applied to finance capital expenditure. The Council recognises that Area Based Grant is a non-ring fenced grant, and no conditions on its use are imposed as part of the grant determination. This allows for full local control over how the funding can be used.

1.14 Intangible Assets

Intangible assets comprise of purchased licenses and internally created computer software which has a finite life and is initially recorded at cost less any amortisation and impairment losses. Amortisation is charged to the Comprehensive Income & Expenditure Statement on a straight-line basis over the useful life of the intangible asset. Realised gains and losses arising from disposal of intangible assets are recognised in the Comprehensive Income & Expenditure Statement in the period in which the transaction occurs. Intangible assets are reviewed at least annually to determine if there is any indication of impairment. Where an intangible asset's recoverable amount is less than its carrying amount, it will be reported at its recoverable amount and an impairment loss will be recognised. Losses resulting from impairment are reported in the Comprehensive Income & Expenditure Statement.

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. A common useful economic life applied to software is ten years, however this is reviewed as part of the annual asset verification process.

1.15 Inventories (Stocks)

Inventories are measured at the lower of cost and net realisable value, except where inventories are acquired through a non-exchange basis in which case their cost is deemed to be fair value at the date of acquisition. Inventories are also measured at the lower of cost and current replacement cost where they are held for distribution at no charge or for a nominal charge; or consumption in the production process of goods to be distributed at no charge or for a nominal charge. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In this context inventories do not include work in progress under construction contracts and financial instruments.

1.16 Investment Property

Investment properties are properties which are held solely to earn rental income, for capital appreciation or for both. Investment properties exclude those properties held for strategic purposes or to provide a community service, including those which generate cash inflows where the rental revenue is incidental to the purpose for holding the property.

Investment properties are measured initially at cost and subsequently measured at fair value as determined annually by a registered valuer. The fair value is determined based on quoted market prices and is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Any gain or loss arising from a change in fair value is recognised in the Comprehensive Income & Expenditure Statement. Investment properties are not depreciated. A property interest under a finance lease is classified and accounted for as an investment property on a property-by-property basis when the Council holds it to earn rentals or for capital appreciation or both. Any such property interest under a finance lease classified as an investment property is carried at fair value.

1.17 Overheads

Where appropriate or required by statute the costs of overheads are charged to those services that benefit from the supply or service in accordance with the principles of the most current CIPFA Service Reporting Code of Practice. The total absorption costing principle is used - the full cost of overheads 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.

These two cost categories are combined in the Comprehensive Income and Expenditure Statement as part of Cost of Services – continuing operations.

1.18 Value Added Tax (VAT)

Income and expenditure in the Comprehensive Income and Expenditure Statement excludes any amounts related to value added tax, as generally all VAT paid is recoverable and all VAT receivable is passed over to HM Revenue & Customs. Value added tax is only included in the Comprehensive Income and Expenditure Statement whether capital or revenue in nature to the extent that it is irrecoverable.

1.19 Non-Current Assets - Property, Plant and Equipment

The council has accounted for property, plant and equipment in accordance with IAS 16, except where interpretations or adaptations to fit the public sector are detailed in the Code of Practice on Local Authority Accounting in the United Kingdom.

Property, plant and equipment are tangible assets that are held in the production or supply of goods or services, for rental to others, or for administrative purposes, and are used during more than one period. A class of property, plant and equipment is a grouping of assets of a similar nature and use in an entity's operations.

1.19 Non-Current Assets - Property, Plant and Equipment- continued

The following are classes adopted by the Council:

- (a) Land & Buildings (excludes investment properties)
- (b) Community Assets
- (c) Infrastructure Assets
- (d) Vehicles, Plant & Equipment and Play Areas
- (e) Assets Under Construction

Recognition and initial measurement

An asset is recognised if the future economic benefits or service potential associated with the item will flow to the Council and if the cost of the item can be measured reliably. Such costs include those that relate to acquisition and construction, and costs incurred subsequently to enhance, replace part of, or service the asset.

Property, plant and equipment assets are initially measured at historic cost and capitalised on an accruals basis. The measurement of cost is made up of the purchase price, any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Where property, plant and equipment are held by the council under a finance lease, they are treated as Council assets and are recognised on the Council's balance sheet.

Donated assets

Donated assets are assets transferred at nil value or acquired at less than fair value. They are recognised at fair value as an asset on the balance sheet.

Measurement after recognition

Infrastructure, community assets and assets under construction (excluding investment property) are measured at historic cost. All other classes of asset are measured at fair value, with the exception of non-property assets, that have short lives or low values (or both), and these are valued using a depreciated historical cost basis.

Classes of assets whose fair value can be measured reliably, such as land and buildings, are carried at a re-valued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and accumulated impairment. The carrying amount of an asset can be either increased or decreased as a result of revaluation.

Revaluations (increase)

Increases in valuation are recognised in the Revaluation Reserve, unless the increase is reversing a previous impairment loss charged to Surplus or Deficit on the provision of Services on the same asset or reversing a previous revaluation decrease charged to the Surplus or Deficit on the provision of Services on the same asset.

1.19 Non-Current Assets - Property, Plant and Equipment- continued

Revaluations (decrease)

Decreases in valuation i.e. a significant decline in an asset's carrying amount during the period that is not specific to the asset (as opposed to an impairment) the decrease is recognised in the Revaluation Reserve up to the credit balance existing in respect of the asset (i.e. up to its historical cost) and thereafter in Surplus or Deficit on the Provision of Services. The valuation of property assets is undertaken every five years by professionally qualified valuers.

The result of any revaluation of the Council's property, plant and equipment is credited or debited to the asset revaluation reserve for that class of property, plant and equipment. Where this results in a debit balance in the reserve for a class of property, plant and equipment, the balance is expensed in the Comprehensive Income & Expenditure Statement. Any subsequent increase on revaluation that off-sets a previous decrease in value recognised in the Comprehensive Income & Expenditure Statement will be recognised firstly, in the Comprehensive Income & Expenditure Statement up to the amount previously expensed, and then secondly credited to the revaluation reserve for that class of property, plant and equipment. Accumulated depreciation at revaluation date is eliminated against the gross carrying amount so that the carrying amount after revaluation equals the revalued amount.

Impairment

The carrying amounts of property, plant and equipment are reviewed at least annually to determine if there is any indication of impairment. Where an asset's recoverable amount is less than its carrying amount, it will be reported at its recoverable amount and an impairment loss will be recognised. The recoverable amount is the higher of an item's fair value less costs to sell and value in use. Losses resulting from impairment are reported in the Comprehensive Income & Expenditure Statement, unless the asset is carried at a revalued amount in which case any impairment loss is treated as a revaluation decrease.

Depreciation

Depreciation is provided on all property, plant and equipment, with certain exceptions. The exceptions are land, restricted assets other than buildings, and assets under construction. Depreciation is charged to General Fund service revenue accounts, central support services and trading accounts. It does not amount to a proper charge to the General Fund and such amounts are transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement. On a re-valued asset, a transfer between the Revaluation Reserve and Capital Adjustment Account is made which represents the difference between depreciation based on the re-valued carrying amount of the asset and the depreciation based on the asset's historical cost. The Council's policy is disclosed in the table below:

Depreciation - Amortisation periods

Non-current asset classification	Years	%	Depreciation method
Buildings, community, infrastructure	-	2	reducing balance
Land	-	-	not depreciated
Vehicles	7	-	straight line
Playgrounds	10	-	straight line
Plant and equipment	3 - 25	-	straight line
Assets under construction	-	-	not depreciated
Waste receptacles	-	10	reducing balance

1.19 Non-Current Assets - Property, Plant and Equipment- continued**Depreciation - Components**

Where a significant item of PPE (value over £1 million) has major components (over 20% of total value) with different estimated useful lives, these are depreciated separately.

Reclassification (Order of Events)

When assets are reclassified the accounting entries occur in the following sequence: Depreciate the asset (based on brought forward balances); Add any additions (enhancements etc.); Separate into components (if required); Re-value (using old category method); Reclassify (to new category by derecognising from old category and recognising in new category); Re-value again (using new category method).

Disposals and derecognition

The carrying amount of an item of property, plant and equipment is derecognised either when the asset is disposed of, or when there is no future economic benefit or service potential expected from its use or disposal. The gain or loss arising from derecognition of an asset is the difference between the net disposal proceeds, if any, and the carrying amount of the asset. The gain or loss arising from derecognition of an asset is included in Surplus or Deficit on the Provision of Services when the item is derecognised.

Fair Value

Fair value is the price which is considered the highest and best use 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. This concept means that it is necessary to consider whether a higher value exists for alternative configuration or uses. In considering the various alternative options IFRS13 requires that such uses must be: physically possible, legally permissible and financially feasible.

1.20 Heritage Assets

The Council's heritage assets refer to an array of items, the most financially significant of which relates to civic regalia. All of these heritage assets have been reclassified from community assets (previously listed on the balance sheet as an element within Property, Plant & Equipment). Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets mainly for the reason that obtaining valuation could prove to be cost prohibitive.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment. If it is agreed to dispose of any heritage assets the proceeds are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts. Depreciation is not generally calculated on heritage assets as thorough care and maintenance ensures that these items have a continued life duration.

1.20 **Heritage Assets - continued**

The Council's holds two types of heritage asset:

Civic regalia

A large collection of items related to civic matters

Public Art

A number of pieces of Public Art at Various locations across the Borough. These include items such as the War Memorial in Leigh Road Park and "Howzat" Cricket Stumps at the Ageas Bowl Cricket Ground.

All heritage assets are tangible and are listed on the Council's balance sheet as at 31st March of each relevant financial year published.

The Council's Public Arts Strategy provides a full list of heritage assets, including their condition, commissioned artist, location and maintenance plan. Visual inspection is provided on a regular basis by Streetscene and the Public Arts Officer. All items located in the open air are accessible to the public, and some civic regalia items can normally be viewed and inspected within the Council's main civic office.

1.21 **Non-Current Assets Classified as Held For Sale**

Non-current assets are separately classified where their carrying amount will be recovered through a sale transaction rather than through continuing use.

A non-current asset is classified as held for sale where:

- The asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets,
- A plan to sell the asset is in place, and an active programme to locate a buyer and complete the plan has been initiated,
- The asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value,

- The sale is expected to qualify for recognition as a sale within one year from the date of classification or beyond one year where a delay has occurred which is caused by events beyond the Council's control and there is sufficient evidence that the Group remains committed to its plan to sell the asset, and
- Actions required to complete the plan to sell the asset indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

A non-current asset classified as held for sale is recognised at the lower of its carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale are included in the Comprehensive Income & Expenditure Statement.

Fair value is determined by market value. The market value of a property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

1.22 Provisions, Contingent Liabilities and Assets**Provisions**

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. They are measured at the best estimate at the balance sheet date at the amount that will be required to settle the obligation taking into account relevant risks and uncertainties.

Contingent liabilities

A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent assets

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

1.23 Reserves

The Council sets aside specific and general amounts as reserves for future 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 revenue account in that year to be included in the surplus / deficit on the provision of services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back in to the General Fund Balance in the movement in reserves statement so that there is no net charge against Council Tax for the expenditure. Certain reserves are kept to manage the accounting processes for non-current assets and retirement benefits and do not represent usable resources to the Council. These reserves are explained in the relevant policies that follow.

1.24 Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Revenue expenditure funded from capital under statute charges represent expenditure that may be capitalised under statutory provisions but does not result in the creation of tangible assets for the Council. Revenue expenditure funded from capital under statute charges incurred during the year are written off as expenditure to the relevant service revenue account in the year. Where the Council has determined to meet the cost of these charges from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged so there is no impact on the level of council tax.

1.25 Operating Leases

Operating leases where the Council is the lessee - Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased items are classified as operating leases. Payments made under operating leases are recognised in the Statement of Comprehensive Income & Expenditure Statement on a straight-line basis over the term of the lease, or akin to the terms defined in the lease contract. Lease incentives paid or received are recognised in the Comprehensive Income & Expenditure Statement as an integral part of the total lease payment.

Operating leases where the Council is the lessor - Leases where the lessee effectively retains substantially all the risks and rewards of ownership of the leased items are classified as operating leases. Assessments are made of the materiality of the transfer of risk and reward and in appropriate circumstances the Council would record a finance lease in the balance sheet as a receivable, at an amount equal to the net investment in the lease and recognise finance income based on a pattern reflecting a constant periodic rate of return on the lessor's net investment outstanding in respect of the finance lease. Assets held for operating leases would be presented in the balance sheet of the Council (as a lessor) according to the nature of the asset. Lease income would be recognised over the lease term on a straight-line basis, unless another systematic basis is more representative of the time pattern in which use benefit is derived from the leased asset is diminished

1.26 Finance Leases

Land and buildings elements of finance leases are considered separately for the purposes of lease classification. When the land has an indefinite economic life, the land element is classified as an operating lease unless title is expected to pass to the lessee by the end of the lease term.

1.26 Finance Leases- continued

Finance leases where the Council is the lessee - transfer substantially all the risks and rewards of ownership of a leased asset. Initial recognition of a finance lease results in an asset and liability being recognised at amounts equal to the lower of the fair value of the leased property or the present value of the minimum lease payments. The capitalised values are amortised over the period in which the Council expects to receive benefits from their use.

Finance leases where the Council is the lessor are recognised as assets held under a finance lease as a receivable (debtor) at an amount equal to the net investment in the lease. The lease repayment receivable is treated as repayment of principal and finance income. The finance income is calculated to produce a constant periodic rate of return on the net investment.

1.27 Borrowing Costs Eligible for Capitalisation

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

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

- Scheme capital expenditure exceeds £3m,
- Scheme capital expenditure results in an asset or future income,
- Duration of scheme creation is more than one financial year.

The capitalisation rate is based on the total borrowing costs related to the spend on the specific asset calculated on two methodologies;

- Where funds are borrowed specifically, costs eligible for capitalisation are the actual costs incurred less any income earned on the temporary investment of such borrowings (IAS 23.12),
- Where funds are part of a general pool, the eligible amount is determined by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate will be the weighted average of the borrowing costs applicable to the general pool (IAS 23.14).

1.28 Minimum Revenue Provision (MRP)

Amounts calculated for minimum revenue provision are in accordance with the policy approved by Full Council in advance of each financial year.

1.29 Long Term Contracts

Long term contracts are accounted for on the basis of charging the surplus or deficit on the provision of services with the value of works and services received under the contract during the year.

1.30 Retirement Benefits

The majority of the Council's employees are members of the Local Government Pensions Scheme, administered by Hampshire County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council. The Local Government Pension Scheme is accounted for as a defined benefits scheme meaning that the liabilities of the Hampshire County Council 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, employee turnover rates, etc, and extrapolation of projected earnings for current employees.

Liabilities are discounted to their value at current prices in respect of the Council after the accounting date using the projected unit method. Allowance is made for the expected future increases in pay and pension. The liability value represents the amount of money that needs to be set-aside now to meet the benefits that the Council is committed to provide for the service up to the accounting date on the basis of the assumptions made.

The assets of the Hampshire County Council pension fund attributable to the Council are included in the balance sheet by making assumptions about their long-term rate of return. In particular, the key financial assumption for discount rates are based on the Aon Hewitt derived AA corporate bond yield curve and the average weighted liability duration for the Employer.

The change in the net pensions liability is analysed into several components:

Current service cost - the increase in liabilities arising from years of service earned this year, including administration costs - 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 Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

Interest on net defined benefit liability/(asset) - the expected increase in the present value of liabilities during the year as they move one year closer to being paid - debited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement .

Expected return on assets - the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return - credited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement .

Gains/losses on settlements and curtailments - the result of actions to relieve the council of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

NOTES TO THE ACCOUNTS

1.30 Retirement Benefits - continued

Actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - debited to the Statement of Total Recognised Gains and Losses.

Contributions paid to the Hampshire County Council pension fund - cash paid as employer's contributions to the pension fund. Statutory provisions limit the Council to raising council tax to cover the amounts payable by the Council to the pension fund in the year. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

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

1.31 Accounting standards that have been issued but have not yet been adopted

There are no changes in accounting requirements for 2021/22 that are anticipated to have a material impact on the Council's financial performance or financial position

NOTES TO THE ACCOUNTS

2 Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to Council Tax payers how the funding available has been used to provide services in comparison with resources consumed by the Council in accordance with accounting practices. The Analysis also details how this expenditure is allocated to decision making purposes between the Council's portfolios. The full detail of income and Expenditure is presented in the Comprehensive Income and Expenditure Statement.

2019-20				2020-21		
Adjusted net position of General Fund	Changes between Accounting & Funding	Net position of the CIES		Adjusted net position of General Fund	Changes between Accounting & Funding	Net position of the CIES
(6,190)	3,550	(2,640)	Area Committees	186	344	530
230	(86)	144	Skills & Business	890	(75)	815
4,823	(186)	4,637	Environment	4,772	(233)	4,539
2,491	(953)	1,538	Health	3,494	(1,019)	2,475
14,777	(7,164)	7,613	Planning & Property	(6,725)	173	(6,552)
970	(140)	830	Social Policy	1,987	(2)	1,985
(392)	(822)	(1,214)	Transport	690	(1,118)	(428)
16,709	(5,801)	10,908	Net Cost of Service	5,294	(1,930)	3,364
			Other Transactions chargeable to General Fund			
(20,279)	(1,623)	(21,902)		(26,014)	2,102	(23,912)
(3,570)	(7,424)	(10,994)	(Surplus)/Deficit on Provision of Services	(20,720)	172	(20,548)

The Adjustment for Accounting basis are detailed;

2019-20

Area Committees
 Skills & Business
 Environment
 Health
 Planning & Property
 Social Policy
 Transport
TOTAL

Capital Grants & REFFCUS	Pension	Dep'n Impairment Revaluation	Total
(3,738)	0	188	(3,550)
0	0	86	86
(276)	0	462	186
33	0	920	953
(2,081)	1,601	7,643	7,163
139	0	2	141
10	0	812	822
(5,913)	1,601	10,113	5,801

2020-21

Area Committees
 Skills & Business
 Environment
 Health
 Planning & Property
 Social Policy
 Transport
TOTAL

Capital Grants & REFFCUS	Pension	Dep'n Impairment Revaluation	Total
(555)	0	211	(344)
(6)	0	81	75
(399)	0	632	233
8	0	1,011	1,019
(11,867)	2,607	9,087	(173)
0	0	2	2
(20)	0	1,138	1,118
(12,839)	2,607	12,162	1,930

3 Critical judgements in applying accounting policies

In applying the accounting policies set out in Notes 1.00 to 1.31, the Council has made certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements that have the most significant effect on the amounts in the financial statements are:

Asset reclassifications – the council has made judgements on whether assets are classified as Investment Property or Property, Plant and Equipment. These judgements are based on the main reason that the council is holding the asset. If the asset is used in the delivery of services or is occupied by third parties who are subsidised by the council they are deemed to be Property, Plant and Equipment assets.

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

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

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

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

Capital Grants - The council has made judgements that the cost of the capital grants related to housing developments under construction is materially the same as fair value

Accounting for Joint Ventures & Subsidiaries - the council has made judgements for its arrangements for the Housing Company structure. These judgements are based on detailed knowledge of the agreements and external advice taken. The detail of this structure can be found at Note 37 on page 67. The specific related companies are;

Aspect (Eastleigh) Ltd (Co. No. 10200615) - Controlled Entity - Not material

Aspect Building Communities Ltd (Co. No. 09348356) - Joint Arrangement - Not material

Woodside Avenue Developments LLP (Co. No. OC4122318) - Joint Venture - Not material

Woodside Avenue Homes LLP (Co. No. OC422310) - Joint Venture Not material

Stoneham Park Developments LLP (Co. No. OC418077) - Joint Venture - Not Material

Pembers LLP (Co. No. OC10200615) -Joint Venture - Not Material

All of these judgements are the responsibility of the Chief Financial Officer as set out in the Statement of Responsibilities for the Statement of Accounts on page 10.

4 Material items of income and expense

Material items of income and expense incurred in the year 2020-21 , which are not disclosed on the face of the Comprehensive Income and Expenditure Statement at page 12 are as listed below:

	£'000
Housing Benefit payments	19,231
Housing Benefit grant income	18,997

5 Prior period adjustment

There are no prior period adjustments required in these accounts.

NOTES TO THE ACCOUNTS

6 Assumptions made about the future and other major sources of estimation uncertainty

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. Annual depreciation charge for buildings would increase proportionately for every year that useful lives had to be reduced.
Property, Plant and Equipment, Investment Property and Long Term Debtors (Housing Grants)	Material PPE assets are revalued annually (a min of 5 years for lower value). These are based on assumptions around market conditions at the time. Investment properties are revalued annually.	If the valuation is reduced then the asset value on the balance sheet will decrease. There is no material impact on the accounts as the value of the asset is from the income streams.
Provisions	The Council currently has provisions on the balance sheet and also provisions netted off the short-term debtors listed in the balance sheet	Difficulty in estimating provision amounts could cause adjustments. The determination to state a contingent liability rather than a provision contains an element of subjectivity that could have a bearing on the actual accounts.

Further assumptions are noted on the following page.

6 Assumptions made about the future and other major sources of estimation uncertainty

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions liability	Estimation of the net liability to pay pensions depends on complex judgements relating to the rates used, the rate at which salaries increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.	The effects on the net pensions liability of changes in individual assumptions can be measured but is complex. The actuary calculations made each year have a varying effect on the cost of services in the Comprehensive Income and Expenditure Statement.

7 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 the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure. Tables of the adjustments between accounting basis and funding basis under regulations for 2019-20 & 2020-21 are provided on the following pages.

NOTES TO THE ACCOUNTS

7 Adjustments between accounting basis and funding basis under regulations	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
For the year 2020-21				
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	(11,845)	-	-	11,845
Amortisation of intangible assets	(315)	-	-	315
Capital grants and contributions applied	15,198	-	(15,198)	-
Revenue expenditure funded from capital under statute	(2,360)	-	-	2,360
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	(347)	-	-	347
Movements in market value of Investment Properties	8,425	-	-	(8,425)
Movements in fair value of Pooled Investment Funds	(66)	-	-	66
Revaluation of Housing Debtors	1,898	-	-	(1,898)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	5,055	-	-	(5,055)
Capital expenditure charged against the General Fund	1,777	-	-	(1,777)
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-	-	15,198	(15,198)
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	72	(72)	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	262	-	(262)
Housing receipts pooled to the Government	(1)	1	-	-

Table continued on the following page:

NOTES TO THE ACCOUNTS

7 Adjustments between accounting basis and funding basis under regulations - continued				
For the year 2020-21	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Transfer from Deferred Capital Receipts Reserve upon receipt of cash				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(6,583)	-	-	6,583
Employer's pensions contributions and direct payments to pensioners payable in the year	2,684	-	-	(2,684)
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax/ndr income credited to the Comprehensive Income and Expenditure Statement is different from council tax/ndr income calculated for the year in accordance with statutory requirements	(13,764)	-	-	13,764
Total of all adjustments on page 41 and this page	(172)	191	-	(19)

NOTES TO THE ACCOUNTS

7 Adjustments between accounting basis and funding basis under regulations	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
For the year 2019-20				
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	(9,852)	-	-	9,852
Amortisation of intangible assets	(261)	-	-	261
Capital grants and contributions applied	8,538	-	(8,538)	-
Revenue expenditure funded from capital under statute	(2,624)	-	-	2,624
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	0	-	-	0
Movements in the market value of Investment Properties	(3,726)	-	-	3,726
Movements in market value of Investment Property	(342)	-	-	342
Revaluation of Housing Debtors	4,348	-	-	(4,348)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	4,373	-	-	(4,373)
Capital expenditure charged against the General Fund	1,171	-	-	(1,171)
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-	-	8,538	(8,538)
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	7,959	(7,959)	-	-
Transfer of Capital receipts for the funding of the Change and Transformation Programme	(88)	88	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	7,818	-	(7,818)
Housing receipts pooled to the Government	(2)	2	-	-

Table continued on the following page:

NOTES TO THE ACCOUNTS

7 Adjustments between accounting basis and funding basis under regulations - continued				
For the year 2019-20	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Transfer from Deferred Capital Receipts Reserve upon receipt of cash				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(6,356)	-	-	6,356
Employer's pensions contributions and direct payments to pensioners payable in the year	3,527	-	-	(3,527)
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax/ndr income credited to the Comprehensive Income and Expenditure Statement is different from council tax/ndr income calculated for the year in accordance with statutory requirements	759	-	-	(759)
Total of all adjustments on page 43 and this page	7,424	(51)	0	(7,373)

NOTES TO THE ACCOUNTS

8 Transfers to/from earmarked reserves

This note sets out the amounts in earmarked reserves to provide financing for future expenditure plans. All of these specific reserves are listed below on this page and continue on the following page.

Earmarked Reserves £'000	Balance as at 31 March 2019	Transfers Out 2019-20	Transfers in 2019-20	Balance as at 31 March 2020	Transfers Out 2020-21	Transfers In 2020-21	Balance as at 31 March 2021
1 Commuted Sums	2,969	(2,969)	3,206	3,206	(170)	1,055	4,091
2 Grange Park	567	-	-	567	-	-	567
3 Revenue Gts/Contribs	1,431	(306)	454	1,579	(348)	515	1,746
4 Investment Properties (in	1,189	(34)	725	1,880	(220)	1,890	3,550
5 Recycling	394	-	69	463	(206)	37	294
6 One City Park	50	-	-	50	-	-	50
7 LAC (HEWEB)	166	(26)	31	171	(58)	36	149
8 LAC (Eastleigh)	353	(100)	-	253	(22)	57	288
9 Land Charges	268	(99)	-	169	(61)	-	108
10 On Street Parking	101	-	-	101	-	6	107
11 Uninsured losses	75	-	-	75	-	-	75
12 LAC (BHH)	137	(13)	46	170	(12)	26	184
13 Building Control	264	(8)	-	256	-	20	276
14 Black Horse H Mtce	199	(156)	137	180	(25)	55	210
15 Licensing	100	(34)	-	66	-	-	66
16 Ticket Machine	40	(40)	-	-	-	-	-
17 Carbon Neutral	153	-	-	153	-	-	153
18 YZONE (BFOHH)	62	(21)	-	41	(6)	-	35
19 Dilapidations	24	-	-	24	-	-	24
20 Carbon Reductions	1	-	24	25	-	12	37
21 Cap Fin HEWEB	1	(20)	21	2	(48)	48	2
22 Green Energy	12	-	-	12	-	-	12
23 Capital Financing	215	(974)	970	211	(208)	145	148
24 Biodiversity Projects	15	(3)	-	12	(1)	-	11
25 The Sidings	19	-	8	27	(5)	7	29
26 Channon Retail Park	34	(12)	-	22	(10)	14	26
27 Community and Health	6	-	-	6	-	-	6
28 Interest equalisation	3,879	(340)	2,639	6,178	-	3,097	9,275
29 Chestnut Ave Retail Park	32	(26)	10	16	-	-	16
30 HMO income reserve	51	-	4	55	(3)	-	52
31 Link 1 & 2	33	-	-	33	-	-	33
32 Self Insurance	36	-	-	36	-	-	36
33 LAC (BFOHH)	8	(1)	-	7	-	4	11
34 LAC (CFH)	36	(13)	16	39	(7)	-	32
35 Hackney Carriages	20	-	31	51	-	-	51
36 Highways Works	8	-	-	8	-	-	8
37 Cap Fin BHH	2	-	-	2	(9)	12	5
38 Quobb Lane Sewer	5	-	-	5	-	-	5
39 Cap Fin Eastleigh	98	(177)	79	-	-	-	-
40 Highways Agency	102	(26)	-	76	-	-	76
41 Shakespeare Business C	10	-	7	17	-	7	24
42 Hamble Point Car Park	2	-	-	2	-	-	2
43 Street Lighting	2	-	-	2	-	-	2
Total of all reserves on this page carried to next page	13,169	(5,398)	8,477	16,248	(1,419)	7,043	21,872

NOTES TO THE ACCOUNTS

8 Transfers to/from earmarked reserves - continued

Earmarked Reserves	Balance as at 31 March 2019	Transfers Out 2019-20	Transfers in 2019-20	Balance as at 31 March 2020	Transfers Out 2020-21	Transfers In 2020-21	Balance as at 31 March 2021
Total of all	£'000	£'000	£'000	£'000	£'000	£'000	£'000
From Previous Page	13,169	(5,398)	8,477	16,248	(1,419)	7,043	21,872
44 Cap Fin Chandler's Ford	-	-	-	-	-	-	-
45 Cap Fin Bishopstoke	1	-	-	1	-	-	1
46 Homelessness Prevent	37	-	-	37	-	-	37
47 Avenue Park Shrine	10	-	-	10	-	-	10
48 Development Managemen	166	(56)	-	110	(110)	-	-
49 Transport & Plant	16	-	6	22	(3)	-	19
50 Travelodge	56	(9)	6	53	-	-	53
51 Development Managemen	116	(116)	72	72	(39)	36	69
52 11 Lower Northam Rd	46	-	-	46	-	-	46
53 11 A/B Northam Road	8	-	-	8	-	-	8
54 Garage Repairs	22	(22)	-	-	-	-	-
55 International House	217	-	-	217	-	-	217
56 New Kings Court	48	-	-	48	-	-	48
57 AIM Building	127	-	-	127	-	-	127
58 Housing Reserve	84	(29)	309	364	(164)	50	250
59 Grantham Rd Garages ar	2	-	2	4	-	2	6
60 Herald Industrial Estate	6	-	1	7	-	2	9
61 New Homes Bonus Rese	3,091	(715)	2,141	4,517	(1,590)	3,718	6,645
62 Point Levy	-	-	2	2	-	1	3
63 Berry Levy	-	-	4	4	-	-	4
64 Point External Projects	-	-	18	18	-	-	18
65 Falkland Court	-	-	3	3	(1)	3	5
66 Traffic Regulation Orders	-	-	67	67	(16)	-	51
67 Core Strategy	396	(265)	-	131	-	150	281
68 COVID-19 Section 31 Re	-	-	-	-	-	10,263	10,263
69 Public Transport Reserve	-	-	-	-	-	56	56
Total of all reserves	17,618	(6,610)	11,108	22,116	(3,342)	21,324	40,098

The Council's earmarked reserves are held for specific purposes, details of which are listed below:

Reserve	Purpose
1 Commuted Sums	Funds held in relation to open spaces
2 Grange Park	Future major capital works and park improvements
3 Revenue Gts/Contribs	Revenue grants and contributions until required for spending
4 Investment Properties (inc PLE for 20/21)	Offset shortfalls in rent and interest increases re acquisitions
5 Recycling	Waste management costs relating to recycling projects
6 One City Park	To fund void and maintenance cost of One City Park
7 LAC (HEWEB)	Future LAC projects and initiatives
8 LAC (Eastleigh)	Future LAC projects and initiatives
9 Land Charges	Funds from central government to offset refunds and fall in income
10 On Street Parking	Surplus accrued from decriminalised parking services
11 Uninsured losses	For losses that are not met via the Council's insurance provider
12 LAC (BHH)	Future LAC projects and initiatives
13 Building Control	Supports the trading partnership arrangement with SCC
14 Black Horse H Mtce	For specific capital works at Black Horse House
15 Licensing	Future costs of the E2E IT system with Southampton City Council
16 Ticket Machine	For replacement of vandalised parking ticket machines
17 Carbon Neutral	Used to support sustainability developments

NOTES TO THE ACCOUNTS

8 Transfers to/from earmarked reserves - continued

18	YZONE (BFOHH)	Funds used to support the YZONE project development
19	Dilapidations	Funds to meet the cost of non-current asset dilapidations
20	Carbon Reductions	Funded by the Area Based Grant for carbon reduction work
21	Cap Fin HEWEB	For future funding of capital expenditure at HEWEB LAC
22	Green Energy	Contains grants used to fund green energy schemes
23	Capital Financing	Amounts accumulated for future funding of capital expenditure
24	Biodiversity Projects	Funds for specific projects to support wetlands and damsel flies
25	The Sidings	Funds for future maintenance works at The Sidings industrial units
26	Channon Retail Park	For specific capital works at Channon Retail Park
27	Community and Health	Held in relation to community and health initiatives
28	Interest equalisation	To offset revenue effects of low investment interest rates
29	Chestnut Ave Retail Park	To fund future costs relating to the adoption of the Local Plan
30	HMO income reserve	Dilapidations of £500 per property re housing scheme Portsmouth HA
31	Link 1 & 2	To fund future maintenance of the Link 1 & 2 building.
32	Self Insurance	Amount regarding cost of internal insurance claims
33	LAC (BFOHH)	Future LAC projects and initiatives
34	LAC (CFH)	Future LAC projects and initiatives
35	Hackney Carriages	Reserve to fund future loses
36	Highways Works	For highways agency matters
37	Cap Fin BHH	For future funding of capital expenditure at BHH LAC
38	Quobb Lane Sewer	To fund matters connected with the Quobb Lane sewer
39	Cap Fin Eastleigh	For future funding of capital expenditure at Eastleigh
40	Highways Agency	Funding for matters connected with the HCC agency contract
41	Shakespeare Business Centre	To fund future maintenance costs of Shakespeare Business Centre
42	Hamble Point Car Park	To service requirements regarding hamble point car park
43	Street Lighting	To service requirements regarding street lighting
44	Cap Fin Chandler's Ford	For future funding of capital expenditure at Chandler's Ford
45	Cap Fin Bishopstoke	For future funding of capital expenditure at Bishopstoke
46	Homelessness Prevent	To fund future staffing costs and Housing Initiatives
47	Avenue Park Shrine	Funds for future maintenance works of the War Shrine
48	Development Management	To fund additional planning related cost to support the Local Plan
49	Transport & Plant	To fund future investment in the Transport Service
50	Travelodge	To fund future maintenance cost of the Travelodge
51	Development Management Reserve (PPA)	Funding for agreed planning cost for Boorley Green & Chestnut Ave
52	11 Lower Northam Rd	To fund future maintenance cost of 11 Lower Northam Road
53	11 A/B Northam Road	To fund future maintenance cost of 11 A/B Lower Northam Road
54	Garage Repairs	To fund future maintenance costs of Garage Sites
55	International House	To fund future maintenance cost of International House
56	New Kings Court	To fund future maintenance and void cost of New Kings Court
57	AIM Building	To fund future maintenance and void cost of AIM Building
58	Housing Reserve	To offset shortfalls in future rental income from Housing Schemes
59	Grantham Rd Garages and Pre School	Contribution to Pre-School roof
60	Herald Industrial Estate	To fund future maintenance and void costs of Herald Industrial Estate
61	New Homes Bonus Reserve	Government Grant funding held to fund Housing initiatives
62	Point Levy	Contributions held towards future developments at The Point Theatre
63	Berry Levy	Contributions held towards future developments at The Berry Theatre
64	Point External Projects	Contributions held towards upgrades at The Point Theatre
65	Falkland Court	Provision for future maintenance at Falkland Court
66	Traffic Regulation Orders	To fund future traffic regulation orders
67	Core Strategy	To fund additional planning related cost to support core strategies
68	COVID-19 Section 31 Reserve	Central Government to Support the Business Rates deficit in 21/22
69	Public Transport Reserve	Contributions held towards the provision of Public Transport

NOTES TO THE ACCOUNTS

9 Property, plant and equipment (PPE)

Movements on balances in 2020-21

	Land & Buildings	Vehicles Plant & Equipment	Infra-structure Assets	Community	Assets Under Construction	Total PPE Assets
	£'000	£'000	£'000	£'000	£'000	£'000
Net Book Value at 31 March 2020	187,006	7,505	3,116	20,014	14,560	232,201
<u>Cost or valuation</u>						
As at 1 April 2020	188,053	17,191	3,683	22,224	14,560	245,711
<u>Movements in 2020-21</u>						
Additions	8,697	1,223	170	1,656	8,082	19,828
Disposals and impairments	(378)	(12)	(1)	(1)	-	(392)
Reclassifications	(658)	38	289	289	(2,162)	(2,204)
Revaluations (charged to services)	(7,275)	-	-	-	-	(7,275)
Revaluations (to the Revaluation Reserve)	3,209	-	-	-	-	3,209
As at 31 March 2021	191,648	18,440	4,141	24,168	20,480	258,877
<u>Accumulated Depreciation</u>						
As at 1 April 2020	(1,047)	(9,686)	(567)	(2,210)	-	(13,510)
<u>Movements in 2020-21</u>						
Depreciation - annual charge	(2,579)	(1,461)	(128)	(403)	-	(4,571)
Depreciation written out to the revaluation reserve	2,544	-	-	-	-	2,544
Disposals and impairments	78	4	-	(28)	-	54
Reclassifications						
As at 31 March 2021	(1,004)	(11,143)	(695)	(2,641)	-	(15,483)
<u>Net Book Value at 31 March 2021</u>						
	190,644	7,297	3,446	21,527	20,480	243,394

In 2020-21 the valuation of all material assets was undertaken by either an in house valuer or Wilks Head & Eve LLP with the values recognised within the accounts.

NOTES TO THE ACCOUNTS

9 Property, plant and equipment (PPE) - continued

Movements on balances in 2019-20

	Land & Buildings	Vehicles Plant & Equipment	Infra- structure Assets	Community	Assets Under Construc- tion	Total PPE Assets
	£'000	£'000	£'000	£'000	£'000	£'000
Net Book Value at 31 March 2019	194,237	6,680	2,782	10,792	13,190	227,681
<u>Cost or valuation</u>						
As at 1 April 2019	195,248	15,557	3,239	12,784	13,190	240,018
<u>Movements in 2019-20</u>						
Additions	6,661	2,103	444	43	2,227	11,478
Disposals and impairments	-	(469)	-	-	-	(469)
Reclassifications	(8,604)	-	-	9,397	(857)	(64)
Revaluations (charged to services)	(5,607)	-	-	-	-	(5,607)
Revaluations (to the Revaluation Reserve)	355	-	-	-	-	355
As at 31 March 2020	188,053	17,191	3,683	22,224	14,560	245,711
<u>Accumulated Depreciation</u>						
As at 1 April 2019	(1,010)	(8,877)	(457)	(1,992)	-	(12,336)
<u>Movements in 2019-20</u>						
Depreciation - annual charge	(2,640)	(1,277)	(110)	(218)	-	(4,245)
Depreciation written out to the revaluation reserve	2,539	-	-	-	-	2,539
Disposals and impairments	64	468	-	-	-	532
Reclassifications	-	-	-	-	-	-
As at 31 March 2020	(1,047)	(9,686)	(567)	(2,210)	-	(13,510)
Net Book Value at 31 March 2020	187,006	7,505	3,116	20,014	14,560	232,201

In 2019-20 the valuation of all material assets was undertaken by an in house valuer with the values recognised within the accounts.

NOTES TO THE ACCOUNTS

10 Heritage assets - 5 year summary of transactions

	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000	2020-21 £'000
Cost of Acquisitions of heritage assets					
Civic Regalia	148	148	148	148	148
Public Art	606	620	660	715	754
- Additions	14	40	80	39	37
- Reclassified	-	-	-	-	-
	768	808	888	902	939
Disposal of Heritage Assets					
Civic Regalia	-	-	-	-	-
Public Art	-	-	(25)	-	-
	-	-	(25)	-	-
Grand Total	768	808	863	902	939

11 Heritage assets - further information

A Council's heritage assets can be categorised into two elements (1) Civic Regalia, and (2) Public Art. Civic regalia has been accumulated over an extended period of time and includes some fine display pieces and items that are worn by the Mayor on official matters.

Public Art relates to outside display sculptures which notably includes the "Howzat" cricket stumps at the Ageas Bowl location, a model of the "Spitfire" airplane at the airport location and the famous "Railwayman" denoting the nature of Eastleigh's past railway heritage.

NOTES TO THE ACCOUNTS

12 Investment Property

The movement in the fair value (estimated market value) of investment property assets is shown below:

2019-20 £'000	Investment Property	2020-21 £'000
90,916	Balance at the start of the year	87,252
	Movements in the year	
62	Additions - expenditure in year	1
-	- Disposals in Year	-
1,634	Gain from fair value adjustment	10,313
(5,360)	Loss from fair value adjustment	(1,888)
0	Reclassifications	11,677
87,252	Total	107,355

Under IFRS 13 a level 2 fair value measurement has been carried out for all Investment Properties using a market comparable approach by the internal valuers.

13 Income and expenditure in relation to Investment properties & changes in their fair value

The Investment Property Income and Expenditure Account is used to record the operating activity relating to investment properties. It does not include expenditure on the acquisition or enhancement of Investment Property as such matters are shown as investing activities and form part of the cost/value of the assets.

A breakdown of the expenditure and income is shown below:

2019-20 £'000	Income and expenditure in relation to Investment properties & changes in their fair value	2020-21 £'000
(1,634)	(Gain) on Revaluation of Investment Property	(10,313)
5,360	Loss on Revaluation of Investment Property	1,888
(5,277)	Income from Investment Property	(5,249)
(1,551)	Sub-total - gains	(13,674)
267	Maintenance and running costs of Investment Property	273
(1,284)	Net (Gain) on investment Property	(13,401)

NOTES TO THE ACCOUNTS

14 Intangible assets

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

2019-20 £'000	Intangible assets	2020-21 £'000
	Balance at the start of the financial year	
2,834	Cost b/fwd	3,298
(1,063)	Accumulated amortisation b/fwd	(1,324)
1,771	Net book value of intangible assets	1,974
	Movements in the year	
464	Additions - purchases	113
	- Reclassifications	-
(261)	Amortisation charged to services	(315)
	Balance at the start of the financial year	
3,298	Cost c/fwd	3,411
(1,324)	Accumulated amortisation c/fwd	(1,639)
1,974	Net book value of intangible assets	1,772

15 Finance Lease Asset

The finance lease asset is recognition of the lease to RB Plc for the Ageas Bowl Land & Stadium and the Ageas Hilton and Spa owned by Eastleigh Borough Council.

2019-20 £'000	Finance Lease Asset	2020-21 £'000
	Balance at the start of the financial year	
46,182	Cost b/fwd	46,182
	- Fair Value Adjustment b/fwd	(3,331)
	- Lease value written to the Comprehensive Income and Expenditure Account *	(1)
(3,331)	Adjustment for Fair Value of the lease in Year	-
42,851	Net book value of Finance Lease Asset	42,850

Over the period of the leases the value of the leased asset will be charged to the Comprehensive Income and Expenditure account to recognise that RB Plc will amortise the asset during its full useful economic life.

NOTES TO THE ACCOUNTS

15 Finance Lease Asset - continued

Finance Lease Debtor (net present value of Minimum lease payments)	31 March 2020 £'000	31 March 2021 £'000
Current	0	0
Non - Current	46,182	46,182
Unearned finance income	458,832	456,611
TOTAL	505,014	502,793

The gross investment in the lease and the minimum lease payments will be received:

Minimum Lease Payment	31 March 2020 £'000	31 March 2021 £'000
Not later than 1 year	2,220	2,220
Later the 1 year and not later than 5 years	7,080	7,080
Later Than 5 years	495,714	493,492
TOTAL	505,014	502,792

The minimum lease payments receivable do not include rents that are contingent rents on events taking place after the lease was entered into, such as adjustments following rent reviews. The gross investment in lease payments for each year are the same as the minimum Lease payment.

16 Long-term Investments & Short Term Investments

2019-20 £'000	Long-Term Investments	2020-21 £'000
9,219	CCLA Fund	9,153
10	Municipal Bonds Agency	10
375	Hampshire Community Bank	375
22,500	Pembers Hill LLP	24,500
32,104	Total Long-Term Investments	34,038
	Short-Term Investments	
32,500	Money Market Funds	24,000
32,500	Total Short-Term Investments	24,000

17 Commitments under Capital Contracts

As at 31 March 2021, the Council had entered into a number of contracts for the construction of Housing in 2021/22 and future years, budgeted to cost £5.2m. This relates primarily to the One Horton Heath Development

18 Long term debtors

2019-20 £'000	Long term debtors	2020-21 £'000
46	Housing Association Loans	44
4	Mortgages (ex Housing Revenue Account properties & renovations)	4
137	Car loans to staff	117
2,500	North Stoneham Development Loan	2,500
18,815	Woodside Avenue Developments LLP Grant*	19,035
8,623	Hatch Farm Housing Grant*	9,648
0	Kestrel Park Bursledon	0
44,102	Stoneham Developments LLP Grant*	52,152
1,159	Other	1,246
75,386	Total long-term debtors	84,746

* See Note 37 on page 66 for more information

NOTES TO THE ACCOUNTS

19 Financial Instruments

The Council adopted the IFRS9 Financial Instruments accounting standards with effect from 1st April 2018. The main changes include the reclassification and remeasurement of financial assets and the earlier recognition of the impairment of financial assets.

The Council has assessed financial assets and liabilities and deemed there to be a material expected credit loss on the Ageas lease, see note 15 for detail

Under the code of practice for Local authority accounting the Council has opted to irrevocably reclassify the investment in Hampshire Community Bank as measured at fair value through other comprehensive income (FVOCI) on the basis that this investment would ordinarily fall into the fair value through profit and loss class of assets because contractual terms do not give rise on specific dates to cash flows that are solely of principal and interest on the principal amount outstanding, the investments are equity instruments, and the investments are not held for trading

Carrying amount 2019-20 £'000	Fair Value 2019-20 £'000	Financial Instruments Fair Values	Carrying amount 2020-21 £'000	Fair Value 2020-21 £'000
		At Amortised Cost - Assets		
4,116	4,116	Cash and Cash Equivalents	5,737	5,737
18,136	18,136	Debtors	28,049	28,049
22,510	22,510	Loans	24,510	24,510
		Fair Value through Profit and Loss - Assets		
32,500	32,500	Money Market Funds Fair Value Level 1	24,000	24,000
81,021	81,021	Housing Debtors Fair Value Level 2	80,835	80,835
		Fair Value through OCI - Assets		
375	375	Hampshire Community Bank Fair Value Level 2	375	375
		Pooled Funds Statutory Override - Assets		
9,219	9,219	CCLA Property Fund Fair Value Level 2	9,153	9,153
		At Amortised Cost - Liabilities		
(1,000)	(1,029)	Short Term PWLB	0	0
(350,000)	(359,888)	Long Term PWLB	(350,000)	(367,205)
(133,748)	(133,748)	Loans from other local authorities	(153,233)	(153,233)
(9,898)	(9,898)	Trade Payables	(37,108)	(37,108)
(326,769)	(336,686)	Total Fair Value of Financial Instruments	(367,682)	(384,887)

20 Nature and extent of risk arising from financial instruments

Nature and extent of risks arising from financial instruments

The Council's overall risk management programme focuses on the unpredictability of financial markets seeking to minimise potential adverse effects on the resources available to fund services.

The Council has adopted CIPFA's Revised Code of Practice on Treasury Management and complies with The Revised Prudential Code of Capital Finance for Local Authorities.

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

20 Nature and extent of risk arising from financial instruments - continued

This strategy emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Strategy, together with its Treasury Management Practices are based on seeking the highest rate of return consistent with the proper levels of security and liquidity.

Treasury risk management is carried out by a central treasury team, under policies approved by Council's Audit and Resources Committee. The Council's treasury management team 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.

The Council's activities expose it to a variety of financial risks:

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

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.

In relation to treasury investments this risk is minimised through the Treasury Management Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category. The credit criteria in respect of financial assets held by the authority are as detailed below.

Government: Loans to, and bonds and bills issued or guaranteed by, national governments, regional and local authorities and multilateral development banks

Secured investments: Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency.

Banks and building societies (unsecured): Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks

Registered providers (unsecured): Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations

Money market funds: Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets

Strategic pooled funds: Bond, equity and property funds that offer enhanced returns over the longer term but are more volatile in the short term

Real estate investment trusts: Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds

Other investments: This category covers treasury investments not listed above, for example unsecured corporate bonds and company loans

NOTES TO THE ACCOUNTS

20 Nature and extent of risk arising from financial instruments - continued

Investment type	Time Limit	Counterparty Limit	Sector Limit
The UK Government	50 Years	Unlimited	n/a
Local Authorities & Other Government entities	364 Days	£10m	Unlimited
Secured Investments	30 Days	£10m	Unlimited
Banks (Unsecured)	30 Days	£10m	Unlimited
Building Societies (Unsecured)	30 Days	£10m	£10m
Registers Providers (Unsecured)	30 Days	£10m	£10m
Money Market Funds	n/a	£10m	Unlimited
Strategic Pooled Funds	n/a	£10m	£10m
Real Estate Investment Trusts	n/a	£10m	£10m
Other Investments	30 Days	£10m	£10m

Customers for goods and services are assessed, taking into account all factors including their financial position and past experience, with individual credit limits being set in accordance with parameters set by the Council.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Experience shows that it is rare for such entities to be unable to meet their commitments. A risk of recoverability applies to all of the Council's deposits, but there was no evidence at the 31st March 2021 that this was likely to crystallise.

NOTES TO THE ACCOUNTS

20 Nature and extent of risk arising from financial instruments - continued

The following analysis summarises the Council's potential maximum exposure to credit risk on other financial assets, based on experience of default and collectability over the last five financial years, adjusted to reflect current market conditions.

Potential maximum exposure to credit risk					
Estimated maximum exposure to default & uncollectability	Amount	Historical experience of default	Historical experience adjusted for market conditions	Estimated maximum exposure to default & uncollectability	
31 March 2020	31 March 2021	31 March 2021	31 March 2021	31 March 2021	31 March 2021
£'000 (A * C)	£'000 A	% B	% C	£'000 (A * C)	
- Deposits into banks and financial institutions	29,847	-	-	-	
- Long-term debtors #	84,746	-	-	-	
49 Court costs	257	14.8	14.8	38	
- Government & public bodies	26,769	-	-	-	
540 Customers (exc. statutory debts)*	19,501	0.5	2.0	390	
589				428	

* There has been a significant increase in the risk of collection of these debts due to the impact of Covid-19. Any loss is to be funded from provisions or revenue reserves.

The Council does not expect any default that could ultimately result in financial loss in relation to this element

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Authority does not generally allow credit for customers. The "past due for payment" but not impaired amount can be analysed by age as follows:

31 March 2020	Customer balances past their due date for payment	31 March 2021
£'000		£'000
15,960	Less than two months	29,652
432	Two to five months	1,864
252	Five months to one year	816
9,464	More than one year	11,016
26,108	Total	43,348

NOTES TO THE ACCOUNTS

20 Nature and extent of risk arising from financial instruments - continued

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. Instead, the risk is that the authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates, and so the Council sets limits on the proportion of its fixed rate borrowing during specified periods.

31 March 2020 £'000	Maturity analysis of financial liabilities	31 March 2021 £'000
(153,820)	Less than three months <i>The above includes all collection fund creditors</i>	(159,440)
(395)	Three to six months	(36,302)
(1,101)	Six months to one year	(130)
(351,079)	More than one year	(351,429)
(506,395)	Total of all financial instruments liabilities	(547,301)
(8,928)	Less - Collection Fund creditors (all maturing in less than three months)	(4,032)
(497,467)	Total equal to total short and long term borrowing and creditors	(543,269)

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

Interest rate risk

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

- Borrowings at variable rate - the interest expense charged to the Comprehensive Income and Expenditure Account will rise
- Borrowings at fixed rate - the borrowings would have an improved fair value
- Investments at variable rate - the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- Investments at fixed rate - the fair value of investments will fall.

NOTES TO THE ACCOUNTS

20 Nature and extent of risk arising from financial instruments - continued

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Comprehensive Income and Expenditure Statement and directly effect the General Fund balance £ for £. Movements in the fair value of fixed rate investments will be reflected in the net equity on the Council's balance sheet.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly monitoring during the year. This ensures any significant changes are identified and considered in budget setting.

Based on the above strategy, at 31 March 2021, if interest rates had been 1% higher (with all other variables held constant) the financial effect on the year 2020-21 would have been:

Y/End 31 March 2020 £'000	Effect in the financial year of a 1% higher interest rate	Y/End 31 March 2021 £'000
1,337	Increase in interest payable on variable rate borrowings	1,532
(368)	Increase in interest receivable on variable rate investments	(298)
969	Interest that would have been to the charged/credited to the Comprehensive Income and Expenditure Statement if interest rates had rates had been 1% higher in the year	1,234

Price risk and foreign exchange risk

The Council has no equity shares or shareholdings, and has no financial assets or liabilities denominated in foreign currencies, and thus has no exposure to fluctuations regarding price and foreign exchange risks.

21 Long-Term Investments - Those classified as Pooled Investment Funds (Also see note 16)

31 March 2020 £'000	Long Term Investments - Pooled Investment Funds	31 March 2021 £'000
9,219	CCLA Property Fund	9,153
9,219	Total	9,153

As at 31st March 2021, the Council had £9.153m invested in the CCLA Local Authority Property Fund. Under a statutory override to IFRS 9 granted in 2018/19, any movement to the fair value in these investments is moved to a Pooled Investment Funds Adjustment Account. This ensures movements in the value of these funds does not affect the General Fund Balance

22 Inventories

The material item of inventory is a number of pieces of land known as West of Horton Heath. The Council has approval to service and sell serviced plots of land to the open market which under the accounting code is held as stock on the balance sheet.

Current Horton Heath Stock Value - £126,281,687

NOTES TO THE ACCOUNTS

23 Short Term Debtors

31 March 2020 £'000	Short Term Debtors	31 March 2021 £'000
667	Central government bodies	19,083
55	Other local authorities	7,144
154	NHS bodies	542
27,320	Other entities and individuals	19,758
(2,088)	Bad debt provision for "Other entities and individuals"	(3,179)
26,108	Total	43,348

24 Cash and cash equivalents

The balance of cash and cash equivalents is made up of the following elements:

31 March 2020 £'000	Cash and cash equivalents	31 March 2021 £'000
29	Cash held by the authority	15
4,225	Bank current accounts	5,832
4,254	Total	5,847

25 Short-term borrowing

The Council's short-term borrowing has increased as at the end of 2020-21 when compared to 2019-20. This is due to the continuation of the ambitious Capital Programme for Property and Housing

31 March 2020 £'000	Short-term borrowing	31 March 2021 £'000
(1,000)	Public Works Loans Board (PWLB) element of short-term borrowing	0
(133,748)	Other Short Term Borrowing	(153,233)
(134,748)	Total all short-term borrowing	(153,233)

NOTES TO THE ACCOUNTS

26 Short Term Creditors

31 March 2020 £'000	Short Term Creditors	31 March 2021 £'000
(8,325)	Central government bodies	(11,730)
(5,835)	Other local authorities	(22,133)
	- NHS bodies	-
(7,487)	Other entities and individuals	(10,205)
(21,647)	Total	(44,068)

27 Provisions

31 March 2020 £'000	Provisions	Change yr on yr	31 March 2021 £'000
(2,820)	Non-Domestic Rating (NDR) Provision for Appeals	664	(2,156)
(2,820)	Total	664	(2,156)

The substantive amount for NDR is in relation to the outstanding rating appeals relevant to Business Rate Retention.

28 Long-term borrowing

The Council has £350m of PWLB long-term debt as at 31st March 2021.

29 Capital grants receipts in advance

This significant sum relates to developers' contributions, all of which have not had their conditions met.

NOTES TO THE ACCOUNTS

30 Usable reserves

Capital Receipts Reserve

Movements in the Authority's usable reserves are summarised in the Movement in Reserves Statement on page 11. The General Fund Reserve needs no further analysis in excess of the information given on page 11, and the movements in earmarked reserves are given at Note 8 on page 45. The movements in usable capital receipts is given in detail below.

2019-20 £'000	Capital Receipts Reserve	2020-21 £'000
12,077	Opening balance for the year	12,128
	- Capital receipts released from deferred receipts in the year	-
0	Total capital receipts related to housing mortgages	0
(2)	Housing receipts paid to the CLG National Pool subject to percentage pooling arrangements	(1)
(2)	Net receipts remaining after costs and pooling payment	(1)
7,959	Capital receipts received in the year	72
(7,818)	Financing of capital expenditure in the year	(262)
(88)	Capital Receipts applied to Change Programme	0
12,128	Closing balance	11,937

31 Unusable reserves

31a Revaluation reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment (and Intangible Assets). 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.

A table of activity for the revaluation reserve is disclosed on the following page.

NOTES TO THE ACCOUNTS

31 Unusable reserves - 31a Revaluation reserve- continued

2019-20 £'000	Revaluation Reserve	2020-21 £'000
38,870	Opening balance for the year	41,156
2,894	Revaluation of Operational Non-Current Assets	5,751
	- Disposal of non-current assets	-
(608)	Depreciation on revalued Non-Current Assets	(727)
41,156	Closing balance	46,180

31b Financial Instruments Adjustment Account

There were no adjustments for Financial Instruments during the period.

31c Capital adjustment account

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

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.

NOTES TO THE ACCOUNTS

31c Capital adjustment account - continued

2019-20 £'000	Capital adjustment account	2020-21 £'000
(13,203)	Balance at 1 April	(2,561)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(9,852)	Charges for depreciation and impairment of non-current assets	(11,845)
608	Change For Historical Cost Adjustment	727
(261)	Amortisation of intangible assets	(315)
(2,625)	Revenue expenditure funded from capital under statute	(2,360)
	- Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	(347)
4,348	Revaluation of Housing Debtors	1,898
(7,782)	Net written out amount of the cost of non-current assets consumed	(12,242)
	Capital financing applied in the year:	
7,820	Use of the Capital Receipts Reserve to finance capital expenditure capital expenditure	262
8,538	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	15,198
250	Change in the Fair Value of Investments	0
4,373	Statutory provision for the financing of capital investment charged against the General Fund	5,055
1,171	Capital expenditure charged against the General Fund	1,777
22,152	Net capital financing applied in the year	22,292
(3,728)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	8,425
(3,728)	Net movements recognised in the Comprehensive Income and Expenditure Statement	8,425
(2,561)	Balance at 31 March	15,914

NOTES TO THE ACCOUNTS

31d Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority 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.

2019-20 £'000	Deferred Capital Receipts Reserve	2020-21 £'000
46,178	Balance at 1 April	42,847
(3,331)	Recognition of Expected Value Loss in year	-
-	- Amount released to unapplied capital receipts	-
42,847	Balance at 31 March	42,847

31e Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority 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. The movements on the pension fund are provided below:

2019-20 £'000	Pensions Reserve	2020-21 £'000
(52,940)	Balance at 1 April	(57,518)
(1,749)	Actuarial gains or losses on pensions assets and liabilities	(7,380)
(6,356)	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	(6,583)
3,527	Employer's pensions contributions and direct payments to pensioners payable in the year	2,684
(57,518)	Balance at 31 March	(68,797)
(56,198)	Funded element of the Pensions Reserve - see page 83	(67,497)
(1,320)	Unfunded element of the Pensions Reserve - see page 86	(1,303)
(57,518)	Balance at 31 March	(68,800)

NOTES TO THE ACCOUNTS

31f Collection Fund Adjustment Account

The Collection Fund Adjustment Account represents the difference between the Collection Fund balance and the General Fund accruals for council tax and National Non-Domestic Rates.

2019-20 £'000	Collection Fund Adjustment Account	2020-21 £'000
511	Opening balance	1,270
759	Movement in the year	(13,761)
1,270	Closing balance	(12,491)

NOTES TO THE ACCOUNTS

32 Cash Flow statement - Cash Operating activities

2019-20 £'000	Cash Flow statement - Cash Operating activities	2020-21 £'000
(5,737)	Interest received	(5,785)
5,786	Interest paid	4,710
49	Net total for Cash Flow statement - Cash Operating activities	(1,075)

33 Cash Flow statement - Investing activities

2019-20 £'000	Cash Flow statement - Investing activities	2020-21 £'000
36,637	Purchase of property, plant and equipment, investment property and intangible assets	50,595
(13,165)	Proceeds Developers Contributions and the sale of property, plant and equipment, investment property and intangible assets	(4,510)
22,500	Short Term Investments	(8,500)
2,411	Net Interest paid / (Received)	4,053
48,383	Net cash flows from investing activities	41,638

34 Cash Flow statement - Financing activities

2019-20 £'000	Cash Flow statement - Financing activities	2020-21 £'000
(616,190)	Cash receipts of short and long-term borrowing	(498,428)
572,590	Repayments of short and long-term borrowing	496,435
(43,600)	Net cash flows from financing activities	(1,993)

NOTES TO THE ACCOUNTS

35 Cash Flow statement - Adjustment of net (surplus) or deficit on the provision of services for non cash movements

2019-20 £'000	Adjustment of net (surplus) or deficit on the provision of services for non cash movements	2020-21 £'000
7,871	Non-cash movements regarding the disposal of non current assets	(275)
(1,228)	International Accounting Standard 19 (IAS 19 - Pensions)	(1,292)
(3,726)	Investment Property revaluations	8,425
4,348	Change in Housing Debtor Valuation	1,898
342	Non Cash Movement regarding sale of Assets Held for Sale	66
(261)	Amortisation of intangible assets	(315)
(3,969)	Depreciation and impairment of non-current assets	(4,571)
(5,607)	Revaluation of Non Current Assets charged to CI&E Statement	(7,275)
(228)	Bishopstoke Parish Council precept transferred to investment	(120)
0	Change in Provisions	0
0	Change in Long Term Investments	(22)
25	Change in Inventories and Work in Progress	37
8,207	Change in Debtors	8,429
1,265	Change in Creditors	(26,749)
0	Movement of New Homes Bonus to Reserve	0
7,039	Total adjustment of net (surplus) or deficit on the provision of services for non cash movements (as per page 16)	(21,764)

36 Long Term Debtors - Aspect Building Communities and associated LLPs**Aspect Building Communities Ltd and Aspect (Eastleigh) Ltd**

As part of the Council's key Strategic priority of delivering more housing across the Borough, the Council created Aspect Building Communities Ltd (ABC Ltd). The Council has a non-controlling 24% interest in this company with Fareham Borough Council (24%), VIVID (26%) and Radian (26%) the other partners.

The aim of this company is to enable more effective delivery of Housing across Hampshire including;

- * Increase housing supply across the Borough for all tenure types.
- * Bring forward stalled developments.
- * Provide housing accessible to those in receipt of welfare benefits.
- * Boost the local economy through development, creating work in a number of industries.
- * Develop projects aimed at reducing carbon emissions.
- * Make a long term financial return on any project.

The corporate structure means that no party has control of the entity however it is recognised that any decision made by the ABC Ltd board requires unanimous consent. ABC Ltd have a management agreement with TIAA Ltd (an independent company) who run the day to day affairs of the company. In addition to the company secretary role, organising board meetings, completing statutory returns etc. TIAA Ltd also oversee the creation and ongoing management of each subsequent project specific Limited Liability Partnership. Using a company independent from each of the partners ensures that they act in the best interests of ABC Ltd as a whole rather than anyone party.

In order to more effectively and efficiently run each individual housing project a Limited Liability Partnership is created. The partners in each LLP present a full development appraisal to the ABC Ltd board for consideration with the request for them to manage the project, set-up and control the LLP. Once approved by the board the relevant agreements are put in place including a Management Agreement which insulates the ABC Ltd members from any losses and ring-fences the profits within the LLP.

ABC Ltd has annual running costs of approximately £32,000 which is equally funded by the partners. The Councils share of this cost is included within the accounts however due to the sum involved relating to the Council only being £8,000 it is considered not material for any form of group accounting.

As a Limited Liability Partnership has an aim of making a profit the Council can only be a member through a company. The Council has created a wholly owned subsidiary called Aspect (Eastleigh) Ltd (AEL) to enable membership. The only material transactions passing through it relate to the loan for the Pember Hill Development detailed on the next page, otherwise this exists solely to enable membership to the Limited Liability Partnerships created.

Woodside Avenue Developments LLP

Woodside Avenue Developments LLP (WAD LLP) is a partnership between AEL and VIVID. This has delivered a 100 unit development on Woodside Avenue in Eastleigh. The Council funds this partnership using a capital housing grant. The Council have provided 90% of the grant funding to ensure delivery of the development. This company will be dissolved during 2021/22.

36 Long Term Debtors - Aspect Building Communities and associated LLPs - continued**Woodside Avenue Homes and Stoneham Developments LLP**

Woodside Avenue Homes (WAH LLP) is a partnership between AEL and VIVID. This company will manage and maintain the transferred units from WAD LLP for the long term. The council will receive 90% of any future profits of the company. In addition the Council will also receive 90% of any future sales of housing stock. The value of housing stock is assessed annually to ensure the value of the Long Term debtors is appropriate.

Stoneham Park Developments LLP (SPD LLP) is a partnership between Aspect (Eastleigh) Ltd and VIVID. This will complete the purchase of 146 units on the North Stoneham Park development in Eastleigh. The Council funds this partnership using a capital housing grant. The Council in return have a 96% charge over the profits of SPD LLP and the grant has protections in place to ensure delivery of the development. In addition the Council will also receive 96% of any future sales value of the property it is this value that the Long Term debtors is secured against with the value being assessed annually.

These grants are shown as a long term liability within the accounts of the LLPs payable to the Council as any proceeds from the sale of the assets will be due to either the Council or VIVID. Whilst neither the Council nor AEL have control of either LLP and can not force a sale it is acknowledged that these sums are due back to the Council at some point in the future. These sums are included as long term debtors within the councils accounts and are shown at note 18 on page 51. The grants are held at cost not at fair value as required by IAS 39 as the council considers costs to be materially the same as fair value during the construction period.

Pembers Hill LLP

Pembers Hill LLP (PHL) is a partnership between Galliford Try and AEL to deliver a housing development at Pembers Hill in Fair Oak. The Council has provided loan finance to AEL in order to deliver this scheme and help meet the Council's strategic objectives. This loan has been secured against the land value of the development.

AEL are a joint partner in PHL and along with Galliford Try have appointed Drew Smith as project managers to deliver the scheme.

The Council funding can be found in the balance sheet under Long-Term investments (see note 16 for further details).

NOTES TO THE ACCOUNTS

37 Amounts reported for resource allocation decisions & Expenditure Funding Analysis

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2019-20 £'000		2020-21 £'000
(37,414)	Fees, Charges & other service income	(32,378)
(11,014)	Interest and investment income	(21,347)
(11,572)	Income from council tax and NDR (Business Rate Retention)	(146)
(32,851)	Revenue grants and contributions	(58,140)
(92,851)	Total Income	(112,011)
21,879	Employee expenses	22,817
1,228	Pension past service costs	1,292
42,345	Other service expenses	39,880
(4,348)	Housing Debtor Revaluation	(1,898)
5,807	Support Service recharges	6,656
13,838	Depreciation, amortisation, revaluations and impairment	12,160
5,786	Interest Payments	6,937
3,193	Precepts & Levies	3,344
(7,871)	(Gain)/Loss on Disposal of Fixed Assets	275
81,857	Total Expenditure	91,463
(10,994)	Deficit on the provision of services	(20,548)

NOTES TO THE ACCOUNTS

38 Members' allowances

The Authority paid the following amounts to members of the council during the year.

2019-20 £'000	Members' allowances	2020-21 £'000
274	Basic allowance	276
121	Other special allowances (e.g. chairs of committees)	121
5	Travel, subsistence and other expenses	0
400	Total	397

39 Officers' remuneration

The table for 2020-21 shown on the following page 73, sets out the remuneration disclosure for Senior Officers of the Council whose salary is less than £150,000 but equal to or more than £50,000 per year.

The table of comparatives for 2019-20 shown on page 74, sets out the remuneration disclosure for Senior Officers of the Council whose salary is also less than £150,000 but equal to or more £50,000 per year.

NOTES TO THE ACCOUNTS

39 Officers' remuneration- continued

Information for 2020-21

Senior Officers emoluments - Salary is between £50,000 and £150,000 per year 2020-21				
Post Title	Salary	Total	Pension	Total
	including fees & allowances £	Remuneration exc pension contributions £	Contributions £	including pension contributions £
Chief Executive	73,977	73,977	13,020	86,997
Corporate Director - Support Services	88,620	88,620	15,615	104,235
Corporate Director - Service Delivery	87,606	87,606	15,419	103,025
Corporate Director - Strategy	88,722	88,722	15,615	104,337
Local Area Manager	60,191	60,191	10,465	70,656
Local Area Manager	53,767	53,767	9,712	63,479
Local Area Manager 01/04/2020 - 31/08/2020	22,338	22,338	3,932	26,270
Local Area Manager 01/09/2020 - 31/03/2021	31,431	31,431	5,532	36,963
Local Area Manager	57,936	57,936	10,197	68,133

NOTES TO THE ACCOUNTS

39 Officers' remuneration- continued

Information for 2019-20

Senior Officers emoluments - Salary is between £50,000 and £150,000 per year 2019-20				
Post Title	Salary	Total	Pension	Total
	including	Remuneration	Contributions	including
	fees &	exc pension		pension
	allowances	contributions		contributions
	£	£	£	£
Chief Executive	72,478	72,478	11,669	84,147
Corporate Director - Support Services	82,176	82,176	13,230	95,406
Corporate Director - Service Delivery	80,999	80,999	13,041	94,040
Corporate Director - Strategy	82,176	82,176	13,230	95,406
Local Area Manager	57,917	57,917	9,170	67,087
Local Area Manager	51,123	51,123	8,652	59,775
Local Area Manager	53,612	53,612	8,476	62,088
Local Area Manager	56,112	56,112	9,034	65,146
Local Area Manager	57,489	57,489	9,170	66,659

The Council had no staff who were paid more than £150,000 in either 2019-20 or 2020-21.

NOTES TO THE ACCOUNTS

39 Officers' remuneration- continued

Number of officers whose remuneration in the year was £50,000 or more

This information is a requirement of the Accounts and Audit Regulations 2003 (SI 2003/533), as amended by the Accounts and Audit Regulations 2006 & 2009.

2019-20 No	Number of employees whose remuneration was in the range:	2020-21 No
15	£50,000 - £54,999	23
9	£55,000 - £59,999	13
7	£60,000 - £64,999	6
7	£65,000 - £69,999	8
2	£70,000 - £74,000	4
1	£75,000 - £79,999	2
1	£80,000 - £84,999	2
-	£85,000 - £89,999	-
-	£90,000 - £94,999	1
-	£95,000 and above	3
42	Total number of officers whose remuneration exceeded £50,000	62

It should be noted that employees only appear in the above table if they are not disclosed in the Senior Officer's Emoluments tables on pages 73 & 74.

40 Exit packages regarding compulsory and other departures

In the year 2020-21

£0 - £20,000	1	6	7	39
£20,001 - £40,000	-	-	-	-
£40,001 - £60,000	-	-	-	-
£60,001 - £80,000	-	-	-	-
£80,001 - £100,000	-	-	-	-
£100,001 - £150,000	-	-	-	-
Total of all categories	1	6	7	39

In the year 2019-20

£0 - £20,000	5	1	6	29
£20,001 - £40,000	-	-	-	-
£40,001 - £60,000	-	-	-	-
£60,001 - £80,000	-	-	-	-
£80,001 - £100,000	-	-	-	-
£100,001 - £150,000	-	-	-	-
Total of all categories	5	1	6	29

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
No	No	No	£'000
1	6	7	39
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
1	6	7	39
5	1	6	29
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
5	1	6	29

41 External Audit Costs

The Authority has incurred costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections provided by the Authority's external auditors. Refer to the table on the following page:

NOTES TO THE ACCOUNTS

41 External Audit Costs - continued

2019-20 £'000	External Audit Costs	2020-21 £'000
78	Fees payable to EY with regard to external audit services carried out	39
8	Fees payable to KPMG for the certification of grant claims and returns	8
86	Total of all external audit fees	47

42 Grant and Contributions Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2020-21:

2019-20 £'000 restated	Grant and Contributions Income	2020-21 £'000
Credited to Taxation and Non Specific Grant Income		
9,111	Council Tax Income	9,572
0	Revenue Support Grant & Council tax freeze grant (for 2014-15 only)	0
1,646	Area Based Grant & S31 grants related to National Non-Domestic Rates	12,361
10,757	Total Grant and Contributions Income	21,933
Credited to Taxation and Non Specific Grant Income		

2019-20 £'000	Grant and Contributions Income Credit to Services	2020-21 £'000
Department for Communities & Local Government		
148	Cost of Collection	146
35	EU Exit Preparation	0
15	Self Build and Custom Housing	0
2	Brownfield Register	0
176	Flexible Homelessness Support	316
46	COVID 19	7,771
8	Transparency Grant	0
0	Lettings Agents Transparency & Redress Schemes	0
0	National Community Clean Up	0
0	Parks Improvement Fund	0
430	Total amount for Department for Communities & Local Government	8,233
75	Cabinet Office - Individual Electoral Registration	0
Department for Environment, Food and Rural Affairs		
1	Single Payment Scheme & Higher Level Stewardship (HLS)	0
1	Total amount for Department for Environment, Food and Rural Affairs	0
506	Total amount carried forward to next page:	8,233

NOTES TO THE ACCOUNTS

42 Grant and Contributions Income - continued

2019-20 £'000	Grant and Contributions Income Credit to Services - continued	2020-21 £'000
506	Bfwd from previous page Department for Work and Pensions	8,233
307	Housing and Council Tax Benefit Administration	226
19,957	Housing Benefit Rebates	18,997
134	Housing Benefit Discretion Rent Allowance	263
111	Non HRA Rent Allowances Subsidy	(33)
5	Housing Benefit Universal Credit	82
66	New Burdens	29
9	Fraud and Error Reduction Incentive Scheme (FERIS)	14
20,589	Total amount for Department for Work and Pensions	19,578
6	Department of Transport - Bus operators grant	6
	Other Bodies	
35	Hampshire County Council - Community Safety	20
368	Hampshire County Council	172
86	Other Local Authority Grants	93
3	Lottery Funding	7
0	Portsmouth Water	9
257	Arts Council	536
152	Other Contributions	976
224	Open Spaces Commuted Sums (Various Private Developers	
56	Natural England	71
40	European Union	77
	- Paloma	
10	Social Services	23
	- Sport England Grant	258
	- Officer of The Police and Crime Committee	
	- Artwork Ltd	
8,538	Capital Grants applied to Services (includes New Homes Bonus Grant)	18,916
9,769	Total amount for Other Bodies	21,158
30,870	Total Grant and Contributions Income Credit to Services	48,975

42 Grant and Contributions Income- continued

The only grant include in the table on the previous page which has conditions attached is the Horton Heath Accelerated Construction Grant. This becomes repayable if delivery targets are not met.

43 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 Authority.

Central Government

Central government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits).

Members

Elected members have control over the Council's financial and operating policies. During the year a number of members were involved in various organisations which received funding from the Council; these are listed below. A significant number of members also declared that they were elected members for Parish/Town councils. Any declarations of interest are recorded in the Register of Members' Interests which is open to public inspection.

	£'000
Pilands Wood Association - Grants towards operation - Member on association (8)	13
Solent Running Sisters - Sport Grant - Member is Chair of Group (1)	1
Aspect Building Communities Ltd - Housing Grant - Member & Director are Directors of Pembers LLP and Aspect (Eastleigh) Ltd (1)	2,000
Stoneham Park Developments LLP - Housing Grant - Member & Director are Directors of Aspect Building Communities Ltd and Aspect (Eastleigh) Ltd (2)	3,072

For each related party above the full balance due in the year has been paid. The figure in brackets indicates the number of payments made during the year.

Officers

Senior Officers have the ability to influence the council. During 2020-21 there were a number of related party transactions between the Council and the wider company structure. These figures are included in the detail above.

Other public bodies [subject to common control by central government]

The council provided material financial assistance to a number of organisations (mainly community related bodies) although it does not exercise any form of control over those organisations.

Entities controlled or significantly influenced by the authority

The council holds funds on behalf of parish councils in the form of temporary loans but does not have a controlling influence over them. Entities that the Council controls or has significant influence over are described in Note 37 and Note 57

NOTES TO THE ACCOUNTS

44 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 and PFI/PP contracts), 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 Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

2019-20 £'000	Capital expenditure and capital financing	2020-21 £'000
479,343	Opening capital financing requirement	494,344
34,278	Capital expenditure for non-current assets	48,942
2,625	Revenue expenditure funded from capital under statute	2,360
	Material elements of the above expenditure are stated in the foreword in the tables presented on page 4	
36,903	Total capital investment	51,302
	<u>Sources of finance</u>	
(8,538)	Government grants and other contributions	(15,198)
(1,171)	Sums set aside from revenue	(1,777)
(7,820)	Use of capital receipts	(262)
(4,373)	Minimum Revenue Provision	(5,055)
-	- Adjustment regarding discharge of liability related to IFRIC 12	-
(21,902)	Total sources of finance	(22,292)
494,344	Closing capital financing requirement	523,354
15,001	Change in capital financing requirement in the year	29,010

2019-20 £'000	Explanation of movements in year	2020-21 £'000
19,374	Increase in underlying need to borrowing (unsupported by government financial assistance)	34,065
(4,373)	Minimum revenue provision	(5,055)
15,001	Change in capital financing requirement in the year	29,010

45 Leases - Council as a lessee

Future minimum lease rentals payable are given in the table below, all relating to property. At 31 March 2021 the Council had no vehicle leases or any other operating leases relating to vehicles.

2019-20 £'000	Future minimum lease rentals payable	2020-21 £'000
479	Due within one year	409
1,164	Due later than one year and not later than five years	1,042
509	Due after five years	404
2,152	Total Future Minimum Lease Rentals Payable	1,855

NOTES TO THE ACCOUNTS

46 Leases - Council as a lessor

The council leases out most of its investment property under operating leases for the purpose of generating income. It also leases out property for the purpose of the provision of community services such as sports and leisure facilities and community centres. The future minimum lease rentals receivable are:

2019-20 £'000	Future minimum lease rentals receivable	2020-21 £'000
12,257	Due within one year	11,863
43,310	Due later than one year and not later than five years	39,672
130,431	Due after five years	113,952
185,998	Total Future Minimum Lease Rentals Receivable	165,487

The future minimum lease rentals receivable do not include rents that are contingent on events taking place in the future such as rent reviews.

47 Impairment Losses

All non-current assets are regularly assessed and no indication of impairment was found.

48 Capitalisation of Borrowing Costs

Included in the accounts for 2020/21 interest to the value of £2,332,307 was capitalised. This materially related to the Horton Heath Housing Scheme. A total of £1,980,000 was capitalised at a fixed rate of 2.2%, the remainder was capitalised at a pooled rate of 1.23%.

49 Termination Benefits

In order to continue the ongoing process of realising efficiencies the Council continue to consider voluntary redundancy and flexible-retirement request from staff.

50 Defined Benefit Pension Schemes**LGPS funded benefits**

The disclosures [below] relate to the funded liabilities within the Hampshire County Council Pension Fund (the "Fund") which is part of the Local Government Pension Scheme (the "LGPS") [and certain related unfunded liabilities which have been separately disclosed].

The LGPS is a funded defined benefit plan with benefits earned up to 31 March 2014 being linked to final salary. Benefits after 31 March 2014 are based on a Career Average Revalued Earnings scheme. Details of the benefits earned over the period covered by this disclosure are set out in 'The Local Government Pension Scheme Regulations 2013' and 'The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014' (as amended).

Funding/Governance Arrangements of the LGPS

The funded nature of the LGPS requires participating employers and their employees to pay contributions into the Fund, calculated at a level intended to balance the pension liabilities with investment assets. Information on the framework for calculating contributions to be paid is set out in the LGPS Regulations 2013 and the Fund's Funding Strategy Statement. The last actuarial valuation was at 31 March 2019 and the contributions to be paid until 31 March 2023 resulting from that valuation are set out in the Fund's Rates and Adjustment Certificate.

The Fund Administering Authority, Hampshire County Council is responsible for the governance of the Fund.

Assets

The assets allocated to the Employer in the Fund are notional and are assumed to be invested in line with the investments of the Fund for the purposes of calculating the return over the accounting period. The Fund holds a significant proportion of its assets in liquid investments. As a consequence there will be no significant restriction on realising assets if a large payment is required to be paid from the Fund in relation to an employer's liabilities. The assets are invested in a diversified spread of investments and the approximate split of assets for the Fund as a whole (based on data supplied by the Fund Administering Authority) is shown in the disclosures.

The Fund Administering Authority may invest a small proportion of the Fund's investments in the assets of some of the employers participating in the Fund if it forms part of their balanced investment strategy.

50 Defined Benefit Pension Schemes- continued

LGPS funded benefits

Risks associated with the Fund in relation to accounting

Asset volatility

The liabilities used for accounting purposes are calculated using a discount rate set with reference to corporate bond yields at the accounting date. If assets underperform this yield this will create a deficit in the accounts. The Fund holds a significant proportion of growth assets which, while expected to outperform corporate bonds in the long term, creates volatility and risk in the short term in relation to the accounting figures.

Changes in Bond Yield

A decrease in corporate bond yields will increase the value placed on the liabilities for accounting purposes although this will be marginally offset by the increase in the assets as a result (to the extent the Fund invests in corporate bonds).

Inflation Risk

The majority of the pension liabilities are linked to either pay or price inflation. Higher inflation expectations will lead to a higher liability value. The assets are not perfectly correlated with the inflation meaning that an increase in inflation will increase the deficit.

Life Expectancy

The majority of the Fund's obligations are to provide benefits for the life of the member following retirement, so increases in life expectancy will result in an increase in the liabilities.

Exiting employers

Employers which leave the Fund (or their guarantor) may have to make an exit payment to meet any shortfall in assets against their pension liabilities. If the employer (or guarantor) is not able to meet this exit payment the liability may in certain circumstances fall on other employers in the Fund. Further the assets at exit in respect of 'orphan liabilities' may, in retrospect, not be sufficient to meet the liabilities. This risk may fall on other employers. 'Orphan liabilities' are currently a small proportion of the overall liabilities in the Fund.

Principal financial assumptions (% per annum)	31 March 2020 %p.a.	31 March 2021 %p.a.
Discount rate	2.3	2.1
CPI Inflation	2.0	2.7
Pension increases	2.0	2.7
Pension accounts revaluation rate	2.0	2.7
Salary increases	3.0	3.7

NOTES TO THE ACCOUNTS

50 Defined Benefit Pension Schemes (funded) - continued

Mortality assumptions - The mortality assumptions are based on the actual mortality experience of members within the Fund based on analysis carried out as part of the 2019 valuation, and allow for expected future mortality improvements. Sample life expectancies at age 65 resulting from these mortality assumptions are shown below:

Assumed life expectancy at age 65	31 March 2020 (years)	31 March 2021 (years)
Males		
Member aged 65 at accounting date	23.0	23.1
Member aged 45 at accounting date	24.7	24.8
Females		
Member aged 65 at accounting date	25.5	25.5
Member aged 45 at accounting date	27.2	27.3

Asset allocation	Value at 31 March 2020	Value at 31 March 2021		Total
	Total	Quoted	Unquoted	
	%	%	%	%
Equities	52.7	49.4	7.6	57.0
Property	7.3	0.8	5.3	6.1
Government bonds	21.8	17.3	0.0	17.3
Corporate bonds	0.0	0.0	0.0	0.0
Cash	2.0	1.4	0.0	1.4
Other *	16.2	15.9	2.3	18.2
	100.0	84.8	15.2	100.0

Reconciliation of funded status to the balance sheet	Value at 31 March 2020	Value at 31 March 2021
	£M	£M
Fair value of assets	104.27	129.69
Present value of funded defined benefit obligation	160.47	197.19
Funded status	(56.20)	(67.50)
Impact of minimum funding requirement/asset ceiling	0.00	0.00
Asset/liability recognised in the balance sheet	(56.20)	(67.50)

The split of the liabilities at the last valuation between the various categories of members is as follows:

Split of the defined benefit obligation at the last valuation date between the various categories of members	Split at 31 March 2021
	%
Active members	30
Deferred Pensioners	24
Pensioners	46
Total	100

NOTES TO THE ACCOUNTS

50 Defined Benefit Pension Schemes (funded) - continued

Breakdown of amounts recognised in profit and loss/Surplus or Deficit and Other Comprehensive Income (OCI)	Period ending 31 March 2020 £M	Period ending 31 March 2021 £M
Operating cost		
Current service cost (1)	5.08	5.29
Past service cost (including curtailments)	0.04	0.00
Settlement cost	-	-
Financing cost	1.20	1.26
Interest on net defined benefit liability/(asset)		
Pension expense recognised in profit and loss	6.33	6.55
Remeasurements in OCI		
Return on plan assets (in excess of)/below that recognised in net interest	6.44	(23.65)
Actuarial (gains)/losses due to change in financial assumptions	(4.28)	32.98
Actuarial (gains)/losses due to change in demographic assumptions	(4.19)	-
Actuarial (gains)/losses due to liability experience	3.55	(2.01)
Total amount recognised in OCI	1.69	7.32
Total Amount recognised	8.01	13.87
Changes to the present value of defined benefit obligation during the accounting period	Period ending 31 March 2020 £M	Period ending 31 March 2021 £M
Opening defined benefit obligation	159.93	160.47
Current service cost	5.08	5.29
Interest expense on defined benefit obligation	3.80	3.66
Contributions by participants	0.88	0.96
Actuarial (gains)/losses on liabilities - financial assumptions	(4.28)	32.98
Actuarial (gains)/losses on liabilities - demographic assumptions	(4.02)	0.00
Actuarial (gains)/losses on liabilities - experience	3.55	(2.01)
Net benefits paid out	(4.51)	(4.16)
Past service cost (including curtailments)	0.04	0.00
Net increase in liabilities from disposals/acquisitions	-	-
Settlements	-	-
Closing defined benefit obligation	160.47	197.19

NOTES TO THE ACCOUNTS

50 Defined Benefit Pension Schemes (funded) - continued

Changes to the fair value of assets during the accounting period	Period ending 31 March 2020 £M	Period ending 31 March 2021 £M
Opening fair value of assets	108.33	104.28
Interest income on assets	2.60	2.39
Remeasurement gains/(losses) on assets	(6.44)	23.65
Contributions by the employer	3.42	2.57
Contributions by participants	0.88	0.96
Net benefits paid out	(4.51)	(4.16)
Net increase in assets from disposals/acquisitions	-	-
Settlements	-	-
Closing fair value of assets	104.28	129.70

Actual return on assets	Period ending 31 March 2020 £M	Period ending 31 March 2021 £M
Expected return on assets	2.60	2.39
Actuarial gains/(losses) on assets	(6.44)	23.65
Actual return on assets	(3.84)	26.05

LGPS unfunded benefits

The disclosures below relate to unfunded pension arrangements established by Eastleigh Borough Council. These are termination benefits made on a discretionary basis upon early retirement in respect of members of the Local Government Pension Scheme (LGPS) under the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations. No pension fund exists to meet these benefits.

The latest actuarial valuation of the Hampshire County Council Pension Fund took place on 31 March 2019.

Principal financial assumptions (% per annum)	31 March 2020 % p.a.	31 March 2021 % p.a.
Discount rate	2.3	2.1
CPI Inflation	2.0	2.7
Pension increases	2.0	2.7

NOTES TO THE ACCOUNTS

50 Defined Benefit Pension Schemes (unfunded) - continued

Mortality assumptions - The mortality assumptions are based on the recent actual mortality experience of members within the Fund and allow for expected future mortality improvements. Sample life expectancies resulting from these mortality assumptions are shown below:

Assumed life expectancy at age 65	31 March 2020	31 March 2021
Males	years	years
Member aged 65 at accounting date	23.0	23.1
Females		
Member aged 65 at accounting date	25.5	25.5

Reconciliation of funded status to the balance sheet	Value at 31 March 2020	Value at 31 March 2021
	£M	£M
Present value of funded defined benefit obligation	1.32	1.30
Asset/liability recognised in the balance sheet	(1.32)	(1.30)

Breakdown of amounts recognised in profit and loss/Surplus or Deficit and Other Comprehensive Income (OCI)	Period ending 31 March 2020	Period ending 31 March 2021
	£M	£M
Operating cost	-	-
Financing cost		
Interest on net defined benefit liability/(asset)	0.030	0.029
Pension expense recognised in profit and loss	0.030	0.029
Remeasurements in OCI		
Actuarial (gains)/losses due to change in financial assumptions	(0.020)	0.085
Actuarial (gains)/losses due to change in demographic assumptions	(0.020)	0.000
Actuarial (gains)/losses due to liability experience	0.100	(0.018)
Total amount recognised in OCI	0.060	0.067
Total Amount recognised	0.090	0.096

NOTES TO THE ACCOUNTS

50 Defined Benefit Pension Schemes (unfunded) - continued

Changes to the present value of defined benefit obligation during the accounting period	Period ending 31 March 2020 £M	Period ending 31 March 2021 £M
Opening defined benefit obligation	1.34	1.32
Current service cost	-	-
Interest expense on defined benefit obligation	0.03	0.03
Contributions by participants	-	-
Actuarial (gains)/losses on liabilities - financial assumptions	(0.02)	0.09
Actuarial (gains)/losses on liabilities - demographic assumptions	(0.02)	0.00
Actuarial (gains)/losses on liabilities - experience	0.10	(0.02)
Net benefits paid out	(0.11)	(0.11)
Past service cost (including curtailments)	-	-
Net increase in liabilities from disposals/acquisitions	-	-
Settlements	-	-
Closing defined benefit obligation	1.32	1.30

Changes to the fair value of assets during the accounting period	Period ending 31 March 2020 £M	Period ending 31 March 2021 £M
Opening fair value of assets	-	-
Interest income on assets	-	-
Remeasurement gains/(losses) on assets	-	-
Contributions by the employer	0.11	0.11
Contributions by participants	-	-
Net benefits paid out	(0.11)	(0.11)
Net increase in assets from disposals/acquisitions	-	-
Settlements	-	-
Closing fair value of assets	0.00	0.00

Sensitivity of Actuarial Assumptions

The table below show the sensitivity of the actuarial assumptions and what impact a 0.1% change would have for each of the assumptions.

	Increase in Assumptions £M	Decrease in Assumption £M
Rate of inflation (adjustment to discount rate +0.1% or - 0.1% Pa)	3.94	(4.14)
Rate of increase in salaries (increase or decrease by 0.1% pa)	(0.39)	0.39
Rate of increase to pensions in payment & rate of revaluation of pension accounts (increase or decrease by 0.1% pa)	(3.75)	3.55
Post retirement mortality assumption (increase or decrease by 1 year)	(7.10)	6.90

NOTES TO THE ACCOUNTS

51 Contingent Liabilities

There are contingent liabilities that could potentially impact on the Council. These liabilities are included in the table below:

2019-20 £'000	Contingent Liabilities	2020-21 £'000
71	Wide Lane Land - dependent on potential changes in land valuation	71
71	Total	71

52 Contingent Assets

As part of the Large Scale Voluntary Transfer Agreement (LSVT), the Council is entitled to receive income generated from Right to Buy sales of former Council properties. In 2020-21 the income generated from this source was £72,465 (2019-20 £625,877). The generation of this income is outside of the Council's control and is not quantifiable for future years.

53 Group accounts

For 2020-21 it is not considered that there are any bodies that meet the requirements for Group Accounting and as such these accounts solely represent the Council's transactions and balances in the year. Full details of related companies can be found in note 3 on page 38 with further information at Note 36 Page 69.

54 Events after the balance sheet date

During 2020/21 12 major tenants experienced difficulties with payment of rent due to the lockdown periods during the pandemic. Payment plans have now been agreed with each of these tenants covering total arrears of £5M. This total includes debts up to July 2021 for the Ageas Complex.

Of these 12 payment plans, 4 tenants have now paid their Covid debt in full with 7 of the remaining 8 major debtors being ahead or in line with their agreed instalments. Only one debtor with a payment plan is behind with payments although their arrears have reduced since March 2021. However, they are paying their current rent in full and discussions with them are ongoing with a view to reaching agreement in respect of full payment of these arrears over the longer term.

55 Date accounts are authorised for issue

These accounts were authorised for issue by the Chief Financial Officer on 12 January 2022.

COLLECTION FUND

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

2019-20		Collection Fund	2020-21	
£'000	£'000		£'000	£'000
81,276		Amounts required by statute to be credited to the Collection Fund	85,460	
		Council Tax (Note 1)		
		Transfers from General Fund:		
(5)		Council Tax Benefits	(4)	
60,466		Income collectable from business rate payers (note 2)	31,170	
	141,737	TOTAL INCOME		116,626
		Amounts required by statute to be debited to the Collection Fund		
		Precepts and demands:		
56,715		Hampshire County Council: Council Tax	60,500	
5,217		Hampshire County Council: Business rates	5,405	
9,238		Police & Crime Commissioner for Hampshire: Council Tax	9,946	
3,105		Hampshire Fire and Rescue: Council Tax	3,248	
580		Hampshire Fire and Rescue: Business rates	601	
5,939		Eastleigh Borough Council: Council Tax	6,110	
23,186		Eastleigh Borough Council: Business rates	24,024	
3,193		Parish Councils: Council Tax	3,344	
	107,173			113,178
		Business rates:		
28,982		Payment to DCLG	30,030	
148		Costs of collection	146	
1,012		Provision for appeals	(1,661)	
	30,142			28,515
		Impairment of debts:		
(199)		Council Tax write offs	(82)	
(167)		Business rates write offs	(233)	
1,183		Increase/(decrease) in provision for bad debts	1,759	
	817			1,444
		Contributions/transfers towards previous year's estimated Collection Fund surplus/deficits (CT & NDR)		
(176)		Government	3,144	
700		Hampshire County Council	1,291	
108		Police & Crime Commissioner for Hampshire	118	
36		Hampshire Fire and Rescue	103	
(20)		Eastleigh Borough Council	2,633	
	648			7,289
	138,780	TOTAL EXPENDITURE		150,426
	2,957	MOVEMENT ON FUND BALANCE		
949		(Deficit)/Surplus for year: Council Tax	754	
1,529		(Deficit)/Surplus for year: Business rates	(34,554)	
	2,478			(33,800)
4,850		Balance brought forward Council Tax	5,799	
0		Correction to Balance b/f * Council Tax	499	
(147)		Balance brought forward Business rates	1,382	
	4,703			7,680
5,799		Balance carried forward Council Tax	7,052	
1,382		Balance carried forward Business rates	(33,172)	
	7,181			(26,120)

*Correction of immaterial casting error from previous financial year

NOTES TO THE COLLECTION FUND

Note 1 - Council Tax Base for 2020-21 by banding

Band	Value Range	No. of dwellings	Ratio to Band D	Band D equivalents
A-	Band A with disabled reduction	4.20	5/9	3.97
A	Up to £40,000	2,418.40	6/9	2,287.53
B	£40,001 to £52,000	8,227.00	7/9	7,781.79
C	£52,001 to £68,000	15,285.20	8/9	14,457.93
D	£68,001 to £88,000	9,684.80	9/9	9,160.70
E	£88,001 to £120,000	8,849.80	11/9	8,370.89
F	£120,001 to £160,000	4,200.40	13/9	3,973.09
G	£160,001 to £320,000	1,770.40	15/9	1,674.59
H	Over £320,000	42.50	18/9	40.20
Summary of band D equivalents				47,750.69
Reduction for non collection				-716.27
Local Tax Base (expressed to one decimal place)				47,034.42

Note 2 - Rateable values used for Business ratepayers

2019-20		2020-21
137,372,734	Total rateable value as at 31 March	136,025,969
50.4p	National Non-Domestic Rate for the year	51.2p
49.1p	Small business rate relief	49.9p

Note 3 - Collection Fund allocation of surplus

The fund deficit of £26,120,000 shown at the bottom of page 89, is attributed to the following bodies:

Attributable parts of the Collection Fund surplus/(deficit) as at 31 March 2021		£000
Hampshire County Council:	Council Tax	5,146
	Business rates	(2,985)
Police & Crime Commissioner for Hants:	Council Tax	859
Hampshire Fire and Rescue:	Council Tax	270
	Business rates	(332)
Eastleigh Borough Council:	Council Tax	777
	Business rates	(13,269)
Central Government:	Business rates	(16,586)
Collection Fund surplus shown on page 89		(26,120)

2019-20	Reconciliation of the amount shown as demand on the Collection Fund relating to Council Tax (see page 12)	2020-21
£'000		£'000
5,939	Precepts and demands from Eastleigh Borough Council	6,110
120	Surplus contributable to Eastleigh Borough Council	117
3,193	Precepts and demands from Parish and Town Councils	3,344
-	Community charge surplus to Eastleigh Borough Council	-
9,252		9,571
93	Change to accruals accounting in relation to main demand	58
9,345	Sum included in Comprehensive Income & Expenditure Statement	9,629

GLOSSARY OF TERMS

Accruals basis - accounting for income and expenditure during the financial year in which it is earned or incurred, not when money is received or paid.

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

Area based grant - general grant allocated directly to local authorities as additional revenue funding to areas. It is allocated according to specific policy criteria rather than general formulae. Local authorities are free to use all of this non-ring fenced funding as they see fit to support the delivery of local, regional and national priorities in their areas.

Audit Commission - the independent public body responsible for ensuring that public money is spent economically, efficiently and effectively in the areas of local government, housing, health, criminal justice and fire & rescue services.

Balances - the accumulated excess of income over expenditure in the Comprehensive Income & Expenditure Statement. This balance is needed as a cushion against unforeseen expenditure.

Best value - delivering economy, efficiency and effectiveness to secure continuous service improvement – “providing the quality services you want at a price you are willing to pay”.

Book value – the value of a fixed asset, such as a building or machine, as recorded in an organisation’s books. It is the lower of the depreciated cost and the recoverable amount. The recoverable amount is the higher of the value in use and the net realisable amount.

Budget requirement – planned spending to be met from council tax, general government grant and national non-domestic business rates.

Business Rates Retention – revised scheme of National Non-Domestic Rating introduced as from 1st April 2013. The Government methodology behind the rating process is that the scheme provides for Local Authority stimulation and growth in relation to commercial property located in its area.

Capital adjustment account - The purpose of the capital adjustment account will be to bear the historical cost of acquiring, creating or enhancing fixed assets over the life of those assets, the historical cost of deferred charges and to be credited with the resources set aside to finance capital expenditure.

Capital expenditure - expenditure for capital purposes comprises the acquisition, construction, replacement or enhancement of land, buildings, plant, machinery and vehicles which adds to and not merely maintains the value of an existing asset. Advances of long-term loans and grants may also be included as capital expenditure in some situations.

Capital programme – a list of capital projects approved to start in a specified financial year.

Capitalisation – treatment of expenditure as capital rather than as revenue.

Capital Receipts - these are the proceeds from the sale of capital assets. In some limited circumstances, a proportion must be paid into a central government pool, but the remainder is available for new capital projects.

GLOSSARY OF TERMS continued

Cash limit – a defined figure set at the start of the financial year to represent the maximum amount that a service can spend.

Collection Fund - under Part VI of the Local Government Finance Act 1988, charging authorities are required to maintain a Collection Fund. The accounts record Council Tax and Non-Domestic Rates collected by the authority along with payments to precepting authorities (i.e. Hampshire County Council, Hampshire Police Authority, Hampshire Fire & Rescue, Parishes serving parts of the Borough and the Councils' own General Fund).

Community asset - an asset that the Council intends to hold forever, that has no determinable useful life and that may have restrictions on its disposal.

Comprehensive Performance Assessment – this considers how well the Council is run, and will affect how services are delivered in the future.

Contingent asset - a possible asset that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control.

Contingency provision – a sum included as a central provision within the budget to meet expenditure where timing and scale are uncertain.

Contingent liability – a potential liability that is uncertain because it depends on the outcome of a future event.

Continuing services - services that the Council will continue to provide in the following financial year.

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

Council tax - a domestic property tax based on capital values with a personal element (a 25% discount for single adult households). Each property is allocated to one of eight tax bands according to its capital value.

Creditor - an individual or body to which the Council owes money at the Balance Sheet date. Creditors may also be described as "trade payable and other payables".

Current asset - an asset that is realisable or disposable within less than one year without disruption to services..

Current liability - a liability that is due to be settled within one year.

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

Debtor - an individual or body that owes money to the Council at the Balance Sheet date. Debtors may also be described as "receivables".

GLOSSARY OF TERMS continued

Deferred capital receipts - these are amounts resulting from asset sales where the income is received in instalments over agreed periods. They derive mainly from mortgages on the sale of Council properties (from a time when the Council still operated a Housing Revenue Account).

Deferred charges - for 2008-09 onwards deferred charges has been replaced with the term Revenue expenditure funded from capital under statute.

Defined benefit pension scheme - a pension scheme in which the pensioner's benefits are specified, usually relating to his or her length of service and final salary.

Deposit - a receipt held that is repayable in prescribed circumstances.

Depreciated replacement cost - the current replacement costs adjusted for depreciation. This method of valuation is used when it is not practical to estimate the open-market value for the existing use of a specialised property.

Depreciation - the measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, the passage of time or obsolescence through technological or other changes.

Discretionary increase in pension payments - this increase arises when an employer agrees to the early retirement of an employee other than for reasons of ill health and agrees to pay pension benefits based on more years than he or she actually worked.

Doubtful debt - a debt that the Council is unlikely to recover. A provision is made in the accounts for doubtful debts each year based on how long debts have been outstanding.

Emoluments - sums paid to employees, including any expenses or non-monetary benefits, which are taxable, but excluding pension contributions made by the employee.

Exceptional item - an item identified separately in the accounts because of its exceptional nature to ensure the presentation of the accounts is fair.

Existing use value - the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the property required by the business and disregarding potential alternative uses and any other characteristics of the property that would cause its market value to differ from that needed to replace the remaining service potential at least cost.

Expected rate of return on pension assets - reflects the actual split between the various asset classes and the pension fund actuary's expected rate of return on each asset class at the start of an accounting period.

Fair value - is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction.

Financial Reporting Standards - accounting standards are prepared by the Accounting Standards Board to apply as far as possible to all accounting entities within the United Kingdom. They apply to all local authorities where they comply with specific legal requirements and are relevant to local authority activities.

GLOSSARY OF TERMS continued

Finance lease - under this type of lease, the organisation paying the lease is treated as if it owns the goods. It gains the profits that would come with ownership but it also suffers the losses.

Financial instruments - represent where a contract gives rise to a financial asset of one entity a financial liability or equity instrument of another. The term "financial instrument" covers most financial assets and financial liabilities. Typical financial instrument liabilities are trade payables, other payables, borrowings and financial guarantees. Typical financial instrument assets are bank deposits, trade receivables, loans receivable, other receivables & advances and investments.

Fixed asset - an asset that yields benefits to the Council and the services it provides for a period of more than one year.

Formula Spending Share (FSS) - the government view of the Council's expenditure "needs" for grant distribution purposes. Calculation is based on a national formula.

Going concern - the concept that the authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheets assume no intention to curtail significantly the scale of operations.

Government grants and other contributions deferred - an account that reflects the value of fixed assets in the balance sheet that are financed by specific government grants and other external contributions.

Government grants released - the reduction in the value of a government grant deferred when the corresponding fixed asset is depreciated or disposed of.

Gross revenue expenditure - the total cost of providing the Council's services before deducting income from revenue grants, or fees and charges for services.

Historical cost - the amount originally paid for a fixed asset.

Impairment loss - a loss arising from an event that significantly reduces an asset's value. Examples are physical damage or a significant decline in the asset's market value during the year.

Infrastructure asset - fixed assets that cannot be taken away or transferred, and whose benefits can only be obtained by continued use of the asset created.

Interest costs on pension - interest on the Council's element of the pension fund.

Internal recharge - a charge made by one part of the Council to another.

Internal trading account - a service within the Council that operates on a trading basis.

Inventories - goods that are acquired in advance of their use in providing services of their resale.

Investment properties - Interest in land and/or buildings:

- in respect of which construction work and development have been completed, and
- which is held for its investment potential, any rental income being negotiated at arm's length.

GLOSSARY OF TERMS continued

Long-term borrowing - a loan repayable in more than one year from the Balance Sheet date.

Long-term debtor - an individual or body that owes money to the Council that is not due for payment within one year from the Balance Sheet date.

Market value - the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Minimum Revenue Provision - the minimum charge that must be made to the Comprehensive Income & Expenditure Statement to set-aside sums for the repayment of borrowing that has been incurred to finance capital expenditure.

National business rate - charges collected by the Council from non-domestic properties at a national rate in the pound set by the government. The proceeds are pooled nationally and distributed to areas in proportion to their population.

Net assets - the amount by which assets exceed liabilities.

Net book value - the current book value of an asset or liability expressed as its original book value net of any accounting adjustments such as depreciation.

Net current liabilities - the amount by which current liabilities exceed current assets.

Net current replacement cost - is the gross current replacement cost, reduced to reflect the physical and functional obsolescence and environmental factors, in order to arrive at the value of the building to the business at the relevant date.

Net operating expenditure - expenditure net of income but before allowing for contributions to and from reserves, revenue financing of capital and provision for debt repayment.

Net realisable value - the existing use value of the asset (or market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

Net revenue expenditure - gross expenditure less fees and charges for services and specific grants, but before the deduction of revenue support grant and national non-domestic business rates.

Net worth - the amount by which assets exceed liabilities (same as net assets).

Non-distributed costs - these are overheads for which no user now benefits and should not be apportioned to services.

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

Operational asset - a fixed asset held and occupied, used or consumed by the Council in the direct delivery of services.

Operational lease - under this type of lease, the risks and rewards of ownership of the leased goods stay with the company providing the goods on lease.

GLOSSARY OF TERMS continued

Past service cost - for a defined benefit scheme, the increase in the present value of the scheme's liabilities related to employee service prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Payment in advance - a payment for a service due to be received in a future year.

Post Balance Sheet event - an event that occurs between the Balance Sheet date and the date that the statement of accounts is authorised for use.

Precept - the demand made on the Collection Fund by a number of local government bodies.

Provisions - amounts set-aside in the accounts for liabilities taken where the timing or amount of the settlement of that liability is uncertain.

Prudential Code Borrowing - This is specified in detail within Statutory Instruments issued in relation to the Local Government Finance Act 2003. The Council use it to borrow for capital items only after a full appraisal is undertaken to determine that it is prudent.

Realised capital resources - usable capital resources arising mainly from the disposal of fixed assets.

Receipts in advance - a receipt that is attributable to a future year.

Recoverable amount - the value of an asset in its most profitable use, which equates to the higher of either the asset's value in use or net realisable value.

Related party - two or more parties are related when, during the financial period:

- One party has direct or indirect control over another party
- The parties are subject to common control from the same source,
- One party has influence over the financial and operational policies of the other party to the extent that the other party may not be able to pursue its own interests at all times.

Influence from the same source results in one of the parties entering into a transaction which is against its own separate interests.

Reserves - these are set up with a particular purpose in mind. The sums are voluntarily set-aside from surpluses to fund anticipated future payments.

Residual life - the assumed remaining life of a fixed asset used in calculating the depreciation charge.

Revaluation reserve - absorbs the increase in the valuation of fixed assets, but remains a non-distributable reserve in the lower equity area of the balance sheet.

Revenue contribution to capital outlay - the financing of capital expenditure directly from revenue as opposed to financing by borrowing or from other capital resources.

Revenue expenditure funded from capital under statute - expenditure that may be capitalised under statutory provisions but does not result in the creation of tangible assets. Revenue expenditure funded from capital under statute incurred during the year are written off as expenditure to the relevant service revenue account in the year. Where the Council has determined to meet the cost of these charges from existing capital resources or by borrowing, a transfer to the Capital Financing Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on the level of council tax.

GLOSSARY OF TERMS continued

Revenue expenditure - the day to day cost an authority incurs in providing services.

Service Reporting Code of Practice (SerCOP) – the code of practice containing a standard definition of services and total cost so that spending comparisons can be consistent between local authorities.

Short-term investments - an investment that is readily realisable.

Specific grants - central government grants to finance a particular services.

Statement of Accounting Practice (SAP) - accounting practices recommended by the major accounting bodies. Although not all SAPs are relevant to local authorities, they form a guide to best practice that in general should be followed.

Straight-line basis - dividing a sum equally over a number of years.

Supported capital expenditure (SCE) - central government authorisation for the Council to finance capital expenditure by any form of credit agreement such as loans or finance leasing.

Unrealised capital resources - capital resources that are not usable because they are tied up in fixed assets such as property.

Useful life - the period over which the Council will benefit from the use of a fixed asset.

Value in use - the net present value of future cash flows obtainable as a result of an asset's continued use, including those resulting from its ultimate disposal.

Value to business - the measure of the potential benefits from owning an asset or the potential loss that would arise if the owner were to be deprived of the asset, which equates to the lower of either the asset's net current replacement cost or recoverable amount.

Work in progress - a product or service that is incomplete at the end of the year.

Write off - elimination of an asset over a defined period, usually by means of charging or crediting the Comprehensive Income & Expenditure Statement.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EASTLEIGH BOROUGH COUNCIL

Opinion

We have audited the financial statements of Eastleigh Borough Council for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Cash Flow Statement and the related notes 1 to 55,
- Collection Fund and the related notes 1 to 3.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion the financial statements:

- give a true and fair view of the financial position of Eastleigh Borough 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 Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Material uncertainty related to going concern

In auditing the financial statements, we have concluded that the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

We draw attention to Note 1.01 in the financial statements, which describe the Council's ability to refinance debt, and to borrow further should there be a need to do so. As stated in Note 1.01, this indicates that a material uncertainty exists that may cast significant doubt on the Council's ability to continue providing the current level of services without an increase in

planned income for a period to 31 March 2023 from when the financial statements are authorised for issue. Our opinion is not modified in respect of this matter.

Other information

The other information comprises the information included in the Statement of Accounts for the Financial Year 2020/21, other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information contained within the Statement of Accounts for the Financial Year 2020/21.

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 Chief Financial Officer

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities set out on page 10, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts for the Financial Year 2020/21, 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 Chief Financial 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 Authority and determined that the most significant are:

- the Local Government Act 1972;
- Local Government and Housing Act 1989 (England and Wales);

- Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992);
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018 and 2020;
- Planning Act 2008 and the Community Infrastructure Levy Regulations 2010 (SI 2010/948);
- The Local Audit and Accountability Act 2014; and
- The Accounts and Audit Regulations 2015.

In addition, the Authority 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 Eastleigh Borough Council is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management the 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 Authority's committee minutes, through enquiry of employees to confirm Authority policies, and through the inspection of employee handbooks and 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 Authority'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 the inappropriate financing revenue transactions from capital resources, incorrect calculation of Minimum Revenue Provision and management override of controls to be our fraud risks.

- To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the Authority's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine.
- To address our fraud risk of incorrect calculation of Minimum Revenue Provision we tested the Capital Financing Requirement was calculated appropriately and that its calculation was consistent with other disclosures in the financial statements. We also tested that Minimum Revenue Provision was calculated appropriately and that the methodology used by the Council to determine Minimum Revenue Provision was consistent with relevant statutory guidance.
- To address our fraud risk of management override of controls, we tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; assessed accounting estimates for evidence of management bias; and evaluated the business rationale for significant unusual transactions.

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 Eastleigh Borough Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Eastleigh Borough 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, Eastleigh Borough Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 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 Eastleigh Borough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Janet Dawson
Ernst & Young LLP

Janet Dawson (Key Audit Partner)

Ernst & Young LLP (Local Auditor)

London

12 January 2022