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and boosting local business

Supporting and empowering
our communities and
meeting local needs

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services fit for the future

A cleaner, greener and
more cultural Rushmoor



Statement of Accounts and Annual Governance Statement 2019 - 20

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Narrative Statement from the Chief Financial Officer

ORGANISATIONAL OVERVIEW AND ENVIRONMENT

1. An introduction to Rushmoor

The Borough of Rushmoor, with an estimated population of around 94,600, covers an area of 3,905 hectares at the northeast corner of Hampshire, with its eastern boundary with Surrey being formed by the River Blackwater. London is some thirty miles away and the Borough is served by direct road and rail links to the capital and the south coast. Rushmoor includes the towns of Aldershot, with its world famous military history and Farnborough, long noted as the birthplace of aeronautical research and development and served by Farnborough Airport.



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

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

2. Council services and purpose

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

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

3. COVID-19 Pandemic

Most of the year was business as usual for the Council, and only in the last month of the financial year, did the country and local government start to feel the impact of the global pandemic. However, Covid-19 has had a considerable impact on the Council. The announcement of a lockdown on 20th March 2020 by Government has had a significantly impacting on the local and national economy, which in turn impacts on the major income streams of the Council, affecting many aspects of service delivery and demand for Council Services

Financial Impact/Outlook

The Council is expecting substantial losses across many of its largest streams of commercial income. These include parking, Princes Hall income, fees and charges, planning fees, and commercial rents.

As with any recession, investment income is anticipated to reduce which will create further pressures on the Council's finances estimated to be £1.3m. There is also increased pressure on expenditure from accommodating and providing support for rough sleepers and additional costs in supporting our most vulnerable adults and children – some of whom may not have required our support previously, estimated to be £0.3m.

Taking into account Government COVID-19 emergency funding of £0.98m the net impact on the Council's 2020/21 budget is £0.633m, 5.61% of the Council's net revenue budget.

Due to the Council's reliance on commercial income and fees and charges and consequently its exposure to the economic cycle, the Council has prudently built up the general fund balance in recent years to ensure the Council is financially resilient to economic shocks. The Council, if needed is in a position to draw upon its general fund reserve balance in 2020/21 to balance its budget.

As the Council set its 2020/21 budget in February 2020, prior to COVID-19, the Council has reviewed its Medium-Term Financial Plan (MTFP) and 20/21 budget in recognition of the impact of the pandemic and the Council's strategic objectives. The latest financial impact review of COVID-19 was present to Cabinet on 2 June 2020 and can be found here:

<https://democracy.rushmoor.gov.uk/ieListDocuments.aspx?CId=138&MId=692&Ver=4>

The Council is still committed to undertaking significant investment in the local economy through ambitious regeneration programmes that are shown in the Council's capital programme. Through the Council's investment property strategy and regeneration, the Council is increasing the potential business rate and investment income, while also providing socio-economic benefits to Aldershot and Farnborough.

To meet the challenge faced by COVID-19 and pre-existing financial risks outlined below the Council will continue to:

- Tighter budget control through increased use of virements
- Increased scrutiny of additional budget requests and further efficiency focus for budget holders
- Contract management and re-tendering of significant contracts
- Proactively manage income from investment activities

There are still risks that could affect the Council's financial position, which include:

- **Increased localism of Business rates:** The Government's planned to phase out non-specific grant funding, instead allowing local authorities to retain a higher proportion of business rates collected locally from 2020/21 financial year. This will not be implemented from April 2020/21 as originally planned. The Council will continue to work with Government during the next financial year and beyond.
- **Fair Funding Review:** The fair funding review for Local Authorities has been delayed. This creates uncertainty in terms of the funding allocation for the Council.
- **Reliance on income from investment activity:** The council continues to be reliant on income from investment properties that accounted for 14.4% of gross service expenditure in 2019/20 and is budgeted to be 14.3% in 2020/21. Any short fall in income from investment property will have an increase adverse effect on service delivery. To mitigate future variable income flow a Commercial Property Reserve was set up during 2018/19 funding by current income receipts from property.
- **Changes to New Homes Bonus:** This source of funding may be subject to change as the Government plans to change the incentive scheme in future years. The Council received £1.011m in 2019/20, with £1.169m awarded for 2020/21. The loss of such funding is a significant risk as the Council expects to deliver a large increase in new homes over the next 3 years.
- **Brexit:** The UK is scheduled to fully leave the European Union at the end December 2020. The financial impact is difficult to quantify and unravel from the impact of COVID-19. The Council has a number of income streams that are linked to economic performance, including fees and charges, treasury management investment and commercial investments. A significant down-turn in economic performance, could potentially reduce disposal income of the Council's demographic, erode investment fund performance, reduce commercial property values and increase vacancies and defaults within the commercial property portfolio.

4. Resource Allocation

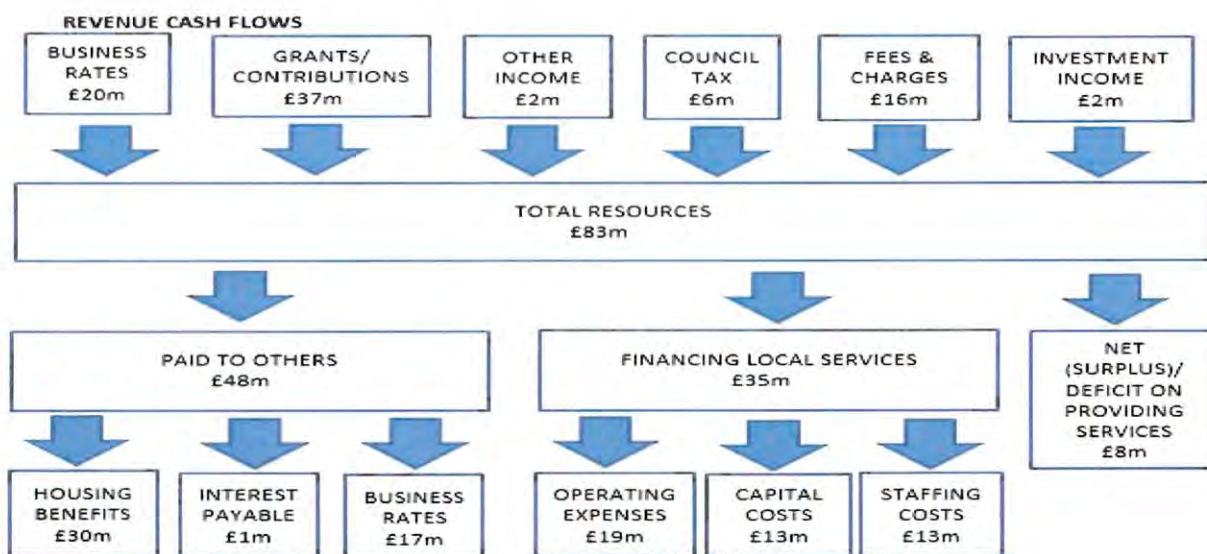
Rushmoor Borough Council manages cash flows of £83m and assets of £241m by:

- Holding a General fund balance of £1.559m
- Collecting £51.3m of business rates. 60.1% of the business rates collected is passed onto central government, Hampshire County Council and Fire and Rescue Authority. The Council retains £19.9m
- Collecting £55m of Council tax payments. 88% of Council Tax collected is passed onto central government, Hampshire County Council, Fire and Rescue Authority and Police and Crime Commissioner. The Council retains £6.4m
- Managing a £206m portfolio of land, building and other assets that generates £6.6m of income. Receiving grants and contribution of £39.6m mainly from central government.

Total asset cash flows through the Council are shown below:

ASSET MOVEMENTS			
TOTAL ASSETS BROUGHT FORWARD £215m			
NET ADDITIONS/ (DISPOSALS) £42m	DEPRECIATION £(2)m	OTHER CHANGES £(9)m	CHANGES IN CURRENT ASSETS £(5)m
PPE £93m	INVESTMENT PROPERTY £110m	OTHER LONG TERM ASSETS £27m	CURRENT ASSETS £11m
TOTAL ASSETS CARRIED FORWARD £241m			

Total revenue cash flows through the Council are shown below:

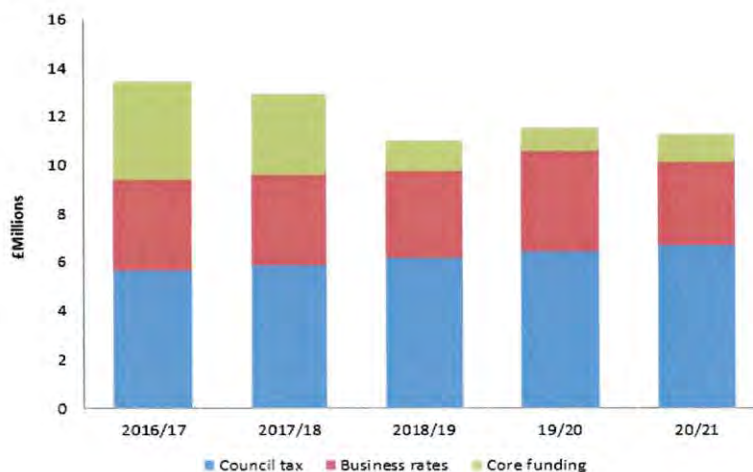


FINANCIAL PERFORMANCE

5. Core Funding

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

Core funding trend:

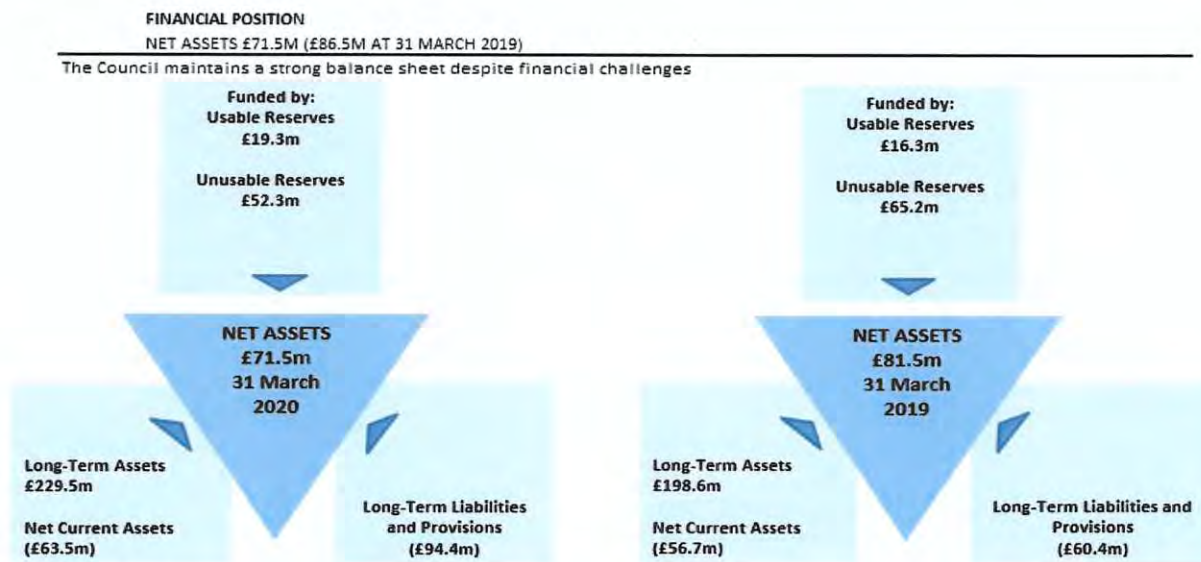


The increase in business rates marginally offsets the reduction in Council Tax. To address future challenges and reinvest in the Borough, Council Tax has increased by 2.99% in 2019/20 from 2018/19 for an equivalent Band D property, raising an additional £186k for the Council.

6. Financial position

The Council has maintained a strong financial position against the backdrop of reduced government funding by £274k between 2018/19 and 2019/20.

Liquidty ratio (a measure of the Councils' ability to cover short term obligations) has declined from 0.22 in 2018/19 to 0.11 in 2019/20.



The table below shows the revised capital programme for 2019/20 and the indicative programme for following four year period 2020/21 to 2023/24:

Capital programme summary

	FIVE YEAR PLAN							Total
	Revised Estimate 2019/20	Outturn 2019/20	Carry forward 2019/20	Estimate 2020/21	Estimate 2021/22	Estimate 2022/23	Estimate 2023/24	
	£000	£000	£000	£000	£000	£000	£000	£000
EXPENDITURE								
Corporate and Democratic Services	1,287	1,202	86	-	-	-	-	1,288
Customer Experience and Improvement	154	154	37	125	105	55	30	506
Major Projects and Property	45,835	38,266	7,569	49,367	43,761	12,572	12,078	163,613
Operational Services	3,036	2,109	637	2,689	1,211	1,211	1,211	9,068
Planning and Economy	100	100	-	-	50	-	-	150
ICE Programme	171	27	144	45	-	-	-	216
Total Expenditure	50,583	41,858	8,473	52,226	45,127	13,838	13,319	174,841
FUNDING								
Grants and other Contributions	4,706	2,898	1,808	7,834	4,981	2,281	1,081	20,883
Developers' Contributions	420	205	215	183	-	-	-	603
				7,646	5,478	1,078	1,828	16,030
Capital Receipts/Borrowing	45,489	38,755	6,450	44,209	40,146	11,557	12,238	153,355
Total Funding	50,615	41,858	8,473	52,226	45,127	13,838	13,319	174,841

7. Political Make-up of the Council during the financial year

Party	Councillors
Conservative	26
Labour	10
Liberal Democrat	1
Total number of elected members	37

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

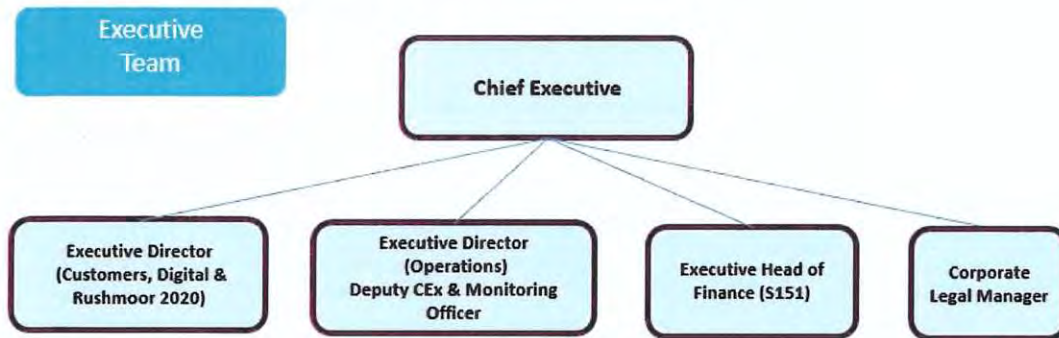
8. Management Structure of the Council

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

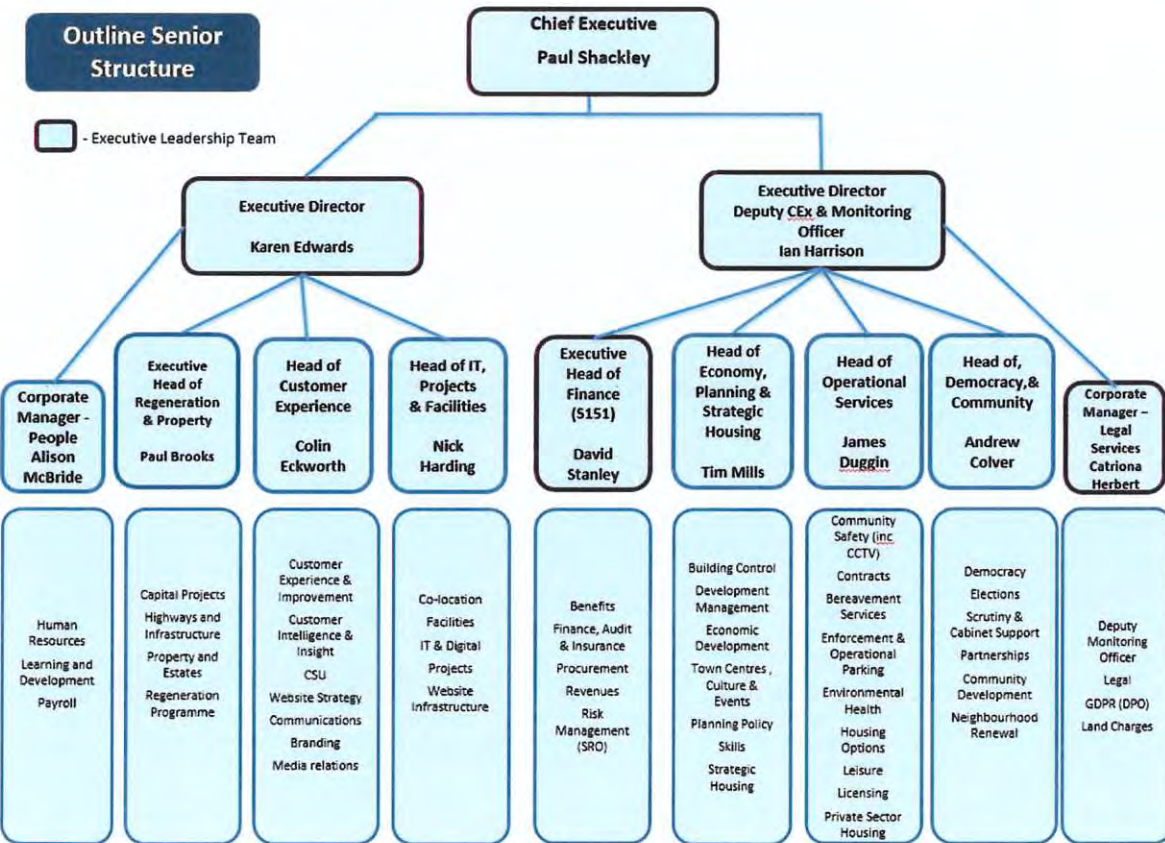
The Executive Head of Finance (Chief Financial Officer) and Executive Director of Operations, as Monitoring Officer, are both members of CLT and ELT, ensuring that these key statutory roles have on-going access to the most senior level of the Council.

An outline of the structure is as follows:

Executive Leadership Team (ELT)



Corporate Leadership Team (CLT)



GOVERNANCE

9. Governance Arrangements

Governance arrangements are outlined within the Annual Governance Statement on page 82 of this document.

RISK AND OPPORTUNITIES

10. Risks Management

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

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

Risk	Mitigation
Severe decline of Aldershot Aldershot Town Centre during regeneration	<ul style="list-style-type: none"> •Project Plan in place and continuing to be developed •Investment of current resources in implementing Plan, review and monitor, early implementation of longer-term measures •Growth item bid agreed •Recovery plan dealing with reopening after Covid •Bid to LEP submitted 26/6/20 to support reopening •Increase resources for Town Centre, develop o/s elements and implement plan fully
Failure of Wellington Centre	<ul style="list-style-type: none"> •Continue to review opportunities to encourage relocations, negotiate rental package, seek additional occupiers, work with Wellington on events •Monitor and consider more support elements if risk increases.
Impact on economy and Council from loss of major employers	<ul style="list-style-type: none"> •Develop engagement strategy and particularly approach to anchor businesses, work with Growth Hub, LEP & HCC, develop plan for sites and property •Work with anchor businesses
Wellesley Development stops	<ul style="list-style-type: none"> •Renegotiate s106 to enable viability. Continue to work closely to support and manage processes efficiently with dedicated support •Modified working hours to address Covid secure issues •Monitor and review if issues arise. Ensure stakeholder and network relationships to maintain development
National political uncertainty / Brexit	<ul style="list-style-type: none"> •Regularly attending LRF regarding Brexit •Service assessments carried out to determine most likely effects of no deal Brexit.
Deprivation	<ul style="list-style-type: none"> •Partnership working with other organisations. •Engagement with Ward Councillors. •Frontline services taking steps to improve various standards e.g. Housing, ECP, Community Safety
Secondary education attainment	<ul style="list-style-type: none"> •Cabinet Champion for education •Begin political discussions with HCC on re-provision of Secondary education in the area.
Interest rate/refinancing risk on external debt	<ul style="list-style-type: none"> •Continual monitoring of debt position and market interest rates •Engagement with Arlingclose (Council's Treasury advisors) •Treasury Management Strategy sets borrowing limits and interest rate exposure limits •External borrowing - refinancing risk mitigated through planned move to longer term borrowing •Engagement with Grant Thornton on Union Street Scheme •Utilising revenue savings of capital receipts to repay debt •Further budget and efficiency savings to offset increased borrowing costs •Reduce borrowing for future schemes •Engagement with Grant Thornton on Union Street Scheme

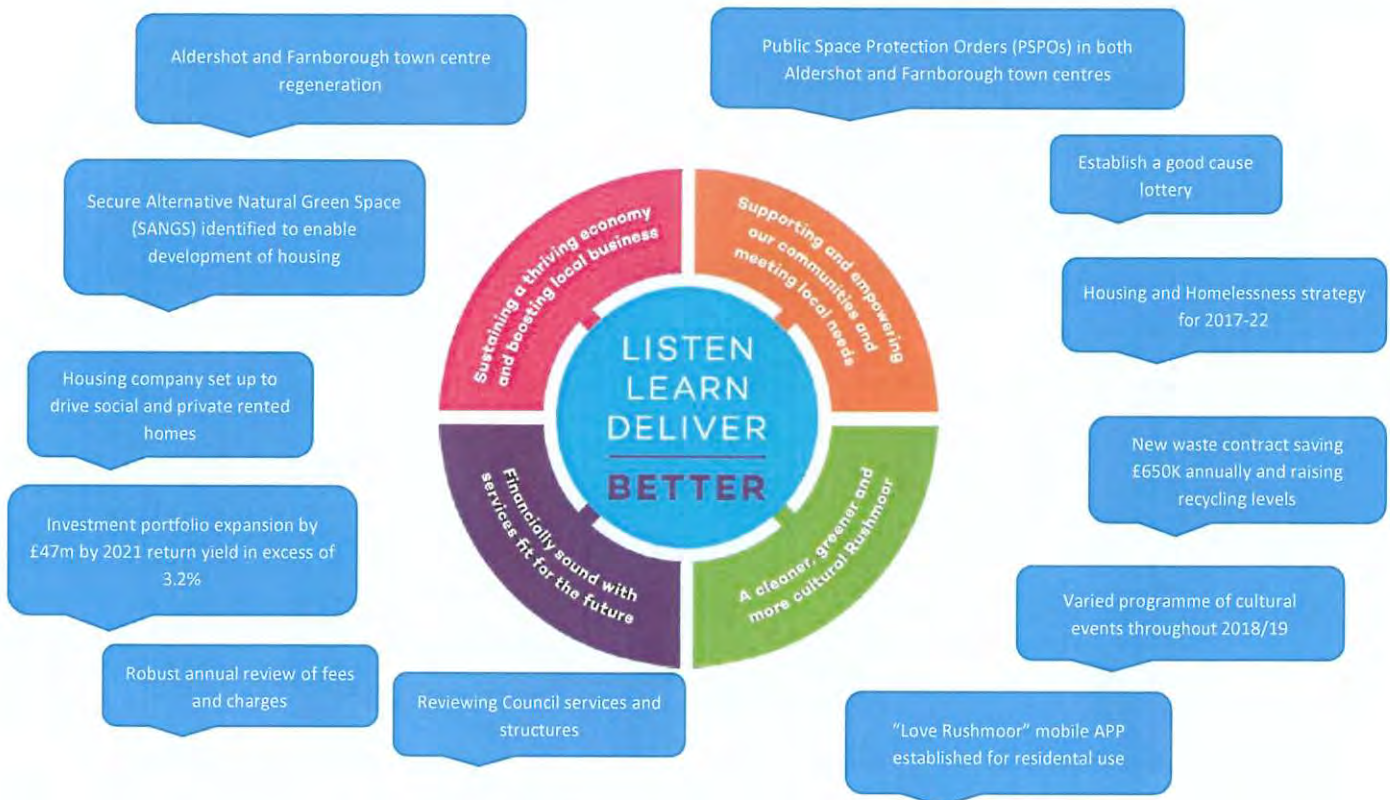
STRATEGY AND RESOURCE ALLOCATION

11. The Council Plan – “Listen, Learn, Deliver Better”

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

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

The Corporate Plan is divided into four priority themes that support the overall purpose to work with others to improve the quality of people’s lives as follows:



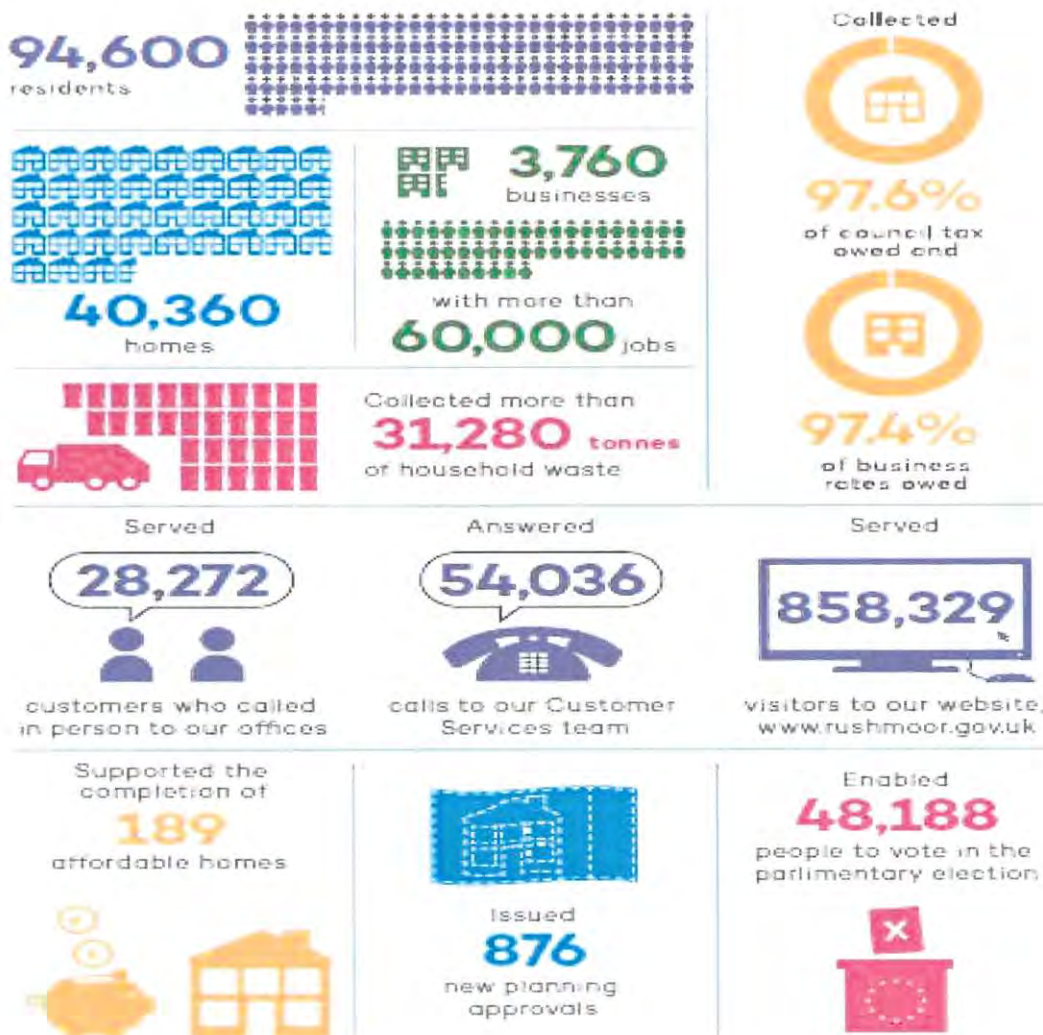
12. Non-Financial Performance of the Council

During 2019/20, Rushmoor Borough Council has continued its drive towards a sustainable future, developing plans for a workforce fit for the future, continuing its improvement and efficiency work using System Thinking principles and continuing to deliver high quality services to its residents while seeking to reduce costs. As the financial statements demonstrate, the Council continues to maintain a sound financial position.

We have established good financial management processes and procedures and, recognising that we operate in an environment of continuous change, we will pursue our drive for on-going improvement, working collaboratively across the Council, and with partners where appropriate, to deliver effective end-to-end processes.

The Council's Quarter 4 Corporate Performance Monitoring report can be found on the RBC website at Cabinet meeting - 2 June 2020 - Rushmoor Borough Council and contains extensive performance data relating to each of the Council's four themes. This includes Community Safety data such as local crime rates, educational attainment, benefit caseloads and local economic data. In addition, it provides progress reports against key schemes within the Council's Listen, Learn, Deliver Better corporate plan for achieving financial sustainability as well as the Organisation Development Programme.

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



BASIS OF PREPARATION AND PRESENTATION

13. Explanation of accounting statements

The Statement of Accounts set out the Council's income and expenditure for the year, and its financial position at 31st March 2020.

The format and content of the financial statements is prescribed by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the UK 2019/20, in turn underpinned by International Financial Reporting Standards.

The Core statements are:

- The **Movement in Reserves Statement** is a summary of the changes to the Council's reserves over the financial year. Reserves are divided into "usable", which can be invested in capital projects or service improvements, and "unusable", which must be set aside for specific purposes. Page 13
- The **Comprehensive Income and Expenditure Statement** records all the Council's income and expenditure for the financial year. The upper element of the statement provides an analysis by service area. The lower half of the statement shows corporate transactions and financing. Page 14
- The **Balance Sheet** is a "snap shot" of the Council's assets, liabilities, cash balances and reserves at the end of the financial year. Page 15
- The **Cash Flow Statement** shows the reason for changes in the Council's cash balances during the financial year and whether those changes are due to operating activities, new investment or financing activities. Page 16

The supplementary financial statements are:

- The **Expenditure and Funding Analysis** shows the net expenditure that is chargeable to taxation and reconciles it to the Comprehensive Income and Expenditure Statement. Page 28
- The **Collection Fund Statement** is a statutory fund maintained by a Billing Authority summarising local taxes and non-domestic rates collected by the Council, along with redistribution payments to Precepting Authorities, Central Government and its own General Fund. Page 74
- The **Independent Auditor's Report** provides the auditor's opinion on the financial statements and the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources. Page 73
- The **Annual Governance Statement** sets out the governance structure of the Council and its key internal controls. Page 78

Receipt of further information

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

Acknowledgements

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



Simon Little
Executive Head of Finance and Chief Financial Officer

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.

Certification of Accounts

I certify that the Statement of Accounts gives a true and fair view of the financial position of Rushmoor Borough Council and its income and expenditure for the year ended 31st March 2020.



Simon Little
Chief Financial Officer
Date: 27/3/2023

Approval of Accounts

In accordance with the Accounts and Audit Regulations 2015, I certify that the Statement of Accounts was approved by the Chair of Corporate Governance, Audit and Standards on 27 March 2023



Cllr P. Cullum
Chair of Corporate Governance, Audit & Standards Committee
Date: 27/3/2023

Movement in Reserves Statement

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

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
31 March 2018	11,825	1,251	1,700	14,776	71,657	86,433
Total Comprehensive Income and Expenditure	(15,459)	-	-	(15,459)	10,523	(4,936)
Adjustments between accounting basis and funding basis under regulations (Note 8) on Page 38	17,699	(475)	(239)	16,985	(16,985)	-
Net increase/(decrease)	2,240	(475)	(239)	1,526	(6,462)	(4,936)
31 March 2019	14,065	776	1,461	16,302	65,195	81,497
Total Comprehensive Income and Expenditure	(8,081)	-	-	(8,081)	(1,893)	(9,974)
Adjustments between accounting basis and funding basis under regulations (Note 8) #REF!	12,534	(161)	(1,338)	11,035	(11,035)	-
Net increase/(decrease)	4,453	(161)	(1,338)	2,954	(12,928)	(9,974)
31 March 2020	18,518	615	123	19,256	52,267	71,523

Comprehensive Income and Expenditure Statement

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

2018/19			Comprehensive Income and Expenditure Statement	2019/20		
Gross Exp £000	Gross Income £000	Net Exp £000		Gross Exp £000	Income £000	Net Exp £000
42,970	(36,225)	6,745	Corporate & Democratic Services	36,874	(31,642)	5,232
10	-	10	Customer Experience & Improvement	323	0	323
4,918	(4,304)	614	Major Projects & Property	5,199	(7,020)	(1,821)
22,464	(8,297)	14,167	Operational Services	15,918	(8,941)	6,977
4,312	(1,872)	2,440	Planning & Economy	4,485	(1,731)	2,754
0	0	0	ICE Programme	388	0	388
74,674	(50,698)	23,976	Cost of services - continuing operations	63,187	(49,334)	13,853
32	(54)	(22)	Other Operating Expenditure (Note 10)	49	(1,695)	(1,646)
6,707	(3,630)	3,077	Financing and Investment Income and Expenditure (Note 11)	13,581	(5,547)	8,034
17,300	(28,872)	(11,572)	Taxation and Non-Specific Grant Income and Expenditure (Note 12)	17,255	(29,415)	(12,160)
98,713	(83,254)	15,459	(Surplus) or Deficit on the Provision of Services	94,072	(85,991)	8,081
	(5,613)		(Surplus) or deficit on revaluation of Property, Plant and Equipment (Note 24)		320	
	(4,910)		Remeasurement of the net defined benefit liability/(asset) (Note 24)		1,573	
		(10,523)	Other Comprehensive Income and Expenditure			1,893
		4,936	Total Comprehensive Income and Expenditure			9,974

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 2019	Balance Sheet	31 March 2020	
£000		£000	Notes
88,461	Property, Plant & Equipment	92,871	13
258	Heritage Assets	258	
79,915	Investment Property	109,745	14
624	Intangible Assets	437	15
22,304	Long-Term Investments	19,184	17
7,003	Long-Term Debtors	6,999	17
198,565	Long-Term Assets	229,494	
-	Short-Term Investments	-	17
-	Inventories	7	
14,536	Short-Term Debtors	5,451	18
1,355	Cash and Cash Equivalents	5,575	19
15,891	Current Assets	11,033	
59,929	Short-Term Borrowing	60,000	20
12,285	Short-Term Creditors	14,205	21
359	Other Short-Term Liabilities	364	17
72,573	Current Liabilities	74,569	
4,407	Long-Term Provisions	4,812	22
1,286	Long-Term Borrowing	30,000	23
51,025	Other-Long Term Liabilities	54,266	23
3,668	Capital Grants Receipts in Advance	5,357	33
60,386	Long Term Liabilities	94,435	
81,497	Net Assets	71,523	
16,302	Usable Reserves	19,256	MIRS
65,195	Unusable Reserves	52,267	24
81,497	Total Reserves	71,523	

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).

2018/19 £000	Cash Flow Statement	2019/20 £000
(15,459)	Net surplus or (deficit) on the provision of services	(8,082)
9,496	Adjustments to net surplus or deficit on the provision of services for non cash movements - see Note 25	21,159
	- Adjustments for items that are included in the net surplus or deficit on the provision of services that are investing and financing activities - see Note 26	(1,608)
(5,963)	Net cash flows from Operating Activities	11,469
(44,444)	Investing Activities - see Note 28	(35,488)
49,187	Financing Activities - see Note 29	28,239
(1,220)	Net increase or (decrease) in cash and cash equivalents	4,220
2,575	Cash and cash equivalents at the beginning of the reporting period	1,355
1,355	Cash and cash equivalents at the end of the reporting period	5,575

The Council's cash flow statement has been compiled using the indirect method whereby the statement is prepared using the Surplus or Deficit on the Provision of Services and cash flows are derived by adjusting for non-cash items, removing the effect of accruals and extracting transactions relating to investing or financing activities.

1 Accounting Policies

i. General Principles

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

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. In accordance with application accounting framework, these accounts are prepared on a going concern basis.

ii. Accruals of 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:

- revenue from contracts with service recipients, whether for services or provision of goods, is recognised when (or as) the goods or service are transferred to the service recipient in accordance with performance obligations in the contract
- supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- expenses in relation to services received, including services provided by employees, are recorded as expenditure when the services are received rather than when payments are made.
- interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

iii. Cash and Cash Equivalents

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

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

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

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

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

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

v. Charges to Revenue for Non-Current Assets

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

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

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

vi. Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

Post Employment Benefits

The Council participates in the Local Government Pensions Scheme, administered by Hampshire County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The Local Government Pension Scheme

The liabilities of the Hampshire County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees. The assets of Hampshire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value. The change in the net pensions liability is analysed into the following components:

Service cost comprising:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- net interest cost on the net defined benefit liability (asset) - the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.

Remeasurements comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve as Other Comprehensive Income and Expenditure.

Contributions paid to the Hampshire County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits:

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

vii. Events After the Reporting Period

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

Two types of events can be identified:

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

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

viii. Financial Instruments

Financial Liabilities

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

The Council borrowed funds for the purposes of capital expenditure in 2019/20, and therefore has a capital financing requirement in excess of zero at 31st March 2020. Other financial liabilities were trade creditors that occur in the normal course of business and a liability arising from an embedded lease in the Council's contract for Waste, Recycling and Grounds Maintenance. The amount presented in the Balance Sheet in respect of the embedded finance lease is the outstanding principal repayable. Interest payable in the year is calculated and charged to the Comprehensive Income and Expenditure Statement. Financial liabilities entered into with a duration of less than 12 months, such as trade creditors, are recognised at their nominal value.

Financial Assets

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

There are three main classes of financial assets measured at:

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

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

Financial Assets Measured at Amortised Cost

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

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

Financial Assets Measured at Fair Value through Profit or Loss

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

Fair value gains and losses are recognised in the Surplus or Deficit on the Provision of Services.

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

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

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

- Level 1 inputs - quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement data.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly
- Level 3 inputs – unobservable inputs for the asset.

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES and are balanced by entries in the Pooled Investment Fund Adjustment Account (PIFAA)

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

Expected Credit Loss Model

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

No impairment losses are recognised for pooled funds.

ix. Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied.

x. Heritage Assets

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

xi. Intangible Assets

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

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

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

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

xii. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arms-length. The 2017/18 external valuation report on all the investment properties and a selection of the other assets was prepared by GSC Harbord MA MRICS IRRV (Hons) RICS Registered Valuer of Wilks Head & Eve LLP. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

xiii. Jointly Controlled Operations and Jointly Controlled Assets

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

xiv. Leases

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

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

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are

Finance Leases

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

Lease payments are apportioned between:

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

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

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

The Council as Lessor

Operating Leases

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

xv. Overheads and Support Services

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

xvi. Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably (subject to a de-minimus capitalisation threshold of £10,000). Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

Impairment

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

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

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

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

Depreciation

Depreciation is provided for on all material Property, Plant and Equipment by the systematic allocation of their depreciable amounts over their useful lives.

An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

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

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

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

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

Disposals and Non-current Assets Held for Sale

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

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

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

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

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

xvii. Provisions and Contingent Liabilities**Provisions**

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

Provisions are charged as an expense to the appropriate service or Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent Liabilities

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

xviii. Reserves

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

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

xix. Revenue Expenditure Funded from Capital under Statute

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

xx. VAT

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

xxi. Borrowing Costs Eligible for Capitalisation

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

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

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

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

The Council is required to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued, but has not yet been adopted by the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

For 2019-20 the following accounting standard changes that need to be reported relate to:

- Amendments to IAS 28 Investment in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement
- Annual Improvements to IFRS Standards 2015 - 2017 Cycle

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

3 Expenditure and Funding Analysis

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

2018/19 Net Expenditure chargeable to the General Fund	2018/19 Adjustments between Accounting and Funding Basis	2018/19 Net Expenditure charged in the CIES		2019/20 Net Expenditure chargeable to the General Fund	2019/20 Adjustments between Accounting and Funding Basis	2019/20 Net Expenditure charged in the CIES
£000	£000	£000		£000	£000	£000
5,596	1,149	6,745	Corporate & Democratic Services	5,607	(375)	5,232
(565)	575	10	Customer Experience & Improvement	(362)	685	323
(2,397)	3,011	614	Major Projects & Property	(4,310)	2,489	(1,821)
5,259	8,908	14,167	Operational Services	4,617	2,360	6,977
2,089	351	2,440	Planning & Economy	2,317	437	2,754
0	0	0	ICE Programme	381	7	388
9,982	13,994	23,976	Net cost of services	8,250	5,603	13,853
(12,221)	3,704	(8,517)	Other income and expenditure not charged to services but is chargeable to the General Fund	(12,703)	6,931	(5,772)
(2,239)	17,698	15,459	(Surplus)/Deficit on the Provision of Services	(4,453)	12,534	8,081
(11,826)			General Fund opening balance for the year	(14,065)		
(14,065) *			General Fund closing balance for the year	(18,518)		

* The General Fund closing balances for each financial year stated in the above table are composed of the following sources:

£000		£000
(2,000)	General Fund Reserve	(1,559)
(12,064)	Earmarked Reserves	(16,959)
(14,064)		(18,518)

Further notes on the Expenditure and Funding Analysis continue on the following page.

Notes to the Expenditure and Funding Analysis

The adjustment between Accounting and Funding Basis on Page 28 comprises the following amounts:

	2018/19			Total Adjustments
	Adjustments for Capital Purposes (Note a)	Net Change for the Pensions Adjustments (Note b)	Other Differences (Note c)	
	£000	£000	£000	£000
Corporate & Democratic Services	288	856	5	1,149
Customer Experience & Improvement	376	196	3	575
Major Projects & Property	2,941	69	1	3,011
Operational Services	8,517	386	6	8,909
Planning & Economy	115	233	3	351
ICE Programme	0	0	0	0
Net cost of services	12,237	1,740	18	13,995
Other income and expenditure from the Expenditure and Funding Analysis	2,013	1,280	412	3,705
Difference between General Fund (surplus) or deficit and Comprehensive Income and Expenditure Statement (Surplus) or Deficit on the Provision of Services		3,020	430	17,700

	2019/20			Total Adjustments
	Adjustments for Capital Purposes (Note a)	Net Change for the Pensions Adjustments (Note b)	Other Differences (Note c)	
	£000	£000	£000	£000
Corporate & Democratic Services	30	(404)	(1)	(375)
Customer Experience & Improvement	412	273	0	685
Major Projects & Property	2,357	132	0	2,489
Operational Services	1,809	552	(1)	2,360
Planning & Economy	100	337	0	437
ICE Programme	1	6	0	7
Net cost of services	4,709	896	(2)	5,603
Other income and expenditure from the Expenditure and Funding Analysis	2,301	1,136	3,494	6,931
Difference between General Fund (surplus) or deficit and Comprehensive Income and Expenditure Statement (Surplus) or Deficit on the Provision of Services	7,010	2,032	3,492	12,534

Notes

Note a - Adjustments for Capital Purposes

This column contains a range of adjustments all related to capital. Each category of adjustment is described in the continuation of this note on the following page:

Note a - Adjustments for Capital Purposes continued

Adjustments for capital purposes - adds in depreciation and impairment and revaluation gains and losses in the service line

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

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

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

Note b - Net Change for the Pensions Adjustments

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

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

For Financing and Investment Income and Expenditure - the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

Note c - Other Differences

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

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

Segmental Income - Income received on a segmental basis is analysed below:

2018/19 Revenues from external customers (excluding grants & contributions) Restated £000		2019/20 Revenues from external customers (excluding grants & contributions) £000
(884)	Corporate & Democratic Services	(630)
0	Customer Experience & Improvement	0
(4,304)	Major Projects & Property	(6,970)
(5,921)	Operational Services	(5,793)
(1,822)	Planning & Economy ICE Programme	(1,688) 0
(12,931)	Total	(15,081)

4 Expenditure and Income Analysed by Nature

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

2018/19 £000	Expenditure and Income Analysed by Nature	2019/20 £000
Restated	Expenditure	
13,014	Employee Benefit Expenses	12,679
4,994	Changes in the fair value of Investment Properties	8,142
13,734	Depreciation, amortisation, impairment	6,161
17,300	Expenditure from Council Tax, Non-Domestic Rates	17,255
181	Interest Payments	954
48,210	Other Service Expenses	47,745
1,280	Net Interest on the net defined benefit liability (asset)	1,136
98,713	Total Expenditure	94,072
	Income	
(2,379)	Changes in the fair value of Investment Properties	(3,861)
(12,946)	Fees, Charges and Other Service Income	(15,091)
0	Gain on the disposal of non-current assets	0
(40,597)	Grants and Contributions	(37,267)
(26,044)	Income From Council Tax, Non-Domestic Rates	(26,401)
(1,035)	Interest and investment Income	(1,686)
(253)	Other Income	(1,685)
(83,254)	Total Income	(85,991)
15,459	(Surplus) or Deficit on the Provision of Services	8,081

5 Critical judgements in applying accounting policies

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

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

All of these judgements are the responsibility of the Chief Financial Officer as set out in the Statement of Responsibilities for the Statement of Accounts on page 12.

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

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

The items in the Council's Balance Sheet at 31st March 2020 for which there is a risk of adjustment in the forthcoming financial year are provided below:

Item and Uncertainties	Effect if actual results differ from assumptions
<p>Pensions liability</p> <p>At 31st March 2020, the net Pensions Liability was £52.2 million. Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.</p> <p>A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.</p>	<p>The effects on the net pensions liability of changes in individual assumptions can be measured (the impact of changes in assumptions are outlined in note 37). For example, a 0.1% increase in the discount rate assumption would result in a reduction of £2.76m on the projected service cost. However, the assumptions interact in complex ways.</p> <p>During 2019/20, the Council's actuaries advised that the net pensions liability for funded LGPS benefits had increased by £3.6 million due to changes in financial assumptions.</p> <p>Many of the financial assumptions are linked to current market conditions. Conversely, the same measurement decreased by £1.89 million in the previous year.</p>

7 Events after the balance sheet date

The Statement of Accounts was authorised for issue by the Chief Financial Officer on the 31st May 2020.

There have been no adjusting or unadjusting events occurring after the reporting date that would have a material impact on these financial statements.

7a IAS10 Consideration

Rushmoor Borough Council prepared and published a draft Statement of Accounts for 2019/20 on 31 August 2020. A revised Statement of Accounts, including a number of material adjustments, was agreed with external auditors in March 2023

The impact from Covid-19 has been wide-ranging and has had a significant impact on the UK and global economy over the short to medium term.

Given Covid-19 emerged as a global pandemic just prior to the balance sheet date (31 March 2020), it is considered as a non-adjusting event for which a limited estimate of the financial effect on the reporting entity (Rushmoor Borough Council) can be made at the balance sheet date. It is noted that the financial impact for 2019/20 and future years would be greater with consideration of the financial implications on the Balance Sheet in relation to asset valuations/impairments and the pension fund liability measurement, as at the relevant balance sheet dates.

Whilst any future financial implications of such asset and liability valuation movements would be recognised within the Comprehensive Income and Expenditure Statement in the year to which they relate, in accordance with proper accounting practice, they would be adjusted for within the Movement in Reserve Statement - Adjustments between Accounting Basis & Funding Basis under Regulations, to negate any financial impact on the Council Tax-payer.

Going Concern Basis

The concept of a going concern assumes that an authority's functions and services will continue in operational existence for the foreseeable future. The provisions in the Code of Practice on Local Authority Accounting in the United Kingdom ("the Code") in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.

Local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for local authority financial statements to be provided on anything other than a going concern basis. Accounts drawn up under the Code therefore assume that a local authority's services will continue to operate for the foreseeable future.

Restrictions in place during 2020 and 2021 in response to Covid-19 have had a wide-ranging impact on local businesses and residents. Council services have been reviewed in light of Government guidance, with income from fees and charges, council tax and business rates adversely affected. The Government provided emergency funding to local authorities, with £1.434m received by Rushmoor Borough Council along with £1.005m in respect of income loss compensation during the 2020/21 financial year. Further funding was provided in 2021/22 with £0.489m received and £0.137m of income loss compensation. No additional funding is planned for 2022/23.

As stated within the note, the Code requires that local authorities prepare their accounts on a going concern basis, as they can only be discontinued under statutory prescription. For these reasons, the Council does not consider that there is material uncertainty in respect of its ability to continue as a going concern for the foreseeable future.

Table 1 - Balances and Reserves reported in the Financial Statements

Items / Description	Balance at 31 March 2018 (£'000)	Balance at 31 March 2019 (£'000)	Balance at 31 March 2020 (£'000)	Balance at 31 March 2021 (£'000)
General Fund Balance	2,000	2,000	2,000	2,000
Earmarked Reserves				
Stability and Resilience Reserve	4,353	4,869	5,870	4,577
COVID Business Rates Retention Reserve	-	-	-	10,812
All other Earmarked Reserves	5,472	7,195	11,089	11,757

The Council has reviewed its financial position in light of Covid-19 and assessed the impact as follows

Impact on 2019/20

Addition expenditure	Nil
Loss of income	£187k

Net variation across all Treasury Management activities is £12k with Interest receivable £86k above the budget level and Interest payable £74k above the budget level.

Given the outturn position for 2019/20, the impact from Covid-19 was contained within the net surplus on the Revenue Budget.

Impact on 2020/21

The Council's budget for 2020/21 was significantly impacted by Covid-19 largely as a result of reduced income and additional expenditure following restrictions that were put in place in late March 2020 and continued during the course of the financial year.

Budget monitoring reports were considered by Cabinet during the financial year with updates on the financial impact from Covid at the August 2020, December 2020, February 2021 and April 2021 meetings.

A revised budget was approved by Council in February 2021 which took into account expenditure pressures and income losses reported to Cabinet during the year, with additional provision made given the uncertainty of further local and national restrictions during the remaining part of the financial year.

The outturn position for 2020/21 was reported to Cabinet at their meeting in September 2021 and is set out in Table 2 below. The impact on the Council's finances were mitigated by the provision of funding from Government (£2.4m) with an overall deficit of £1.293m funded from the Stability and Resilience Reserve.

Impact on 2021/22

In common with the previous financial year, the Council's budget for 2021/22 was also impacted by Covid-19 although restrictions were eased and the focus moved towards the recovery phase.

Budget monitoring reports were considered by Cabinet during the financial year with updates at the September 2021, January 2022, February 2022 and April 2022 meetings.

A revised budget was approved by Council in February 2022 which took into account expenditure pressures and income losses reported to Cabinet during the year. The outturn position for 2021/22 was reported to Cabinet at their meeting in September 2022 and is set out in Table 3 below.

The impact on the Council's finances were mitigated by the provision of Covid funding from Government (£0.589m), with an overall projected surplus of £1.609m before transfers to carry forward requests and meant that the drawn from the Stability and Resilience Reserve was not required.

Table 2 - Outturn position 2020/21 (as reported to Cabinet in September 2021)

	2020/21 Original Budget (£'000)	2020/21 Latest Budget (£'000)	2020/21 Outturn (£'000)	2020/21 Variation (£'000)
General Fund Revenue Budget				
Corporate Services	5,289	5,470	5,047	(423)
Customer Experience & Improvement	19	88	9	(79)
Major Projects & Property	(4,928)	(4,473)	(4,174)	299
Operational services	7,847	10,766	10,026	(740)
Planning & Economy	2,548	2,470	2,234	(236)
ICE Programme	496	556	585	29
Sub-total	11,271	14,877	13,727	(1,150)
Less: Reversal of Accounting Entries	(2,519)	(2,954)	(2,633)	321
Net Service Revenue Expenditure	8,752	11,923	11,094	(829)
Corporate Income & Expenditure	3,227	2,243	2,264	21
COVID 19 Business Rates Grants	-	-	(108)	(108)
Movement in Reserves	746	(463)	227	690
Savings Plan	(1,436)	(446)	-	446
Net General Fund Revenue Budget	11,289	13,257	13,477	220
Funded by:				
Council Tax	6,705	6,705	6,705	-
Net Business Rates/ s31 Compensation	3,767	3,767	2,596	(1,171)
New Homes Bonus	1,169	1,169	1,169	-
COVID 19 Emergency Funding	-	1,478	1,392	(86)
COVID 19 Income Loss	-	684	1,009	325
New Burdens/Other Funding	-	-	245	245
Prior Year Collection Fund Surplus/(Deficit)	(3)	(270)	(270)	-
Total Funding	11,638	13,533	12,846	(687)
Core (Surplus) or Deficit	(349)	(276)	631	907
Proposed Carry Forwards to 2021/22			390	390
Core (Surplus) or Deficit (after carry forwards)	(349)	(276)	1,021	1,297
Balanced by:				
General Fund Balance				-
Stability & Resilience Reserve				(1,297)
Final Core Surplus or Deficit				-

Table 3 - Outturn position 2021/22 (as reported to Cabinet in September 2022)

	2021/22 Original Budget (£'000)	2021/22 Latest Budget (£'000)	2021/22 Outturn (£'000)	2021/22 Variation (£'000)
General Fund Revenue Budget				
Corporate Services	5,184	5,953	5,525	(428)
Customer Experience & Improvement	55	217	127	(90)
Major Projects & Property	(5,434)	(4,126)	(4,281)	(155)
Operational services	9,869	10,909	8,605	(2,304)
Planning & Ecomony	2,303	2,464	2,562	98
ICE Programme	536	579	628	49
Sub-total	12,513	15,996	13,166	(2,830)
Less: Reversal of Accounting Entries	(2,901)	(2,901)	(3,893)	(992)
Net Service Revenue Expenditure	9,612	13,095	9,273	(3,822)
Corporate Income & Expenditure	3,430	2,186	1,333	(853)
Movement in Reserves	(103)	(1,546)	(5,486)	(3,940)
Business Rates - 2020/21 Deficit (transfers in)	-	-	10,427	10,427
Business Rates - 2021/22 Deficit (transfers out)	-	-	(2,177)	(2,177)
Savings Plan	(70)	(348)	-	348
Net General Fund Revenue Budget	12,869	13,387	13,370	(17)
Funded by:				
Council Tax	6,928	6,928	6,928	-
Business Rates	3,574	3,574	4,651	1,077
New Homes Bonus	863	863	863	-
COVID 19 Emergency Funding	489	489	489	-
COVID 19 Income Loss	100	100	117	17
New Burdens and Other Grants	-	-	320	320
Lower Tier Funding	101	101	101	-
Prior Year Collection Fund Surplus/(Deficit)	(200)	(200)	(21)	179
Total Funding	11,855	11,855	13,448	1,593
Core (Surplus) or Deficit	1,014	1,532	(78)	(1,610)
Proposed Carry Forwards to 2022/23			432	432
Core (Surplus) or Deficit (after carry forwards)	1,014	1,532	354	(1,178)
Balanced by:				
General Fund Balance	-	-	(354)	(354)
Stability & Resilience Reserve	(1,014)	(1,532)	-	1,532
Final Core Surplus or Deficit	-	-	-	-

During the financial year the Council's proposed use of reserves was kept under review as the Council will need to evaluate what further options to consider when reviewing the Budget Strategy for 2023/24. An updated MTFS and Budget Strategy will be presented to Cabinet in November 2022. The Strategy also consider developments in Capital Finance including the revisions to the Prudential Code and provisions set out in the Levelling Up and Regeneration Bill

Appendix A (Table 4) shows an indicative forecast of the Council's Reserves and Balances. This is based on the forecast provided with the MTFS in February 2023 and updated to reflect material changes notified in the outturn report in September 2022. The final position on reserve utilisation for 2022/23 and the impact on the MTFS will not be known until later in the year. Broad assumptions were made around the utilisation of reserves to support the General Fund budget over the 3-year period 2022/23 to 2024/25 in the MTFS as approved by Council in February 2023.

The Council has undertaken cash flow modelling through to December 2024 which demonstrates the Council's ability to work within its Capital Financing Requirement (CFR) and Cash management framework, with a headroom of £17m (based on CFR of £181m less actual borrowings of £164m). However, there are plans to generate capital receipts which will be used reduce borrowings and hence increase the headroom.

The Council remains confident in its ability to maintain sufficient cash for its services through the medium term. This is based on its cash flow forecasting and the resultant liquidity position of the Council, taking account of the cash and short term investment balances of £18.750 million (as at 06 February 2023) and the ability for short-term borrowing under the Treasury Management Policy of up to the CFR. This demonstrates that the Council has sufficient liquidity over the same period, assuming forecast average short-term borrowings of £100 million

The Council thereby concludes that it is appropriate to prepare the financial statements on a going concern basis, and that the Council will be a going concern, 12 months from the date of the audit report, based on the review of the forecasted reserve and cash

The Council is mindful of the lasting impact from Covid-19 and other economic pressures and has taken steps to mitigate the funding gap forecast over the MTFS period. The Council has been working through a Savings and Transformation Programme (STP, formerly CREP) to identify opportunities to reduce expenditure, resize and optimise services, and generate new additional income. Further work, using Outcome Based Budgeting techniques, has taken place during 2022/23 to mitigate the funding gap identified in

Collection Fund

There were a number of changes to the collection of both Council Tax (Hardship Fund and deferred payments) and Business Rates (additional reliefs, deferred payments) as a result of Covid. Whilst there was an improved collection rate in 2021/22, the final impact on the Council's collection of Council Tax and Business Rates will not be fully unwound until 2023/24. Although the residual effects of Covid and the subsequent Cost-of-Living crisis is expected to an impact on vulnerable individuals and households' ability to pay, collection rates during 2022/23 have remained buoyant. Government support was provided to the Council through the ability to spread collection fund deficits over a 3-year period and the Tax Income Guarantee scheme. Collection performance will continue to be closely monitored to be able to react to any signs that economic factors are having a negative impact on the Council's resources in

Savings and Transformation Programme & Outcome Based Budgeting

The Savings and Transformation programme has developed a number of workstreams that help the Council achieve a robust, balanced, and proportionate reduction in cost/additional income. The programme has considered and reviewed service delivery options, organisational redesign programmes such as ICE, improved procurement outcomes, and how to embed a commercial approach to service delivery and improved utilisation of property and income-generating assets.

The programme has been established to ensure sustained focus over the MTFS period. The programme is supported by a project team which reports to the Executive Leadership Team Board on a monthly basis to ensure identified opportunities are on target and can be delivered. Member oversight on the programme is through the Budget Strategy Working Group.

The aim of the programme is to achieve financial sustainability and enable service transformation within the MTFS period without significant impact on Council Plan priorities. There are 5 broad areas that the Savings and Transformation Programme will work through:

- 1 CREP
 - Ensure delivery of 'live' savings projects
 - Review remaining CREP lines of enquiry and feed into a 'savings project pipeline'
 - Review un-scoped ideas generated from 2021/22 CREP workshops, assess and feed into 'savings project pipeline'
- 2 Efficiencies from New Ways of Working Projects (ICE)
- 3 Asset management and redevelopment (incl. increasing income from existing assets)
- 4 Fees and Charges – cost recovery principle
- 5 Corporate workstreams
 - Procurement and spend analysis
 - Insurance and risk management – approach to self-insurance to reduce cost
 - Workforce planning
 - Approach to in-year expenditure to promote strong financial management
 - Review of joint working and shared service opportunities approach
 - Stronger Financial Management – Forecasting, budget management and accountability, approach to capital financing

The 2022/23 budget includes a number of planned savings and additional income opportunities. These have been monitored and reviewed during the year and the Council is forecast to deliver £1.825m of the £1.942m originally within the timescale identified in the MTFS. The shortfall has been considered in the Outcome Based Budgeting process described below and alternative savings identified

A separate exercise was undertaken during November 2022 to January 2023, using Outcome Based Budgeting techniques, to identify further savings, amounting to £2.309m in 2023/24 rising to £2.593m in 2024/25. These will be combined with the existing STP programme and monitored during the year to ensure that the appropriate actions are being taken to deliver the savings.

The MTFS Equalisation Reserve which has been created to manage the risks of maintaining a balanced budget, is not intended to be drawn on in either 2023/24 or 2024/25, although if there is any shortfall in delivery of savings, it may be drawn upon.

8 Adjustments between accounting basis and funding basis under regulations

This note details the adjustments that are made to the total Comprehensive Income and Expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. The adjustment detail is given in tables on the following two pages.

8 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 2018/19				
Adjustments primarily involving the Capital Adjustment Account				
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Charges for depreciation and impairment of non current assets (Property, Plant and Equipment)	1,852			(1,852)
Revaluation gains/losses on Property, Plant and Equipment	10,175			(10,175)
Movements in the market value of Investment Property	2,615			(2,615)
Amortisation of Intangible Assets	248			(248)
Capital grants and contributions received/applied	(1,391)		(239)	1,630
Revenue expenditure funded from capital under statute	1,460			(1,460)
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>				
Statutory provision for the financing of capital investment	(683)			683
Capital expenditure charged against the General Fund	(29)			29
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	2			(2)
Use of the Capital Receipts Reserve to finance new capital expenditure		(475)		475
Adjustments involving the Financial Instruments Adjustment Account				
Unrealised Fair Value gains/losses on financial investments	(125)			125
Fair Value gains/losses on financial investments	8			(8)
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 23)	5,350			(5,350)
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,330)			2,330
Adjustments primarily involving the Collection Fund Adjustment Account				
Amount by which council tax and non-domestic rating income credited or debited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	529			(529)
Adjustment primarily involving the Accumulated Absences Account				
Amount by which Officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	18			(18)
Total Adjustments	17,699	(475)	(239)	(16,985)

8 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				
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Charges for depreciation and impairment of non current assets (Property, Plant and Equipment)	1,876			(1,876)
Revaluation gains/losses on Property, Plant and Equipment	1,082			(1,082)
Movements in the market value of Investment Property	4,281			(4,281)
Amortisation of Intangible Assets	230			(230)
Capital grants and contributions applied	(1,608)		(1,338)	2,946
Revenue expenditure funded from capital under statute	2,973			(2,973)
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>				
Statutory provision for the financing of capital investment	(1,769)			1,769
Capital expenditure charged against the General Fund	(55)			55
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				
Use of the Capital Receipts Reserve to finance new capital expenditure		(161)		161
Adjustments involving the Pooled Financial Instrument Fund Adjustment Account:				
Unrealised Fair Value gains/losses on financial investments	3,128			(3,128)
Fair Value gains/losses on financial investments				
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 23)	4,542			(4,542)
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,510)			2,510
Adjustments primarily involving the Collection Fund Adjustment Account				
Amount by which council tax and non-domestic rating income credited or debited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	366			(366)
Adjustment primarily involving the Accumulated Absences Account				
Amount by which Officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(2)			2
Total Adjustments	12,534	(161)	(1,338)	(11,035)

9 Transfers to/from earmarked reserves

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

Earmarked Reserves	Balance as at 2018 £000	Transfer Out 2018/19 £000	Transfers In 2018/19 £000	Balance as at 31 March 2019 £000	Transfer Out 2019/20 £000	Transfers In 2019/20 £000	Balance as at 31 March 2020 £000
Stability and Resilience Reserve	4,353	(43)	559	4,869	-	1,001	5,870
Commuted Sums/Amenity Areas	2,447	(88)	729	3,088	(100)	1,455	4,443
Commercial Reserve	-	-	475	475	-	1,525	2,000
Mercury Abatement	574	-	45	619	(43)	41	617
Flexible Housing Grant	128	-	270	398	(51)	163	510
Regeneration Reserve	-	-	-	-	-	450	450
Affordable Housing Reserve	-	-	-	-	-	400	400
Civil Parking Enforcement Surplus	235	(120)	131	246	(3)	102	345
Budget Carry Forwards	232	(232)	318	318	(318)	301	301
ICE Programme	-	-	-	-	(321)	618	297
A331 Air Quality Project	-	-	-	-	-	256	256
Insurance Reserve	253	-	-	253	-	-	253
Due Diligence Reserve	-	-	-	-	-	250	250
Other Grants (Individually below £45k)	221	(62)	86	245	(138)	104	211
Workforce Reserve	-	-	-	-	-	200	200
Service Improvement Fund	891	(276)	386	1,001	(872)	-	129
Planning Delivery Fund	125	(28)	125	222	(95)	-	127
TAG Environmental Fund	91	-	6	97	-	13	110
Custom Build Grant	30	-	30	60	-	15	75
Cohesion/Migration Impact/Gurkha Settlement	97	(22)	-	75	(5)	-	70
Land Charges	45	-	-	45	-	-	45
Planning Service Improvement	37	-	16	53	(53)	-	0
Housing & Planning Delivery Grant	66	(66)	-	-	-	-	-
Total of all Earmarked General Fund Reserves	9,825	(937)	3,176	12,064	(1,999)	6,894	16,959

10 Other Operating Expenditure

2018/19 Gross Exp £000	2018/19 Gross Inc £000	2018/19 Net Exp £000	Other Operating Expenditure	2019/20 Gross Exp £000	2019/20 Gross Inc £000	2019/20 Net Exp £000
0	(17)	(17)	Photovoltaic Cells Feed In Tariff	-	(10)	(10)
30	(37)	(7)	Other Corporate Income & Expenditure	49	(1,685)	(1,636)
2	-	2	(Gains)/Losses on the disposal of non-current assets	-	-	-
32	(54)	(22)	Total	49	(1,695)	(1,646)

11 Financing and Investment Income and Expenditure

2018/19 Gross Exp £000	2018/19 Gross Inc £000	2018/19 Net Exp £000	Financing and Investment Income and Expenditure	2019/20 Gross Exp £000	2019/20 Gross Inc £000	2019/20 Net Exp £000
181	0	181	Interest payable and similar charges	953	-	953
1,280	0	1,280	Net interest on the net defined benefit liability/(asset)	1,136	-	1,136
0	(1,035)	(1,035)	Interest receivable and similar income	-	(1,686)	(1,686)
4,994	(2,379)	2,615	Changes in the fair value of Investment Property	8,142	(3,861)	4,281
91	(216)	(125)	Unrealised Fair Value gains/losses on financial investments	3,128	-	3,128
8	-	8	Fair value (gains)/losses on financial investments	-	-	0
150	0	150	Impairment losses (including reversals of impairment losses or impairment gains)	222	-	222
3	-	3	Other Investment Income	-	-	-
6,707	(3,630)	3,077	Total	13,581	(5,547)	8,034

12 Taxation and Non-specific Grant Income and Expenditure

2018/19 Gross Exp £000	2018/19 Gross Inc £000	2018/19 Net Exp £000	Taxation and Non-specific Grant Income and Expenditure	2019/20 Gross Exp £000	2019/20 Gross Inc £000	2019/20 Net Exp £000
-	(6,148)	(6,148)	Council Tax income	0	(6,409)	(6,409)
-	(99)	(99)	Collection Fund (Surplus)/Deficit - Council Tax	-	(83)	(83)
549	-	549	Collection Fund (Surplus)/Deficit - NDR	53	-	53
15,710	(19,797)	(4,087)	Non Domestic Rates (Income) and Expenditure	16,070	(19,909)	(3,839)
1,041	-	1,041	Non Domestic Rates (Safety net)/Levy Payment	1,132	-	1,132
-	(190)	(190)	Revenue Support Grant	-	0	0
-	(2,354)	(2,354)	Non-ringfenced Government Grants	-	(2,467)	(2,467)
-	(284)	(284)	Capital Grants and Contributions	-	(547)	(547)
17,300	(28,872)	(11,572)	Total	17,255	(29,415)	(12,160)

13 Property, Plant and Equipment (PPE)

Movements on balances in 2018/19

	Assets Under Construction	Land & Buildings	Vehicles Plant & Equipment	Community Assets	Surplus Assets	Total PPE Assets
	£000	£000	£000	£000	£000	£000
Cost or valuation						
As at 1 April 2018	4,310	77,998	8,121	3,820	499	94,747
Adjustment	(2)	-	-	-	-	(2)
Additions	10	8,512	185	75	173	8,955
Revaluation increases recognised in the Revaluation Reserve	-	5,632	-	-	406	6,038
Revaluation decreases recognised in the Revaluation Reserve	-	(402)	-	-	(24)	(426)
Revaluation increases recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	102	102
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	-	(10,581)	-	-	(13)	(10,594)
Reversal of previous revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	-	317	-	-	-	317
Other movements in cost or valuation	-	(1,987)	-	-	-	(1,987)
Derecognition - Disposals	-	-	(97)	(1)	-	(98)
Transfers and adjustments	(4,308)	4,213	-	-	84	(11)
As at 31 March 2019	10	83,702	8,209	3,894	1,227	97,042
Accumulated Depreciation						
As at 1 April 2018	-	(6,249)	(2,564)	-	-	(8,813)
Depreciation - annual charge	-	(1,155)	(697)	-	-	(1,852)
Depreciation charge written out and recognised in the Surplus/Deficit on the Provision of Services or Revaluation Reserve	-	1,987	-	-	-	1,987
Derecognition - Disposals	-	-	97	-	-	97
As at 31 March 2019	-	(5,417)	(3,164)	-	-	(8,581)
As at 31 March 2019	10	78,285	5,045	3,894	1,227	88,461
As at 31 March 2018	4,310	71,749	5,557	3,820	499	85,935

13 Property, Plant and Equipment (PPE)

Movements on balances in 2019/20

	Assets Under Construction	Land & Buildings	Vehicles Plant & Equipment	Community Assets	Surplus Assets	Total PPE Assets
	£000	£000	£000	£000	£000	£000
Cost or valuation						
As at 1 April 2019	10	83,702	8,209	3,894	1,227	97,042
Adjustment						
Additions	259	6,640	333	447	9	7,688
Revaluation increases recognised in the Revaluation Reserve	-	15,474	-	-	214	15,688
Revaluation decreases recognised in the Revaluation Reserve	-	(16,004)	-	-	(4)	(16,008)
Revaluation increases recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	-	(1,927)	-	-	(4)	(1,931)
Reversal of previous revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	-	848	-	-	-	848
Derecognition	-		(491)			(491)
Depreciation charge written back upon revaluation	-	(6,579)	-	-	-	(6,579)
Reclassifications	122	(2,661)	-	2,477	62	-
As at 31 March 2020	391	79,493	8,051	6,818	1,504	96,257
Accumulated Depreciation						
As at 1 April 2019	-	(5,417)	(3,163)	-	-	(8,580)
Depreciation - annual charge	-	(1,195)	(681)	-	-	(1,876)
Depreciation charge written back upon revaluation	-	6,579	-	-	-	6,579
Derecognition - Disposals			491			491
As at 31 March 2020	-	(33)	(3,353)	-	-	(3,386)
As at 31 March 2020	391	79,460	4,698	6,818	1,504	92,871
As at 31 March 2019	10	78,285	5,045	3,894	1,227	88,461

Depreciation

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

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

Capital Commitments

The Council has the following material capital commitments as at 31st March 2020:

- Voyager House fit out works with a total value of £1,357K, The project is due to be completed by September 2020.

Effects of Changes in Estimates

In 2019/20, the Council made no material changes to its accounting estimates for Property, Plant and Equipment.

Revaluations

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

	Assets Under Construction	Land & Buildings	Vehicles Plant & Equipment	Community Assets	Surplus Assets	Total PPE Assets
	£000	£000	£000	£000	£000	£000
Carried at historical cost	269	23	4,697	4,031	0	9,019
Valued at current value as at:						
31/03/2020	-	72,051	-	2,314	1,432	75,798
31/03/2019	-	794	-	-	-	794
31/03/2018	-	-	-	-	-	-
31/03/2017	-	-	-	-	-	-
31/03/2016	-	13,354	-	-	-	13,354
Total Valuation	-	86,200	-	2,314	1,432	89,947
Total asset valuation	269	86,223	4,697	6,345	1,432	98,966

14 Investment Property

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

2018/19 £000	Investment Property	2019/20 £000
(3,654)	Rental income from investment property	(6,114)
818	Direct operating expenses arising from investment property	1,159
(2,836)	Net (gain)/loss	(4,955)

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement. All Investment Properties were re-valued as at 31st March 2020.

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

2018/19 £000	Movements In Fair Value	2019/20 £000
46,093	Balance at the start of the year	79,915
36,426	Additions	34,112
11	Transfers	0
(2,615)	Net gains/(losses) from fair value adjustments taken to the Comprehensive Income and Expenditure Account	(4,281)
79,915	Total	109,746

Fair Value Hierarchy

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

Valuation Techniques Used to Determine Level 2 Fair Values for Investment Property

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

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

Valuation Process for Investment Properties

The Council's investment property has been valued as at 31st March 2020 by the Wilkes, Head & Eve in accordance with the methodologies and basis for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The Council's investment properties are categorised as follows:

Categories of Investment Property	31/3/20 £000
Commercial/Industrial Units	41,093
Land leased out for mixed use	7,240
Office Units	37,443
Retail use	23,970
Total of all investment properties	109,746

15 Intangible assets

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

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £229,000 charged to revenue in 2019/20 was charged directly to service revenue accounts and is therefore included in the cost of services. No items of capitalised software are individually material to the Financial Statements. The movement on Intangible Asset balances during the year is as follows:

2018/19 £000	Intangible assets	2019/20 £000
	Balance at the start of the financial year	
2,184	Gross carrying amounts	2,175
(1,418)	Accumulated amortisation	(1,551)
766	Net carrying amount at start of year	624
106	Additions purchases	57
(115)	Disposals	(378)
(248)	Amortisation for the period	(229)
115	Reversal of past amortisation of disposal	378
-	Other charges	(15)
624	Net carrying amount at end of year	437
	Comprising:	
2,175	Gross carrying amounts	1,838
(1,551)	Accumulated amortisation	(1,401)
624	Net book value of intangible assets	437

16 Interests in Jointly Controlled Operations

Jointly Controlled OperationsCommunity Safety Service

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

Below is a memorandum account of the financial activity of the shared community safety service from 1st April 2019 to 31st March 2020.

	Rushmoor Borough Council	Hart District Council	Basingstoke and Deane Borough Council	Total
	2019/20 £000	2019/20 £000	2019/20 £000	2019/20 £000
Employee Related Expenditure	161	143	148	452
Premises Related Expenditure	-	-	-	-
Transport Related Expenditure	4	2	1	7
Supplies and Services	14	1	2	17
Support Services	85	-	-	85
Capital Charges	-	-	-	-
Net Project (Income) / Expenditure	(2)	6	-	4
Net Expenditure	262	152	151	565
Hosting Charge	(10)	5	5	-

The following is an extract of the Joint Community Safety Team Projects delivered on behalf of the 6 statutory agencies who work together under Section 17 of the Crime & Disorder Act 1998 (Probation, Police, Clinical Commissioning Groups, Hampshire County Council, The Local Authority and Fire Authority). The credit balance of funds of £36,390 as at 31st March 2020 is held as a creditor on Rushmoor Borough Council's balance sheet

Project	Balance as at 31st March 2018	2018/19 Project Income	2018/19 Project Exp	Balance as at 31st March 2019	2019/20 Project Income	2019/20 Project Exp	Balance as at 31st March 2020
	£000	£000	£000	£000	£000	£000	£000
Anti Social Behaviour and Night Time Economy	3	-	(2)	1	-	-	1
Bike Project	4	-	-	4	-	-	4
Education Programme	2	-	-	2	-	-	2
LIBOR Fund	4	-	(1)	3	-	-	3
Community Development	15	-	(3)	12	-	(3)	9
Domestic Violence	-	7	(1)	6	5	(9)	2
Restorative Justice	20	-	(4)	16	-	(2)	14
Victim Needs Project	1	-	(1)	-	-	-	-
Speedwatch	1	-	-	1	-	(1)	-
Other	1	-	-	1	-	-	1
	51	7	(12)	46	5	(15)	36

CCTV Service

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

Rushmoor Borough Council's element of the shared CCTV service costs are shown on the Operational Services line in the Cost of Services section of the Comprehensive Income and Expenditure Statement. Below is a memorandum account of the financial activity of the shared CCTV service from 1st April 2019 to 31st March 2020.

	Rushmoor Borough Council 2019/20 £000	Hart District Council 2019/20 £000	Total 2019/20 £000
Employee Related Expenditure	134	93	227
Premises Related Expenditure	3	2	5
Supplies & Services	88	19	107
Support Services	71	-	71
Capital Charges	27	-	27
Net Expenditure	323	114	437
Hosting Charge	(15)	15	-

Building Control Service

On 2nd July 2015 the Council entered into a jointly controlled operation with Hart District Council to deliver a shared Building Control service. Rushmoor Borough Council's element of the shared Building Control service costs are included in the Planning and Economy line in the Cost of Services section of the Comprehensive Income and Expenditure Statement. Below is a memorandum account of the financial activity of the shared Building Control service from 1st April 2019 to 31st March 2020.

	Rushmoor Borough Council 2019/20 £000	Hart District Council 2019/20 £000	Total 2019/20 £000
Employee Related Expenditure	233	266	499
Premises Related Expenditure	14	14	28
Transport Related Expenditure	2	3	5
Supplies & Services	7	6	13
Support Services	161	0	161
Capital Charges	1	0	1
Expenditure	418	289	707
Hosting Charge	(7)	7	0
Fees & Charges	(198)	0	(198)
Other Income	(23)	0	(23)

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

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

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

17 Financial Instruments

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

Financial Assets

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

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

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

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

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

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

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

Financial Assets	Long-term		Current	
	31/03/19 £000	31/03/20 £000	31/03/19 £000	31/03/20 £000
Investments				
<i>At Amortised Cost</i>	-	-	-	-
<i>At Fair Value through Profit & Loss</i>	22,304	19,184	-	-
Total Investments	22,304	19,184	-	-
Debtors				
<i>At Amortised Cost</i>				
- Trade Receivables	1,403	299	7,044	4,162
- Loans made for service purposes	5,600	6,700	-	-
- Loss Allowance	-	-	(474)	(677)
Total Debtors*	7,003	6,999	6,570	3,485
Cash & Cash Equivalents				
<i>At Amortised Cost</i>	-	-	1,355	5,575
Total Cash & Cash Equivalents	-	-	1,355	5,575
Total Financial Assets	29,307	26,183	7,925	9,060

*Debtors due within 1 year excludes £872,000 in respect of Council Tax debtors, HMRC and Non-Domestic Rates, from the total of £5630,000 reported on the Balance Sheet, as these are statutory levies not falling within the definition of financial instruments. £596,000 is also excluded in respect of Payments in Advance.

Financial Liabilities

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

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

- long-term loans from the Local Enterprise Partnership,
- short-term loans from other local authorities,
- lease payables detailed in note 36, and
- trade payables for goods and services received.

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

Financial Liabilities	Long-term		Current	
	31/03/19 £000	31/03/20 £000	31/03/19 £000	31/03/20 £000
Borrowing				
<i>Loans at Amortised Cost</i>	1,286	30,000	59,929	60,000
Total Borrowing	1,286	30,000	59,929	60,000
Other Long Term Liabilities				
<i>Finance Lease Liabilities at Amortised cost</i>	2,470	2,105	359	364
Total Other Long Term Liabilities	2,470	2,105	359	364
Creditors				
<i>Liabilities at Amortised Cost</i>	-	-	5,265	7,411
Total Creditors*	-	-	5,265	7,411
Total Financial Liabilities	3,756	32,105	65,553	67,775

*The creditors lines on the Balance Sheet include £6,112,000 from the total of £13,942,000 reported on the Balance Sheet, in respect of Council Tax creditors, Housing Benefit subsidy payments and payments for Non-Domestic Rates. £2,348,000 is also excluded in respect of Income in Advance that do not meet the definition of a financial liability as they relate to non-exchange transactions.

Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following:

	Financial Liabilities	Financial Assets		2019/20 Total £000	2018/19 Total £000
	Amortised Cost £000	Amortised Cost £000	Fair Value PL £000		
Interest expense	(954)	-	-	(954)	(181)
Interest paid and similar charges	(954)	-	-	(954)	(181)
Interest revenue	-	591	1,095	1,686	1,035
Interest receivable and similar income	-	591	1,095	1,686	1,035
Losses on de-recognition	-	-	-	-	(3)
Losses from changes in fair value (Unrealised)	-	-	(3,128)	(3,128)	(91)
Losses from changes in fair value (Realised)	-	-	-	-	(8)
Gains on de-recognition	-	-	-	-	-
Gains from changes in fair value (Unrealised)	-	-	-	-	216
Gains from changes in fair value (Realised)	-	-	-	-	-
Fee income/(expense)	-	(47)	-	(47)	(20)
Other investment income	-	(47)	(3,128)	(3,175)	94
Net impact on Surplus/Deficit on Provision of Services	(954)	544	(2,033)	(2,443)	948

Fair Value

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

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2020, using the following methods and assumptions:

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

Fair values are assessed against the following fair value hierarchy:

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

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

18 Short-Term Debtors

2018/19 £000	Short-Term Debtors	2019/20 £000
3,217	Central government bodies (excluding Business Rates)	1,505
605	Other local authorities (excluding Precepts)	393
179	Council Tax	203
426	NDR	669
3,324	Other entities and individuals	2,085
6,785	Payments in advance	596
14,536	Total Debtors	5,451

Debtors for Local Taxation

The past due but not impaired amount for local taxation (council tax and non-domestic rates) can be analysed by age as follows:

	31/03/19 £000	31/03/20 £000
Less than three months	0	0
Three to six months	0	0
Six months to a year	488	749
More than one year	502	721
	990	1,470
Less provision for debts	(385)	(598)
Total	605	872

19 Cash and Cash Equivalents

2018/19 £000	Cash and Cash Equivalents	2019/20 £000
4	Cash held by the Council	4
1,351	Short-term cash deposits	5,571
1,355	Total Cash and Cash Equivalents	5,575

20 Short-Term Borrowing

2018/19 £000	Short-Term Borrowing	2019/20 £000
429	Borrowing from M3 LEP	0
59,500	Borrowing from Local Authorities	60,000
59,929	Total Short-Term Borrowing	60,000

21 Short-Term Creditors

2018/19 £000	Short-Term Creditors	2019/20 £000
5,620	Central government bodies	5,863
2,499	Other local authorities	2,766
-	- Council Tax	0
524	NDR	330
2,600	Other entities and individuals	2,898
1,042	Income in advance	2,348
12,285	Total Short-Term Creditors	14,205

The Council are the Local Trusted Organisation for the Prospect Estate Big Local Partnership. As at 31st March 2020, the Council held £48,353 for this purpose in the "Other entities and individuals" line of the creditors analysis (£41,134 at 31st March 2019)

22 Provisions

Long-Term Provisions

2018/19 £000	Long-Term Provisions	2019/20 £000
3,278	Balance at 1st April	4,407
1,932	Additional provision made in the year	1,932
(803)	Amounts used in the year	(1,527)
4,407	Balance at 31st March	4,812

The Council had one long-term provision as at 1st April 2019 for £4.4 million in respect of Business Rate appeals, this has now further increased to £4.8 million as at 31st March 2020.

23 Other Long-Term Items

2018/19 £000	Other Long-Term Liabilities	2019/20 £000
48,556	Other Long Term Liabilities (Pension Liability)	52,161
2,469	Finance Lease Liabilities	2,105
51,025	Balance at 31st March	54,266

2018/19 £000	Long-Term Borrowing	2019/20 £000
1,286	Long-Term Borrowing	30,000

24 Unusable Reserves

2018/19 £000	Unusable Reserves	2019/20 £000
46,535	Revaluation Reserve	45,526
67,475	Capital Adjustment Account	62,651
422	Pooled Investment Fund Adjustment Account	(2,706)
(48,556)	Pensions Reserve	(52,161)
(524)	Collection Fund Adjustment Account	(890)
(157)	Accumulated Absences Account	(155)
65,195	Total Unusable Reserves	52,265

Revaluation Reserve

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

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

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

2018/19 £000	Revaluation Reserve	2019/20 £000
41,590	Balance at 1st April	46,535
6,038	Upward revaluation of assets	15,687
(425)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(16,007)
5,613		(320)
-	Adjusting amounts written to the Revaluation Reserve to amend the transfer of assets from Investment Properties to PPE	-
(668)	Difference between fair value depreciation and historical cost depreciation	(689)
46,535	Balance at 31st March	45,526

The difference between fair value depreciation and historical cost depreciation is taken to the Capital Adjustment Account

Capital Adjustment Account

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

The Account contains accumulated gains and losses on Investment Property and gains accumulated on Property, Plant and Equipment before 1st April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 8 provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

2018/19 £000	Capital Adjustment Account	2019/20 £000
80,341	Balance at 1st April	67,475
	Amount written out of the Revaluation Reserve	(688)
	<u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</u>	
(1,852)	Charges for depreciation and impairment of non-current assets (Property, Plant and Equipment)	(1,187)
(10,175)	Net revaluation gains/(losses) on Property, Plant and Equipment	(1,082)
(248)	Amortisation of intangible assets	(230)
(1,460)	Revenue expenditure funded from capital under statute	(2,973)
(2)	Amounts of non-current assets written off on disposal or sale as part of the gain/(loss) on disposal to the Comprehensive I&E Statement	-
(13,737)	Net of the above transactions	(5,472)
668	Adjusting amounts written out of the Revaluation Reserve to account for difference between fair value depreciation and historical cost depreciation	688
-	- Adjusting amounts written to the Revaluation Reserve to account for change in asset classification	-
(13,069)	Net written out amount of the cost of non-current assets consumed in the year	(4,784)
	<u>Capital financing applied in the year:</u>	
475	Use of the Capital Receipts Reserve to finance new capital expenditure	161
1,630	Capital grants and contributions credited to the Comprehensive I&E Statement that have been applied to Capital financing	2,945
355	Statutory provision for the financing of capital investment charged against the General Fund balances	359
358	Capital expenditure charged against the General Fund	1,464
2,818	Net of the above transactions	4,929
(2,615)	Movements in the market value of Investment Property debited or credited to the Comprehensive I&E Statement	(4,281)
67,475	Balance at 31st March	62,651

Pooled Investment Fund Adjustment Account

2018/19 £000	Pooled Investment Fund Adjustment Account	2019/20 £000
303	Balance at 1st April	422
218	Upward revaluation of investments charged to the Surplus/(Deficit) on the Provision of Services	-
(99)	Downward revaluation of investments charged to the Surplus/(Deficit) on the Provision of Services	(3,128)
422	Balance at 31st March	(2,706)

Pensions Reserve

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

2018/19 £000	Pensions Reserve	2019/20 £000
(50,446)	Balance at 1st April	(48,556)
4,910	Remeasurements of the net defined benefit (liability)/asset	(1,573)
(5,350)	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	(4,542)
2,330	Employer's pensions contributions and direct payments to pensioners payable in the year	2,510
(48,556)	Balance at 31st March	(52,161)

Collection Fund Adjustment Account

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

Information for the Collection Fund Adjustment Account is shown below:

2018/19 £000	Collection Fund Adjustment Account	2019/20 £000
6	Balance at 1st April	(524)
(530)	Amount by which council tax income and NDR income is (credited) or debited to the Comprehensive Income and Expenditure Statement is different from council tax income and NDR income calculated for the year in accordance with statutory requirements	(366)
(524)	Balance at 31st March	(890)

Accumulated Absences Account

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

2018/19 £000	Accumulated Absences Account	2019/20 £000
(137)	Balance at 1st April	(157)
137	Settlement or cancellation of accrual made at the end of the preceding year	157
(157)	Amounts accrued at the end of the current year	(155)
(20)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	2
(157)	Balance at 31st March	(155)

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

2018/19 £000	Cash Flow Statement - Adjustment to net surplus or deficit on the provision of services for non-cash movements	2019/20 £000
1,852	Depreciation	1,877
10,175	Impairment and downward valuations	1,082
248	Amortisation	230
418	Increase/(decrease) in provision for doubtful debts	555
1,322	Increase/(decrease) in Creditors	2,099
(8,059)	(Increase)/decrease in Debtors	8,995
1	(Increase)/decrease in Interest Debtors	(1)
-	(Increase)/decrease in Inventories	(7)
3,020	Movement in pension liability	2,032
2	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	16
517	Other non-cash items charged to the net surplus or deficit on the provision of services	4,281
9,496	Total adjustment of net surplus or deficit on the provision of services for non-cash movements (as per page 16)	21,159

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

2018/19 £000	Cash Flow Statement - Adjustments for items included in the net surplus or deficit on the provision of services that are investing or financing activities	2019/20 £000
-	Proceeds from the sale of Property, Plant and Equipment, investment property and intangible assets	-
-	Capital Grants credited to the surplus/deficit on the provision of services	(1,608)
0	Net adjustments to net surplus or deficit on the provision of services for financing and investment cash flows	(1,608)

27 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2018/19 £000	Cash Flow	2019/20 £000
643	Interest received	1,104
(62)	Interest paid	(304)
581	Total interest received	800

28 Cash Flow Statement – Investing Activities

2018/19 £000	Cash Flow Statement – Investing Activities	2019/20 £000
(45,486)	Purchase of Property, Plant and Equipment, investment property and intangible assets	(41,858)
(7,000)	Purchase of short-term and long-term investments	-
(1,173)	Other payments for investing activities	(1,377)
-	Proceeds from the sale of property, plant and equipment, investment property and intangible assets.	-
9,004	Proceeds from short-term and long-term investments	4,450
211	Other receipts from investing activities	3,297
(44,444)	Net cash flows from investing activities	(35,488)

29 Cash Flow Statement – Financing Activities

2018/19 £000	Cash Flow Statement – Financing Activities	2019/20 £000
99,500	Cash receipts of short and long-term borrowing	163,500
2,471	Other receipts from financing activities	-
(355)	Cash payments for the reduction of the outstanding liabilities relating to finance leases	(359)
(52,429)	Repayment of short and long-term borrowing	(134,714)
-	Other payments for financing activities	(187)
49,187	Net cash flows from financing activities	28,240

Reconciliation of liabilities arising from financing activities

	01/04/19 £000	Financing cash flows £000	Non-cash changes £000	31/03/20 £000
Long-term borrowings	1,286	28,714	-	30,000
Short-term borrowings	59,929	71	-	60,000
Lease liabilities	2,829	(360)	-	2,469
Total liabilities from financing activities	64,044	28,425	-	92,469

30 Members' Allowances

In 2019/20 a total of £318,736 was paid out in members' allowances, compared with a total of £314,216 in 2018/19.

31 Officers' Remuneration and Termination Benefits

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

Officers' Remuneration and Termination Benefits		Salary and Allowances	Expenses Allowances	Pension Contribution	Total
		£	£	£	£
Chief Executive	2019/20	135,375	-	30,201	165,576
	2018/19	126,530	-	27,574	154,103
Executive Director	2019/20	91,493	349	22,361	114,203
	2018/19	86,819	317	19,951	107,087
Executive Director	2019/20	88,598	349	21,805	110,752
	2018/19	84,125	317	19,385	103,827
Head of Financial Services and Chief Finance Officer	2019/20	72,712	-	18,018	90,730
	2018/19	50,969	-	9,676	60,646

Head of Financial Services and Chief Finance Officer vacant from 3 September 2018 to 7 January 2019, annualised salary

The rate of pension contribution to the Hampshire Pension Fund is 24.78%. This is split 16.1% of pensionable pay for individual employees plus an additional 8.68% relating to all scheme members.

The number of employees whose remuneration (including taxable benefits, but excluding employers' pension contributions) was £50,000 or more, in bands of £5,000, is shown below. Data shown includes senior employees.

The number of employees whose remuneration (including benefits, but excluding employers' pension contributions) was £50,000 or more, in bands of £5,000	2018/19 No of employees	2019/20 No of employees
Remuneration Band		
£50,000 - £54,999	8	8
£55,000 - £59,999	7	8
£60,000 - £64,999	1	6
£65,000 - £69,999	1	2
£70,000 - £74,999	-	2
£75,000 - £79,999	1	1
£80,000 - £84,999	1	-
£85,000 - £89,999	3	1
£90,000 - £94,999	1	2
£95,000 - £99,999	1	-
£100,000 - £104,999	-	-
£105,000 - £109,999	-	-
£110,000 - £114,999	-	-
£115,000 - £119,999	-	-
£120,000 - £124,999	-	-
£125,000 - £129,999	1	-
£130,000 - £134,999	-	-
£135,000 - £139,999	-	1

Exit Packages

	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	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
	No	No	No	No	No	No	£	£
£0-£20,000		1		2		3		20,712
£20,001-£40,000	1		1	2	2	2	70,355	63,702
£40,001-£60,000			3		3		131,784	
£60,001-£80,000	1				1		71,762	
£80,001-£100,000	1				1		97,025	
£100,001-£120,000	1				1		112,203	
Total	4	1	4	4	8	5	483,129	84,414

32 External Audit Costs

2018/19 £000	External Audit Costs	2019/20 £000
100	Fees payable to Ernst and Young with regard to external audit services carried out by the appointed auditor	38
	Refund of fee payable to Ernst and Young	(4)
	Fees payable to KPMG for the certification of grant claims and returns	10
100	Total	44

33 Grant Income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement:

2018/19 £000	Grant Income	2019/20 £000
	Credited to Taxation and Non Specific Grant Income & Expenditure	
190	Revenue Support Grant	-
1,095	New Homes Bonus	1,010
935	Section 31 Grants in Relation to Business Rates	1,229
284	Capital Grants & Contributions	547
200	New Burden Grant	228
125	Planning Delivery Fund	-
	- Transition Grant	-
	- Top Up Grant	-
	- Council Tax Discount for Family Annexes	-
	- Homeless Reduction IT Set Grant	-
2,829	Total	3,014
	Credited to Services	
	Ministry of Housing, Communities and Local Government	
390	Flexible Homelessness Grant	287
80	Localising Council Tax Admin Subsidy	78
3	Other	14
	Department for Works and Pensions	
34,562	Housing Benefit Subsidy	30,276
300	Housing Benefit Admin Subsidy	276
225	Discretionary Housing Payment	213
72	Other	79
15	Cabinet Office	15
950	Developers Contributions	1,649
	Hampshire County Council	
1,106	Better Care Fund	1,061
32	Department for Environment, Food & Rural Affairs	258
	Other Grants and Contributions	
7	Contributions for other projects	37
20	Local & Parliamentary Elections contributions	
	- Armed Forces Community Covenant	
	- Developing Our Communities contribution for specific projects	
5	Supported through Big Local, administered by Local Trust for the Big Lottery Fund	10
37,767	Total	34,253

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that could require the monies to be returned to the giver. The balances at year-end are shown in the table below:

2018/19 £000	The value of grants and contributions that have yet to be recognised as income as they have conditions attached to them	2019/20 £000
3,668	S 106/grants	5,357
39	Creditor	39
3,707	Total	5,396

34 Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council. During 2019/20, the Council provided financial assistance to 102 organisations by way of direct grant payments (£601,183), awards of rent relief (£394,905) and awards of business rates relief (£722,825)

Within the Business Rates Retention Scheme, rate relief has been awarded to charitable and not-for-profit organisations. The cost of the rate relief is shared between central government, Rushmoor Borough Council and Hampshire County Council (including Fire Authority) in the following proportions 50:40:10. The Council did not provide material financial assistance to any organisation, being more than 50% of their funding, on terms that gave the Council effective control over their operations. However, of the 102 voluntary organisations that the Council provided financial assistance to, significant financial assistance was given to the following organisations:

	£
Rushmoor Citizens Advice	509,657
Places for People Leisure Ltd	276,327
Farnborough and Cove War Memorial Hospital Trust	110,508
Rushmoor Voluntary Services	81,926
Step-by-Step	62,932
British Heart Foundation	53,506
The Brain Tumour Charity	43,697
Basingstoke Canal Management Committee	42,246
Dial-a-Ride	31,895
Aldershot Town & District Football in the Community Trust	31,562
Aldershot Military Museum	30,530

Central Government

Central Government has effective control over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Details of funding transactions with government departments in the form of grants and contributions are set out in Note 33

Members

Members of the council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2019/20 is shown in Note 30. During 2019/20, no works or services were commissioned from companies in which members had an interest. Financial assistance totalling £1,52,815 was awarded to voluntary organisations in which 19 members and 3 ex-member had an interest. These financial awards were made with proper consideration of declarations of interest and the relevant members did not take part in any discussion or decision relating to the grants. Details of all these transactions are recorded in the Statement of Accounts working papers and the Register of Members interest, open to public inspection.

Officers

Chief Officers have not disclosed any material transactions with related parties.

Entities Controlled or Significantly Influenced by the Council

The Council controls Rushmoor Homes through its ownership of 100% of the shares in the company. The company is currently in development and will assist to develop new homes to meet the Council's regeneration priorities and desire to improve the availability of quality housing within the Borough. The first full year of operation will be 2020/21. During 2019/20 the Council invested £8450 in set up of the Company.

The Council holds a 50% stake in Rushmoor Development Partership (RDP). The partnership is currently in development with the objective to redevelop sites in Farnborough and Aldershot. The first full year of operation will be 2020/21. During 2019/20 the Council invested £168,000 in set up of the Company.

35 Capital Expenditure and Capital Financing

As at 31st March 2020 use of borrowing for capital expenditure resulted in the Council incurring a capital financing requirement of £102.1m. Total capital expenditure in 2019/20 was £45.796m, of which £2.97m was revenue expenditure funded from capital under statute. An amount of £0.18m was drawn from available capital receipts and government grants and contributions amounted to £2.95m. A summary of this expenditure and how it was financed is shown below.

2018/19 £000	Capital Expenditure and Capital Financing	2019/20 £000
15,618	Opening Capital Financing Requirement	60,847
	<u>Capital Investment</u>	
1,100	Loans to external body	1,324
8,600	Property, Plant and Equipment	7,330
36,426	Investment Property	34,112
106	Intangible Assets	57
1,460	Revenue Expenditure Funded from Capital under Statute	2,973
47,692	Total Capital Investment	45,796
	<u>Sources of Finance</u>	
(475)	Capital receipts	(178)
(1,630)	Government grants and other contributions	(2,946)
(29)	Direct revenue contributions	(55)
(329)	Minimum Revenue Provision	(1,410)
(2,463)	Total sources of finance applied	(4,589)
60,847	Closing Capital Financing Requirement	102,054
	<u>Explanation of movements in year</u>	
45,582	Increase in underlying need to borrowing (unsupported by government financial assistance)	41,567
(354)	Asset acquired under finance lease	(359)
45,228	Increase/(Decrease) in Capital Financing Requirement	41,208

36 Leases*Council as lessee**Operating Leases*

The Council has various operating leases related to property, vehicle and equipment.

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

2018/19 £000	Operating lease Minimum Lease Payments	2019/20 £000
36	Not later than one year	36
24	Later than one year and not later than five years	196
0	Later than five years	0
60	Total	232

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

2018/19 £000	Minimum lease payments	2019/20 £000
48	Minimum lease payments	55
48	Total	55

Finance leases

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

2018/19 £000	Finance Lease Assets	2019/20 £000
3,046	Vehicles, Plant and Equipment	2,674
3,046	Total	2,674

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

2018/19 £000	Finance Lease Liability	2019/20 £000
2,829	Finance lease liability (net present value of minimum lease payments)	2,469
134	Finance costs payable in future years	101
2,963	Total	2,570

The minimum lease payments will be payable over the following periods:

2018/19 £000	Finance lease Minimum Lease Payments	2019/20 £000
392	Not later than one year	392
1,485	Later than one year and not later than five years	1,423
1,085	Later than five years	755
2,963	Total	2,570

Finance lease liability over the following periods:

2018/19 £000	Finance Lease Liabilities	2019/20 £000
359	Not later than one year	364
1,401	Later than one year and not later than five years	1,357
1,068	Later than five years	748
2,829	Total	2,469

Council as Lessor
Operating Leases

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

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

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

2018/19 £000	Leases	2019/20 £000
3,522	Not later than one year	6,631
25,699	Later than one year and not later than five years	23,572
105,217	Later than five years	97,645
134,438	Total	127,848

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2019/20, contingent rents of £24,704.72, were receivable by the Council (£5,590.34 in 2018/19).

37 Defined Benefit Pension Schemes

Participation in pension schemes

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

The Council participates in two post-employment schemes:

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

- Arrangements for the award of discretionary post retirement benefits upon early retirement. This is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

Transactions relating to post employment benefits

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

Comprehensive Income and Expenditure Statement	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2019/20 £m	2018/19 £m	2019/20 £m	2018/19 £m
Cost of Services:				
Service cost comprising:				
· current service cost	3.33	2.62	-	-
· past service costs	0.08	1.45	-	-
Financing and Investment Income and Expenditure				
Net Interest Expense	1.04	1.17	0.09	0.11
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	4.45	5.24	0.09	0.11
Other Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement				
Return on Plan Assets (Excluding the amount included in the net interest expense)	5.91	(6.41)	-	-
Actuarial gains and losses arising on changes in financial assumptions	(3.53)	7.07	(0.04)	0.12
Actuarial gains and losses arising on changes in demographic assumptions	(3.62)	(5.75)	(0.07)	(0.18)
Actuarial gains and losses arising from liability experience	2.95	0.23	(0.03)	0.01
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	6.16	0.38	(0.05)	0.06
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(4.45)	(5.24)	(0.09)	(0.11)
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	2.24	2.06		
Retirement benefits payable to pensioners			0.27	0.27

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2019/20 £m	2018/19 £m	2019/20 £m	2018/19 £m
Present value of the defined benefit obligation	142.12	142.35	3.81	4.13
Fair value of plan assets	93.77	97.92	-	-
Net liability arising from defined benefit obligations	(48.35)	(44.43)	(3.81)	(4.13)

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2019/20 £m	2018/19 £m	2019/20 £m	2018/19 £m
Opening fair value of scheme assets	97.92	89.86	-	-
Interest income	2.34	2.33	-	-
Remeasurement gain/(loss) on assets	(5.91)	6.41	-	-
Contributions from employer	2.24	2.06	0.27	0.27
Contributions from employees into the scheme	0.64	0.62	-	-
Net Benefits paid	(3.47)	(3.36)	(0.27)	(0.27)
Closing balance at 31st March	93.76	97.92	-	-

Reconciliation of present value of the scheme liabilities (defined benefit obligation)

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2019/20 £m	2018/19 £m	2019/20 £m	2018/19 £m
Opening balance at 1st April	142.35	135.97	4.13	4.34
Current service cost	3.33	2.62	-	-
Interest cost	3.38	3.50	0.09	0.11
Contributions by scheme participants	0.64	0.62	-	-
Remeasurement (gains) and losses:				
Actuarial gains and losses arising from changes in financial assumptions	(3.53)	7.07	(0.04)	0.12
Actuarial gains and losses arising from changes in demographic assumptions	(3.62)	(5.75)	(0.07)	(0.18)
Actuarial gains and losses arising from changes due to liability experience	2.96	0.23	(0.03)	0.01
Net Benefits paid	(3.47)	(3.36)	(0.27)	(0.27)
Past service costs	0.08	1.45	-	-
Closing balance at 31st March	142.12	142.35	3.81	4.13

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

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

The actual return on scheme assets in the year was £3.57 million (2018/19: £8.74 million).

Scheme history

	31/03/2020 £000	31/03/2019 £000	31/03/2018 £000
Present value of liabilities: Local Government Pension Scheme	(142,117)	(142,350)	(135,970)
Fair value of assets in the Local Government Pension Scheme	93,765	97,920	89,860
Surplus/(deficit) in the scheme: Local Government Pension Scheme	(48,352)	(44,430)	(46,110)
Discretionary Benefits	(3,813)	(4,130)	(4,340)
Total Surplus/(Deficit) in the Scheme	(52,165)	(48,560)	(50,450)

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £52.2 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. Statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

Basis for estimating assets and liabilities

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

The principal assumptions used by the actuary have been:

Financial Assumptions:	31/03/2020 %	31/03/2019 %	31/03/2018 %
Rate of inflation (CPI)	2.00	2.20	2.10
Rate of increase in salaries	3.00	3.70	3.60
Rate of increase to pensions in payment	2.00	2.20	2.10
Rate for discounting scheme liabilities	2.30	2.40	2.60
Pension accounts revaluation rate	2.00	2.20	2.10

Mortality assumptions:	31/03/2020 Years	31/03/2019 Years	31/03/2018 Years
Longevity at 65 for current pensioners:			
Men	23.0	23.3	24.1
Women	25.5	26.1	27.2
Longevity at 65 for future pensioners:			
Men	24.7	24.9	26.2
Women	27.2	27.8	29.4

The Discretionary Benefits arrangements have no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	31/03/2020 %	31/03/2019 %	31/03/2018 %
Equities	52.7	60.4	62.6
Property	7.3	7.6	7.0
Government Bonds	21.8	22.7	23.7
Corporate Bonds	0.0	5.2	1.0
Cash	2.0	2.3	2.6
Other assets	16.2	1.8	3.1
	100.0	100.0	100.0

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions outlined above. The sensitivity analysis below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period, and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Impact on the present value of the funded defined benefit obligation in the Scheme	Increase in Assumption £M	Decrease in Assumption £M
Rate of inflation (adjustment to discount rate +0.1% or -0.1% pa)	(2.76)	2.81
Rate of increase in salaries (increase or decrease by 0.1% pa)	0.28	(0.28)
Rate of increase to pensions in payment & rate of revaluation of pension accounts (increase or decrease by 0.1% pa)	2.56	(2.51)
Post retirement mortality assumption (increase or decrease by 1 year)	4.48	(4.44)

38 Nature and Extent of Risks Arising from Financial Instruments

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

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

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

The main risks covered are:

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

Credit Risk

Treasury Investments

The Council's credit risk management practices are set out in paragraph 6.11 of the 2019/20 Annual Treasury Management Investment Strategy. With particular regard to determining whether the credit risk of financial instruments has increased significantly since initial recognition.

Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies, and adjusted for current and forecast economic conditions. A two-year delay in cash flows is assumed to arise in the event of default. Investments are determined to have suffered a significant increase in credit risk where they have been downgraded by three or more credit rating notches or equivalent since initial recognition, unless they retain an investment grade credit rating. They are determined to be credit-impaired when awarded a "D" credit rating or equivalent. At 31 March 2020, £0 (2019: £0) of loss allowances related to treasury investments.

Trade and Lease Receivables and Contract Assets

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

	31/3/19 £000	31/3/20 £000
Neither past due or impaired	8,468	5,515
Less than two months	308	362
Two to six months	427	158
Six months to one year	602	825
More than one year	-	-
Total Receivables	9,805	6,860

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

Receivables are written off to the Surplus or Deficit on the Provision of Services when the debtor are formally insolvent, but steps are still taken to collect sums owing. The amount written off but still subject to enforcement action at 31st March 2020 is £25,000 (2019: £45,000).

Loans, Financial Guarantees and Loan Commitments

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

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

Borrower	Exposure type	Balance sheet 31/3/2020 £000	Risk exposure 31/3/2020 £000	Balance sheet 31/3/2019 £000	Risk exposure 31/3/2019 £000
Company loan	Loans at market rate	6,700	-	5,600	-
Company loan	Loan commitment at market rate	-	-	1,100	-
Total		6,700	-	6,700	-

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

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

Liquidity risk

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

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

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

Refinancing and Maturity Risk

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

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

The Council has ready access to borrowing at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. The Council does have some long-term borrowing with Local Enterprise Partnership (LEP) at below market rates. Therefore, there is no exposure to refinancing risk.

The maturity analysis of its financial assets and analysis of financial liabilities is as follows:

Maturity Analysis of Financial Assets	31/03/19	31/03/20
	£000	£000
Less than one year	7,925	9,515
Between one and two years	459	28
Between two and three years	446	21
More than three years	28,402	26,134
Total	37,232	35,698

Analysis of Financial Liabilities	31/03/19	31/03/20
	£000	£000
Less than one year	66,542	67,775
Between one and two years	793	30,369
Between two and three years	798	369
More than three years	2,165	1,367
Total	70,298	99,880

Market risksInterest rate risk

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

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

Investments measured at amortised cost and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in the fair value of fixed rate investments measured at fair value will be reflected in Other Comprehensive Income or the Surplus or Deficit on the Provision of Services as appropriate.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy and Capital Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From the strategy, a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The treasury team will monitor the market and forecast interest rates within the year to adjust exposures appropriately. For instance, in periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long-term returns. At 31 March 2020, -£6.7m (2019: -£3.9m) of net principal borrowed (i.e. borrowing net of investments) was exposed to fixed rates and £66.4m (2019: £37.9m) to variable rates.

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

At 31st March 2020, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000
Increase in interest receivable on variable rate investments	126
Impact on Surplus or Deficit on the Provision of Services	126

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

Price risk

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

The Council's investment in a pooled property fund is subject to the risk of falling commercial property prices. This risk is limited by the Council's maximum exposure to property investments of £5m. A 5% fall in commercial property prices at 31st March 2020 would result in a £227,000 (2019: £235,000) charge to Other Comprehensive Income and Expenditure which is then transferred to the Pooled Investment Fund Adjustment Account (PIFAA).

The Council's investment in a pooled equity funds is subject to the risk of falling share prices. This risk is limited by the Council's maximum exposure to equity investments of £5m. A 5% fall in share prices at 31st March 2020 would result in a £731,000 (2019: £879,000) charge to the Surplus or Deficit on the Provision of Services which is then transferred to the Pooled Investment Funds Adjustment Account, when not elected.

Collection Fund

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

2018/19 £000	Collection Fund Income and Expenditure Account	2019/20		
		£000	£000	£000
		Council Tax	NDR	Total
	Income			
51,982	Income from Council Tax payers	54,710		54,710
51,399	Income from Non Domestic Rate payers		51,264	51,264
103,381	Income Total	54,710	51,264	105,974
	Expenditure			
	Precepts			
37,195	Hampshire County Council	38,779		38,779
5,496	Police & Crime Commissioner for Hampshire	6,316		6,316
2,036	Hampshire Fire and Rescue	2,123		2,123
6,148	Rushmoor Borough Council	6,409		6,409
	Business rates:			
119	Allowance for collection		124	124
4,455	Payments to Hampshire County Council		4,479	4,479
495	Payments to Hampshire Fire and Rescue Authority		498	498
19,797	Payments to Rushmoor Borough Council		19,909	19,909
24,747	Payments to Government		24,886	24,886
	Provision for bad and doubtful debts			
276	Council Tax	341		341
337	NDR		489	489
2,822	Provision for NDR appeals		1,011	1,011
	Collection fund surplus/deficit			
811	Council Tax	839		839
(54)	NDR		747	747
104,680	Expenditure Total	54,807	52,143	106,950
1,299	Net Movement in Fund	97	879	976
(1,399)	Balance b/fwd 1 April	(2,013)	1,913	(100)
(100)	Balance c/fwd 31st March (surplus)/deficit	(1,916)	2,792	876
	The (surplus)/deficit as at 31st March allocated to:			
(1,290)	Hampshire County Council	(1,387)	252	(1,135)
(229)	Police & Crime Commissioner for Hampshire	(227)	-	(227)
(61)	Hampshire Fire and Rescue	(75)	28	(47)
523	Rushmoor Borough Council	(227)	1,113	886
957	Government		1,399	1,399
(100)		(1,916)	2,792	876

Notes to the Collection Fund

1. Council Tax

Council Tax derives from charges raised according to the value of residential properties which have been classified into 8 valuation bands estimating 1st April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Hampshire County Council, Police and Crime Commissioner, Fire and Rescue Authority and the Council for the forthcoming year and dividing this by the Council Tax base (the total number of properties in each band adjusted to convert the number to a Band D equivalent and adjusted for discounts: (32,015.23 for 2019/20). This basic amount of Council Tax for a Band D property (£1710.46 for 2019/20) is multiplied by an appropriate ratio to produce the amount due for the bands A to H. Council Tax bills are based on the following dwellings and proportions.

Tax Band	Discounted Equivalent Dwellings	Weighting	Band D Equivalent
A (Disabled Relief)	0	5/9	0
A	840	6/9	560
B	6,238	7/9	4,852
C	12,623	8/9	11,220
D	7,144	1	7,144
E	3,618	11/9	4,422
F	1,102	13/9	1,592
G	282	15/9	470
H	9	18/9	16
O (Army)	1,740	-	1,740
Total			32,015

2. Income from Non-Domestic Rates

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

The rateable value of properties at 31st March 2020 is £120,438,969 and the national non-domestic multiplier was 50.4p. This gives a potential business yield of £60.7 million. The actual business rates collectable for 2019/20 after reliefs is £51.3 million after reliefs. In addition there is an adjustment to the business rates income for the provision on appeals to the collection fund.

Business Rates Revaluation 2017

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

Across England as a whole, the revaluation was expected to lead to an 11% increase in the rateable value of the average non-domestic property, with changes unevenly distributed across the country. The business rates multiplier was adjusted so that revaluation would be revenue neutral, after accounting for a forecast of the cost of appeals against the new values.

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

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

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

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

2018/19 £000	Collection Fund - Provisions for bad or doubtful debts	2019/20 £000
	Council Tax	
1,359	Provisions at 1st April	1,529
276	Provisions made in year	341
(106)	Written off in year	(139)
1,529	Provisions at 31st March	1,731
	NDR	
531	Provisions at 1st April	504
337	Provisions made in year	489
(364)	Written off in year	(7)
504	Provisions at 31st March	986
	NDR Valuation Appeals	
8,193	Provisions at 1st April	11,015
2,822	Provisions made in year	1,011
11,015	Provisions at 31st March	12,026

Auditor's Report on following pages

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

Opinion

We have audited the financial statements of Rushmoor Borough Council for the year ended 31 March 2020 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;
- The related notes 1 to 38;
- 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 2019/20.

In our opinion the financial statements:

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the Statement of Accounts for the year to 31 March 2020, other than the financial statements and our auditor's report thereon. The Chief Finance Officer is responsible for the other information.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the 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.

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

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

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

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Authority;
- 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 have nothing to report in these respects.

Responsibility of the Chief Finance Officer

As explained more fully in the Statement of the Chief Finance Officer set out on page 12, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view.

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

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

Auditor's responsibilities for the audit of the financial statements

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

or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in April 2020, as to whether Rushmoor 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 Rushmoor Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Rushmoor 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. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

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

Certificate

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

Use of our report

This report is made solely to the members of Rushmoor 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.

Maria Grindley (Key Audit Partner)

Ernst & Young LLP (Local Auditor)

Reading

31 March 2023

Annual Governance Statement 2019/20

1. Scope of Responsibility

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

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

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

The Annual Governance Statement (AGS) 2019/20 states how the Council has complied with the Code and also meets the requirements of the Accounts and Audit Regulations 2015, regulation 6 (1b), which requires all relevant authorities to prepare an Annual Governance Statement. It is subject to detailed review by the Licensing, Audit and General Purposes Committee and approval in advance of them agreeing the Statement of Accounts, in which the AGS is referred to.

2. What is Governance

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

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

3. The purpose of the Governance Framework

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

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

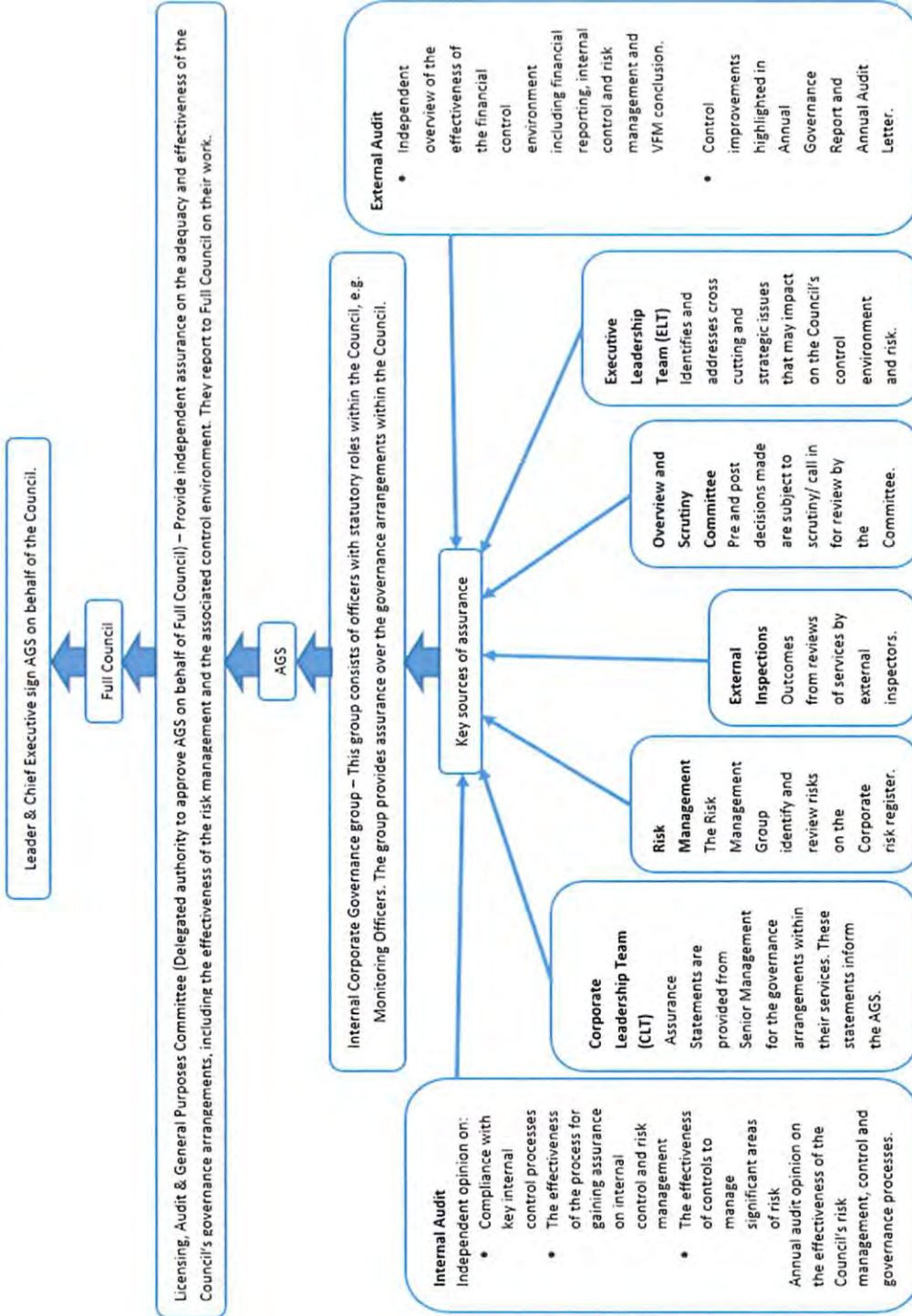
4. What is the Annual Governance Statement (AGS)?

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

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

The Council's Governance Assurance Framework, which underpins the AGS, has been in place at the Council for the year ended 31 March 2020 and up to the date of approval of the AGS and Statement of Accounts.

What is the Council's Governance Assurance Framework?



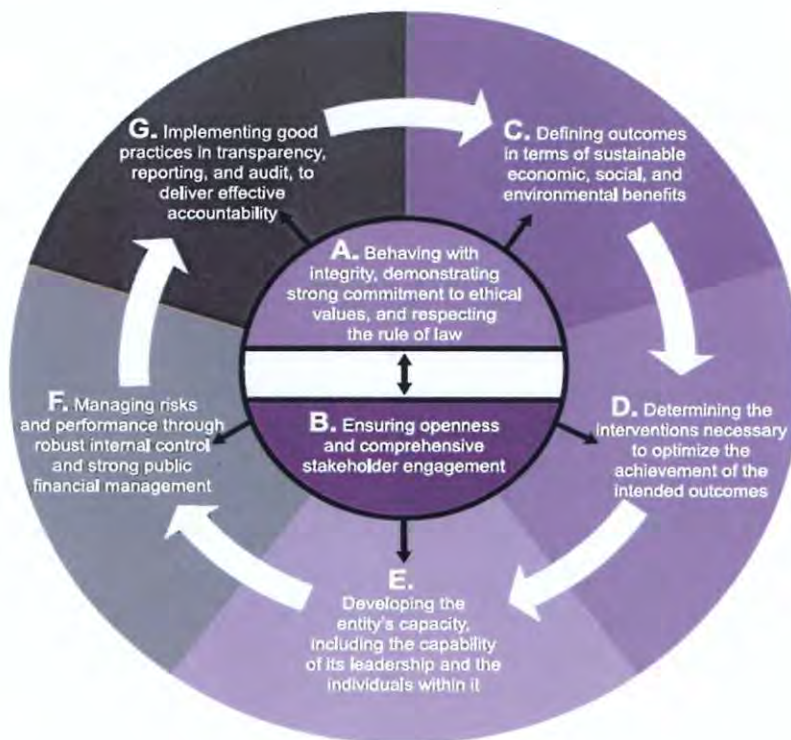
5. How does the Council monitor and evaluate the effectiveness of its governance arrangements?

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

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

6. What are the key elements of RBC’s Governance Framework?

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



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

PRINCIPLE A

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

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

PRINCIPLE B

Ensuring openness and comprehensive stakeholder engagement

Sub principles	Demonstrated by
Openness	<ul style="list-style-type: none"> • The Council's policies and governance framework are published on the Council's website – this includes: <ul style="list-style-type: none"> – The Constitution – Agenda and reports for all meetings within the Council's decision-making framework – Cabinet work programme – Annual budget – Pay Policy and Gender Pay Gap Statements – Record of Executive Decisions – Information required under the Transparency Code • The Council regularly carry out consultations on major policy initiatives which is conducted in an open way with all consultations available on the Council's website. • Equality position statement reinforces how we will publish information to demonstrate compliance with the equality duty. • The Council has an up to date Freedom of Information Act 2000 publication scheme in place on its website with links to information and guidance for stakeholders. • The Council's 3-year business plan is published on the council's website along with the monitoring of the actions towards the plan. • During 2019/20 the Council published four 'arena' magazines, to inform the community of the work and services carried out by the Council. • Contracts are managed with a partnership approach and decisions are made in an open and transparent way, including open book accounting processes.
Engaging comprehensively with institutional stakeholders	<ul style="list-style-type: none"> • The Rushmoor Strategic Partnership has been reviewed and a Rushmoor Partners Network established, which in future will focus on projects and consider multi-agency issues. • A statement of community involvement is published on the Council's website. • Formal and informal consultation is carried out with Members (e.g. Budget Strategy Working Group) • As part of delivering regeneration projects and better use of assets there are regular interactions with organisations such as Homes England, Hampshire County Council etc. • The Council has recently adopted the Local Plan 2014-2032, which involved participation from numerous stakeholders. Details are published on the Council's website. • Local Enterprise Partnership (LEP) (Enterprise M3) – The Council has established good relationships and partnership arrangements as part of the involvement with the LEP. • We have in place a relationship management approach and system. Social media is used to communicate and receive comments and increase levels of engagement through visits, meetings and working through partners. • The Council supports the Prospect Estate Big Local (PEBL)
Engaging with individual citizens and service users effectively	<ul style="list-style-type: none"> • The Council has invested in a range of traditional, digital and social media channels to enable regular contact, engagement and consultation with its key stakeholder groups, including customer feedback surveys, workshops, consultation items on the Council's website and regular citizen consultation on both Borough-wide and place specific issues. • We have effective arrangements in place to communicate and consult with relevant key stakeholders where appropriate and to fully consider/ use their feedback and/or complaints to help inform decisions. Furthermore, following a Peer Review the Council has established a process for undertaking regular citizen consultation on both Borough-wide and place specific issues. • The Council has a corporate modernisation programme (ICE) (Rushmoor 2020) in place and consultation with Members, Officers, Key stakeholders and the public is ongoing to assist and shape this programme delivery and underpin the principle of a 'one-Council' approach. • Examples of significant consultation exercises carried out during 2019/20 included: <ul style="list-style-type: none"> – Regeneration and highways functions, this included direct mailshots, public exhibitions, group meetings and presentations. – Local Council Tax Scheme – annual consultation process • A scheme is in place within the Council's Constitution to have public participation at Member meetings. Therefore, meetings of the Council and its Committees are open to members of the public to attend, with agendas and minutes being publically available on the Council's website.

PRINCIPLE C

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

Sub principles	Demonstrated by
Defining outcomes	<ul style="list-style-type: none"> • The Council's plan has been developed with a 10 year 'vision' and a 3-year rolling business plan with objectives to assist with the achievement of the vision. The plan is shown on the council's website along with the monitoring of the actions towards the plan. • A People Strategy is being developed for the organisation which identifies the objectives and priorities linked to the priorities within the Council plan. • Following comprehensive resident and stakeholder consultation, the Council developed its priorities and measures of success with Members in a range of ways including discussions with individual portfolio holders, the Cabinet and the Policy and Project Advisory Board. • The size of the Council's workbook may need to be reviewed over the coming year in order to review priorities, due to the impact of Covid-19 pandemic, which has resulted in the Council spending an amount of time carrying out work which had not been planned. • Service business plans have been developed and cover: <ul style="list-style-type: none"> - Linking actions to priorities - Identification of outcomes - Performance indicators - Risks and expected service changes
Sustainable economic, social and environmental benefits	<ul style="list-style-type: none"> • The Council's reports to Cabinet require the consideration of business, Strategic, Economic, Legal, Financial and Equalities impact of the decisions being made. All reports requiring executive decisions (except those exempt) are accessible via the Council's website. (https://www.rushmoor.gov.uk/article/1701/Records-of-executive-decisions) • A PESTLE analysis was carried out in order to contribute to the 10-year Council vision and rolling 3-year plan. This looks at how external moves will impact on the Council's plans and objectives. The Council's Strategy and Performance team monitors place and organisational data to support the work. • Risk registers are regularly updated with links to the Corporate Risk Register. • The Council has adopted and implemented the Local Plan 2014-2032. Details are published on the Council's website. Consultation was undertaken, and a proactive role was undertaken to engage as many residents and stakeholders as possible. Feedback from the consultation informed the submission of the Local Plan. Social, environmental and economic evidence was obtained to inform the development of the Local plan.

PRINCIPLE D

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

Sub principles	Demonstrated by
Determining interventions	<ul style="list-style-type: none"> • Arrangements are in place to ensure all options are considered before decisions are taken and service changes implemented. External / independent expertise is often used if the decision is of a complex technical nature. An example of this being the use of external experts when making a decision on establishing a housing company. • Consideration of alternative courses of action for all decision making. • The Corporate Governance Group has been established to consider legal/constitutional issues associated with decision making.
Planning interventions	<ul style="list-style-type: none"> • At service level, priorities and objectives are encouraged to be SMART and these are underpinned by plans and, for major projects, there is significant emphasis on effective project management. The Council is investing in additional project management resources to ensure this.
Optimising achievement of intended outcomes	<ul style="list-style-type: none"> • Arrangements are in place to monitor operational and financial plans, priorities, KPI's, quality and targets and to report on progress, e.g. quarterly monitoring, budget monitoring. • The Council has several key partnerships with other local authorities and stakeholders in order to optimise the achievement of the Council's corporate plan. • The Council has in place more significant arrangements for project development, both internally and through the Member decision making structure. This has been achieved through the revised Member structure to include the following: <ul style="list-style-type: none"> - Licensing, Audit and General Purposes Committee, with specific roles to ensure effective governance - The Policy Investment Advisory Group (PIAG), provides early consideration of projects prior to submission to the Cabinet. For example, Establishment of the Housing Company, re-letting of the leisure contract and the Council's 2020 transformation programme. This group is supported by LSHIM who provide detailed assessments of acquisition, disposal, and asset performance. - The Overview and Scrutiny Committee is undertaking both pre- and post-decision scrutiny on a range of issues and projects.

PRINCIPLE E

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

Sub principles	Demonstrated by
Developing the entity's capacity	<ul style="list-style-type: none"> • The Council participated in an independent peer review during 2017/18. Recommendations from this review have been accepted and work is underway to implement the recommendations made. A follow up on the recommendations made is being prepared during 2019/20. • The Council, where possible, collaborates with other authorities to share information and best practice, e.g. Hampshire & Isle of Wight Chief Executive group and subsequent groups. • Service reviews are being carried out by the newly constituted corporate leadership team, to ensure that services are best placed to meet the overall objectives of the Council.
Developing the capability of the entity's leadership and other individuals	<ul style="list-style-type: none"> • Arrangements are in place to ensure staff have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and are able to update their knowledge on a continuing basis e.g. CPD through attendance at seminars/conferences, training courses etc. • Development reviews are carried out annually. Within these reviews, training needs are identified and communicated to HR in order to ensure individuals are provided with the training they require for their role and identify any Council wide training which may be required. • The Council has engaged in 'learning at work week', which has been carried out virtually during the Covid-19 pandemic and will be carried out again later in the year. • The Council has adopted a Behaviours Framework, which sets out the attitudes and behaviours expected from staff. The framework sets out seven behaviours; Customer First, excellence in service delivery, productive and efficient, commercial, modernisation, leadership and invest in people. • The Council is providing leadership programmes and apprenticeship leadership programmes to support the continued professional development of staff. • The Council has introduced an Employee Assistance Programme to support health and wellbeing. Training courses are also offered for example a recent mental health awareness course through the Council's Occupational Health provider. Wellbeing weeks have also been introduced encouraging staff to participate. This has also been carried out 'virtually' during the current Covid-19 pandemic. • Yammer has been introduced to promote staff working and includes learning and development elements. • The Council's constitution defines the statutory and distinctive roles of the Leader and other Councillors and sets out to who decision making powers are delegated to. • The Member Development Group maintains a programme for Member training and development and the Council has secured the Charter for Member Development, managed by South East Employers. Re-accreditation was achieved in March 2020. Furthermore, specific training has been provided by South East Employers to the Overview and Scrutiny Committee on effective scrutiny.

PRINCIPLE F

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

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

PRINCIPLE G

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

Sub principles	Demonstrated by
Implementing good practices in transparency	<ul style="list-style-type: none"> • Agendas and minutes of Committee meetings are publicly available on the Council's website. • An Overview and Scrutiny Committee is in place to monitor and review performance, review and/or scrutinise decisions proposed to be made, review policy and strategy with a view to securing continuous improvement. • The Council ensures compliance with the mandatory elements of the Local Government Transparency Code • On the Council's website there is a Freedom of Information Act page to enable members of the public to have access to all recorded information held by the Council. • Committee meetings are, where possible, are open to the public for contribution and attendance. • Decisions are recorded and published on the Council's website.
Implementing good practices in reporting	<ul style="list-style-type: none"> • The Annual Statement of Accounts is published on the Council's website to give clear information on the income and expenditure of the Council. • The Council publishes an Annual Governance Statement in order to report how we have monitored the effectiveness of our governance arrangements in the year and any planned changes in the coming year. • The Licensing, Audit and General Purposes Committee review and approve the Annual Statement of Accounts and the Annual Governance Statement. • Performance is reported quarterly on a range of indicators, comparing some items with other Local Authorities and public sector bodies. A new performance management framework has been established for use by both Members and Officers. Performance progress is regularly reported on and communicated at Cabinet • Reporting arrangements for RDP/Hosing Company have been put in place. Regular update seminar through the Policy and Projects Advisory Board, formal presentation to all Members at the point of submission of a planning application. Formal monitoring reports will be provided every six months to the Council's shareholder and the Chief Executive. The Chief Executive will enable consideration of these reports by the Council's Overview and Scrutiny Committee on progress and the Licencing Audit and General Purposes Committee on any governance matters.
Assurance and effective accountability	<ul style="list-style-type: none"> • The terms of reference and working arrangements of the Licensing, Audit and General Purposes Committee have been revised to ensure greater focus on ensuring transparency and effective audit of processes. • There are arrangements in place for ensuring all agreed actions from peer reviews, internal audit, external audit, or other inspectorate work are implemented by Management. Actions from the Peer Review were embedded into business as usual and monitored by the Executive Leadership Team and the Head of Democracy, Strategy and Partnerships. • Risk based internal auditing provides ongoing assurance that the key risks are being managed. • A fundamental review and update of the Constitution has been carried out in 19/20 and recently formally adopted by Council.

7. How has the Council addressed the governance improvement actions from 2018/19?

The Annual Governance Statement 2018/19 contained the following key improvement actions. Details of the issues and how they have been addressed during the year are detailed below. Please note that where actions are ongoing these have been carried forward into the 2019/20 Action plan.

Governance Issue	Action	Current status
<p>EU General Data Protection Regulation (b/f from previous year)</p>	<p>Ensure that the necessary resulting changes for the GDPR are finalised and embedded within a broader information governance framework following the review of the effectiveness of the current arrangements the Council has implemented.</p>	<p>The new Information Governance officer is now in post. The Information Governance Group (IGG) have met several times and an Information Governance Working Group (IGWG) is now in place and has also met several times.</p> <p>The Information Governance Framework (IGF) has been written and published on the staff Intranet. Programmes of work are being undertaken to ensure adherence to the framework and the key policies that underpin it.</p> <p>Due to Brexit there may be some changes to GDPR, so implementation of this cannot be finalised until the guidance comes out from the ICO. Revised implementation date: June 2020</p>
<p>Implementing a Capital Strategy to comply with the revised Prudential Code and the Treasury Management Code of Practice (b/f from previous year)</p>	<p>Capital Strategy was approved by Council in February 2019 and will be reviewed on an annual basis.</p> <p>Finalise development of the Asset Management Strategy which supports the approved annual Capital Strategy</p> <p>Development of formalised reporting criteria (financial and non-financial measures) in relation to the Council's Investment Property portfolio</p>	<p>Council approved the 2020/21 Capital Strategy at their meeting in February 2020. The Capital Strategy will be reviewed during the Autumn. (Implemented)</p> <p>This has not been progressed due to other priorities regarding major projects and general management of the estate following staff changes. It will be carried out during 2020. Revised implementation date: December 2020</p> <p>The first review of the commercial investment assets has been reported to PIAG with this now programmed quarterly. Revised implementation date: December 2020</p>

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Governance Issue	Action	Current status
Risk Management (b/f from previous year)	Formal adoption of the risk management process and work carried out to embed risk management within all Council activities. Development and adoption of an information risk policy.	<p>The Corporate Risk Management Group (CRMG) finalised the risk register in December 2019. It is available to be viewed and edited by Senior Managers on the Council's SharePoint pages.</p> <p>The CRMG will be meeting in March 2020 to formally review the risk register, so that it can be reported alongside the Council's wider Q4 Performance Management Framework.</p> <p>The Risk Register is a live document and is updated by Managers on an on-going basis. Revised implementation date: May 2020</p>
Workforce/ people strategy	Develop and adopt a longer-term workforce/ people strategy	Work is currently underway for the development of the workforce strategy and it is on target to be in place by March 2020.
Relationship Management and economic engagement plan	Develop relationship management approach and processes and economic engagement plan.	<p>Visits continue to be carried out in order to populate the data into the Relationship Management system. However, this will take time to carry out in full.</p> <p>The outline of the Economic engagement plan has been developed however it has not yet been fully developed. As part of the service changes an Economy and Growth Manager will be recruited and it will be within their remit to bring forward the plan and implement it. Revised implementation date: July 2021</p>
Procurement Strategy	Revision and adoption of the procurement strategy	<p>The final draft of the Procurement Strategy will be considered by the Policy and Project Advisory Board (PPAB) at their meeting in March 2020.</p> <p>Following discussion at PPAB, the Procurement Strategy will be presented to Cabinet and Council in the new civic year. Revised implementation date: June 2020</p>
Financial Regulations	Revision and adoption of the financial regulations	<p>The updated Financial Regulations will be considered alongside the Constitution at the LA&GP Committee on 23rd March, and Council Meeting on 23rd April 2020.</p> <p>A Members Constitution Review Group has reviewed key Constitution documents, and Executive matters considered with the Leader.</p>

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Governance Issue	Action	Current status
Review of the entire constitution	The entire constitution will be reviewed and updated to ensure that it remains relevant.	<p>A progress report was presented to the LA&GP Committee on 27th January 2020. The full draft updated Constitution is to be considered at the LA&GP Committee on 23rd March, and Council Meeting on 23rd April 2020.</p> <p>A Members Constitution Review Group has reviewed key Constitution documents, and Executive matters considered with the Leader.</p>
Housing Company Governance	The governance arrangements in place around the Housing Company needs to be formally agreed.	<p>The governance around the housing company has been written into the updated Constitution.</p> <p>A report on the housing company went to Cabinet on the 4th February which detailed the governance arrangements in place. The report has been forwarded to Council and will be considered on 20 Feb 20. (Implemented)</p>

8. Governance issues identified for 2019/20

The review of the effectiveness of the Council's governance framework has identified the following actions that will need to be addressed during 2020/21, which includes the carried forward actions from 2018/19. The progress against these actions will be reviewed by the Corporate Governance Group and regularly reported to the Licensing, Audit & General Purposes Committee.


Governance Issue	Action	Target date	Lead Officer
Due to the Covid-19 pandemic the number of staff working from home remotely has substantially increased therefore increasing the information risk exposure this creates for the Council.	The increase in information risk exposure due to home working will be reviewed by the Information Governance Group.	Dec 2020	David Stanley, Executive Head of Finance
	The information governance policy has been implemented and mandatory online training will be put in place.	Dec 2020	Catriona Herbert, Corporate Manager – Legal Services
Concerns have been raised regarding the Council's systems and procedures for recording and monitoring commercial property (rental) income.	Timetable for implementation of Property System and review of the Finance system processes (Sales Ledger) will need to be agreed.	Dec 2020	Paul Brooks, Executive Head of Regeneration and Property & David Stanley, Executive Head of Finance
The Council faces a number of significant changes that will require consideration and action as appropriate in 20/21. Covid -19	An ongoing assessment of the impact of the Covid-19 pandemic on council services and council systems will be needed to ensure good governance. This is being approached by the following workstreams, which are led by a member of Senior Management:	Ongoing (<i>due to the nature of this issue a target date cannot be assigned</i>)	Recovery workstream leads
	<p>The streams will assess the risks and develop tactical plans. Updates on the work being carried out by these workstreams will be regularly provided to the Member Task and Finish group and ELT/Gold group.</p> <p>Furthermore, Cabinet has approved the creation of the Assistant Chief Executive role to provide support at a senior level in relation to:</p> <ul style="list-style-type: none"> • Policy • Strategy • Risk (<i>Becoming the Senior Risk Officer (SRO)</i>) • Emergency Planning and Business Continuity • Covid-19 Recovery • Performance 	Recruitment July/ Aug 2020	ELT

Annual Governance Statement

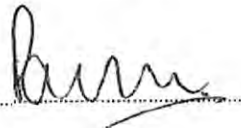
Governance Issue	Action	Target date	Lead Officer
Continue to act commercially in a more uncertain economic environment which will require revised assessment analysis appraisal to be carried out for risk and return	Consideration will be given by the Finance and Commercial Recovery workstream to ensure there is synergy between the commercial way forward and the objectives of the recovery workstream	Dec-20	David Stanley, Executive Head of Finance
External Audit have yet to provides and opinion for the 2018/19 accounts	The Executive head of Finance will ensure that the necessary information is provided to the external auditors to enable them to finalise their opinion on the 2018/19 accounts	Jul-20	David Stanley, Executive Head of Finance

9. Certification

To the best of our knowledge, the governance arrangements, as defined above and within the Council's Code of Corporate Governance, have been effectively operating during the year with the exception of those areas highlighted in section 7 above. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation during the year and as part of our next annual review.

Signed.....

David Clifford
Leader of the Council
Date: 16 March 2023

Signed.....

Paul Shackley
Chief Executive
Date: 16 March 2023

Glossary of Terms

Assets Held For Sale

An asset is classified as held for sale if its carrying amount will be recovered mainly through selling the asset rather than through usage.

Billing Authority

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

Capital Expenditure

Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.

Capital Receipts

The proceeds from the disposal of land or other assets.

Collection Fund

A Statutory Fund maintained by a billing authority, which is used to record local taxes and non-domestic rates collected by the authority, along with payments to precepting authorities, the national pool of non-domestic rates and its own general fund.

Community Assets

Assets that the local authority intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

Corporate and Democratic Core

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

Current Assets

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

Depreciation

The measure of the cost or revalued amount of the benefits of the fixed asset that have been consumed during the period. Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, effluxion of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

Financial Instruments

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument to another.

Finance Lease

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

Government Grants

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

Heritage Assets

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

Intangible Assets

Intangible assets are non-financial fixed assets that do not have physical substance but are identifiable and are controlled by the entity through custody or legal rights e.g. software licenses.

Inventories

Materials or supplies unused and held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises.

Investments

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the authority. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

Investment Properties

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

Joint Ventures

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

Liabilities

Amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year.

Long-Term Assets

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

Non-Distributed Cost

These are overheads for which no user now benefits and should not be apportioned to services.

Operating Leases

A lease other than a finance lease.

Provisions

Amounts set aside for expenditure in a future financial period as a result of an obligation arising from a past event. The obligation must be expected to result in a payment that can be reasonably estimated.

Related Party Transactions

A related party transaction is the transfer of assets or liabilities or the performance by, to or for a related party irrespective of whether a charge is made. The materiality of related party transactions should be judged not only in terms of their significance to the authority, but also in relation to its related party.

Reserves

These are amounts set aside for specific purposes where there is no certainty about the level and timing of expenditure.

Revenue Expenditure

The operating costs incurred by the Council during the financial year in providing its day to day services.

Revenue Support Grant

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

Useful Life

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

