



Statement of Accounts and Annual Governance Statement 2021 to 2022

RUSHMOOR
BOROUGH COUNCIL

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Draft

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

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

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

2. Council services and purpose

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

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

3. COVID-19 Pandemic

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

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

Financial Impact/Outlook

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

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

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

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

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

The Council's Medium-Term Financial Strategy (MTFS) presented to Cabinet on 16 February 2021 took into the account the uncertainty surrounding the recovery from the COVID-19 pandemic. Due to the Council's reliance on commercial income and fees and charges and consequently its exposure to the economic cycle, the Council has in recent years built up reserves to ensure the Council is financially resilient in a recession. The Council has maintained its 2020/21 General Fund balance at pre-COVID-19 levels.

4. Resource Allocation

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

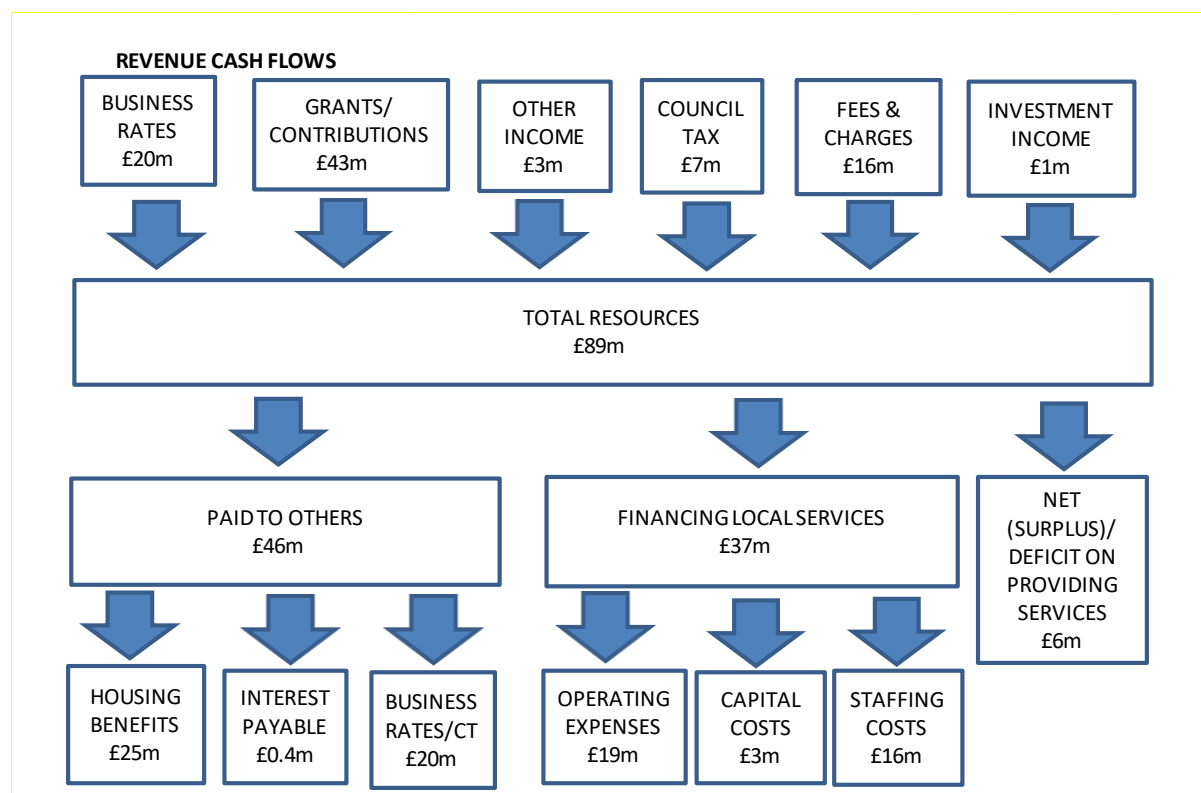
- i. Holding a General fund balance of £2m
- ii. Collecting £40m of business rates. 60% of the business rates collected is passed onto central government, Hampshire County Council and Fire and Rescue Authority. The Council retains £3.6m
- iii. Collecting £60m of Council tax payments. 88% of Council Tax collected is passed onto central government, Hampshire County Council, Fire and Rescue Authority and Police and Crime Commissioner. The Council retains £6.9m
- iv. Managing a £127m portfolio of land, building and other assets that generates £8m of income.
- v. Managing a £25m portfolio of loans and investments that generates £1m of income
- vi. Receiving grants and contribution of £43m mainly from central government.

Total capital cash flows through the Council are shown below:

CAPITAL MOVEMENTS

TOTAL ASSETS BROUGHT FORWARD £255m			
NET ADDITIONS/ (DISPOSALS) £7m	DEPRECIATION £(1)m	CHANGE IN CURRENT ASSET £1m	OTHER CHANGES £0m
PPE £84m	INVESTMENT PROPERTY £127m	OTHER LONG TERM ASSETS £29m	CURRENT ASSETS £22m
TOTAL ASSETS CARRIED FORWARD £262m			

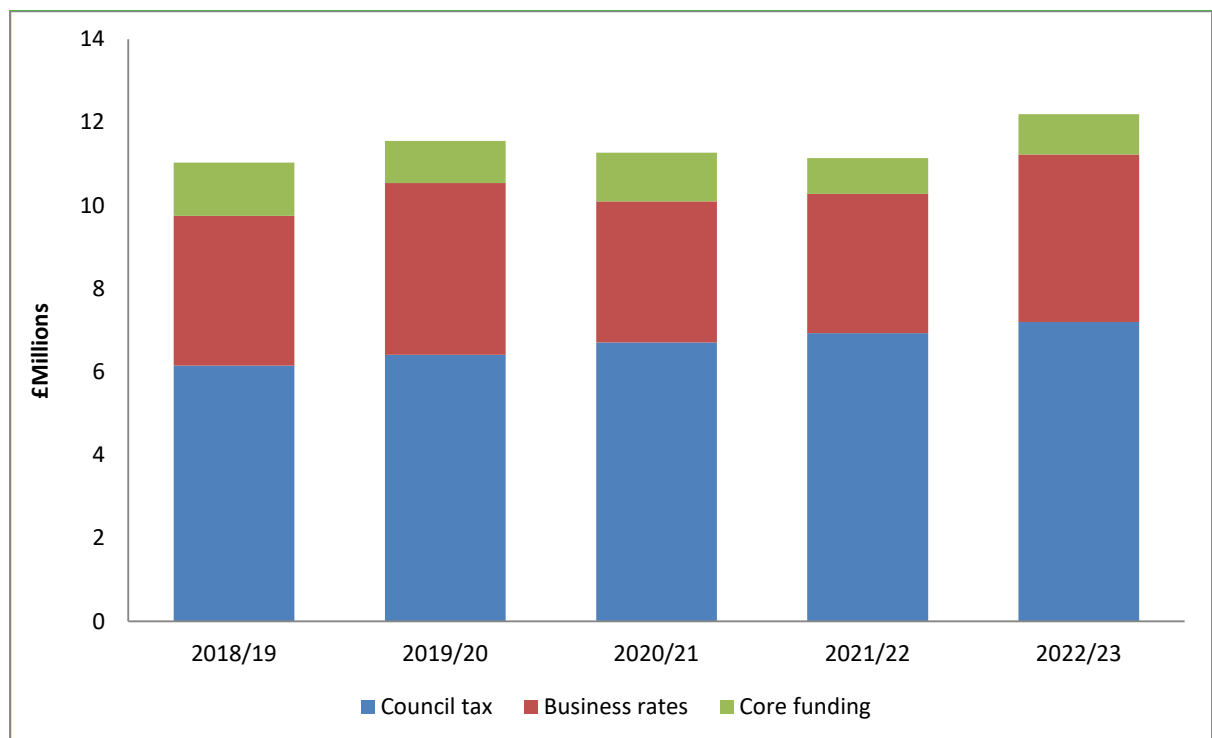
Total revenue cash flows through the Council are shown below:



Financial performance

5. Core Funding

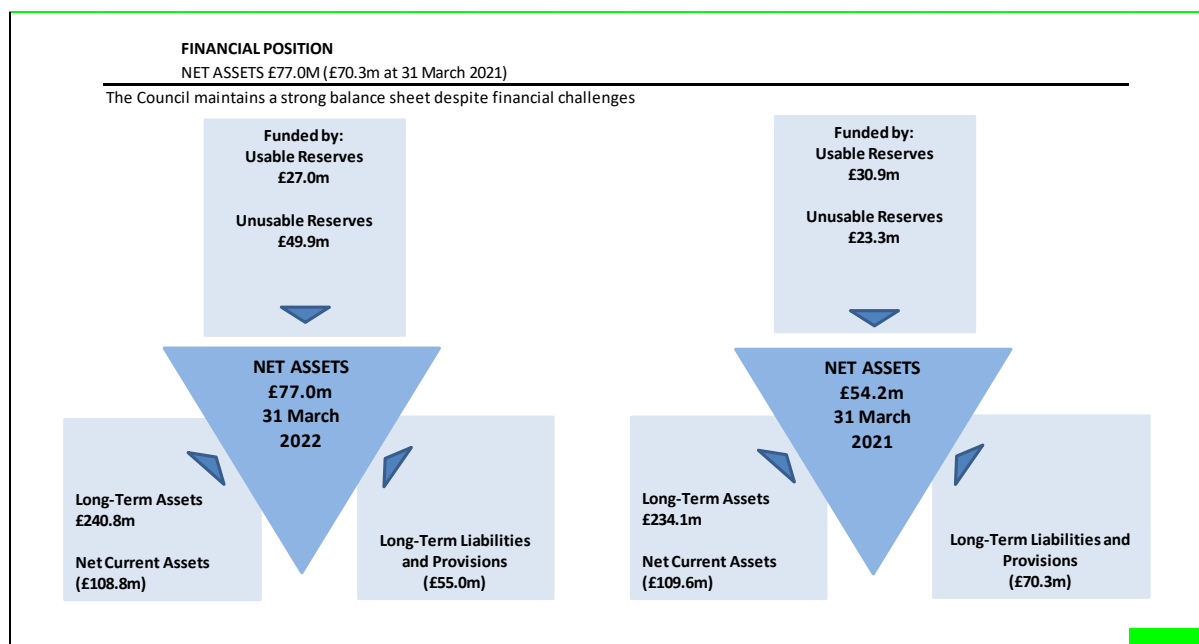
The Council, in line with other shire districts continues to experience an increasing reduction in core government funding. The Government’s planned to phase out non-specific grant funding, instead allowing local authorities to retain a higher proportion of business rates collected locally from 2021/22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



The increase in business rates marginally offsets the reduction in Council Tax. To address future challenges and reinvest in the Borough, Council Tax has increased by 2.38% (£5) in 2021/21 from 2020/21 for an equivalent Band D property, raising an additional £223k for the Council.

6. Financial position

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



7. Capital Strategy

The Council has an ambitious five-year capital programme of £84.7m. The table below shows the revised capital programme for 2021/22 and the indicative programme for following four year period 2022/23 to 2025/26:

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

ORGANISATIONAL MODEL

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

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

Party	Councillors
Conservative	28
Labour	11
Liberal Democrat	1
Total number of Elected Members	39

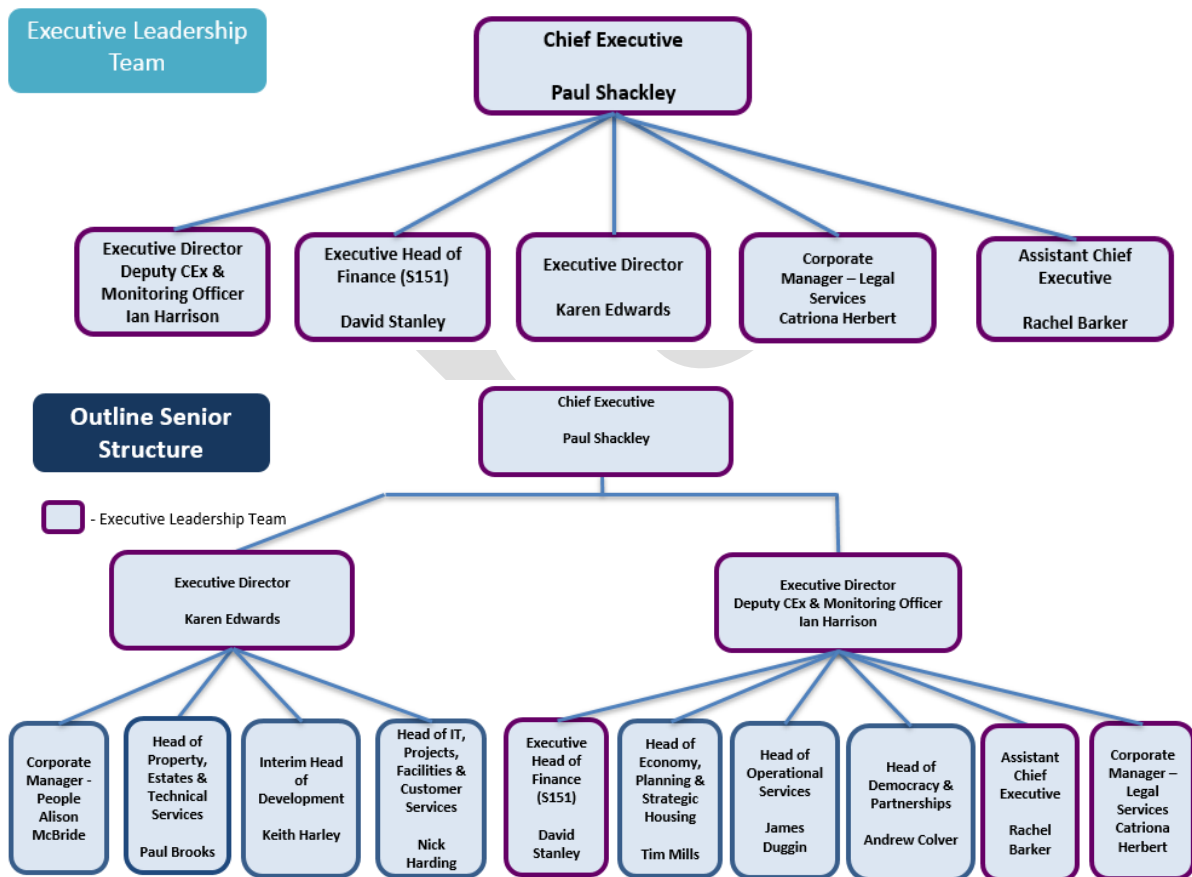
The Council has adopted the Leader and Cabinet model as its political management structure arising from the Local Government and Public Involvement in Health Act 2007. The requirements of the Act are such that the Leader of the Council has responsibility for the appointment of Members of the Cabinet,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

9. Management Structure of the Council

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

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

An outline of the structure is as follows:



STRATEGY AND RESOURCE ALLOCATION

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

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

The Cabinet reviews progress against the Corporate Plan on a quarterly basis. This acts as the key corporate performance monitoring process for the Council. The document combines both

informative data about the Rushmoor area and some more specific data about the Council as a whole and about individual services. It is provided to give an enhanced overview to inform Cabinet's priorities and its monitoring of performance.

The Council Business Plan for the period 2021 to 2024 can be found on the Council's website at: https://www.rushmoor.gov.uk/media/ua4ewcdr/business_plan_2021-2024_smaller.pdf

GOVERNANCE

11. Governance arrangements

Governance arrangements are outlined within the Annual Governance Statement on page 77 of this document.

RISK AND OPPORTUNITIES

12. Risks Management

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

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

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

13. Non-Financial Performance of the Council

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

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

BASIS OF PREPARATION AND PRESENTATION

14. Explanation of accounting statements

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

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

The Core statements are:

- i. The **Movement in Reserves Statement** is a summary of the changes to the Council's reserves over the financial year. Reserves are divided into "usable", which can be invested in capital projects or service improvements, and "unusable", which must be set aside for specific purposes. Page xx

- ii. The **Comprehensive Income and Expenditure Statement** records all the Council's income and expenditure for the financial year. The upper element of the statement provides an analysis by service area. The lower half of the statement shows corporate transactions and financing. Page xx
- iii. The **Balance Sheet** is a "snap shot" of the Council's assets, liabilities, cash balances and reserves at the end of the financial year. Page 15
- iv. The Cash Flow Statement shows the reason for changes in the Council's cash balances during the financial year and whether those changes are due to operating activities, new investment or financing activities. Page 16

The supplementary financial statements are:

- i. The **Expenditure and Funding Analysis** shows the net expenditure that is chargeable to taxation and reconciles it to the Comprehensive Income and Expenditure Statement. Page 28
- ii. The **Collection Fund Statement** is a statutory fund maintained by a Billing Authority summarising local taxes and non-domestic rates collected by the Council, along with redistribution payments to Precepting
- iii. The **Independent Auditor's Report** provides the auditor's opinion on the financial statements and the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources. Page 72
- iv. The **Annual Governance Statement** sets out the governance structure of the Council and its key internal controls. Page 77

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.

David Stanley
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 2021.

David Stanley
Chief Financial Officer

Date:

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 2020	18,959	615	123	19,697	53,223	72,920
Total Comprehensive Income and Expenditure	2,574	-	-	2,574	(4,859)	(2,285)
Adjustments between accounting basis and funding basis under regulations (note8)	7,624	(204)	452	7,872	(13,488)	(5,616)
Net increase/(decrease)	10,198	(204)	452	10,446	(18,347)	(7,901)
31 March 2021	29,157	411	575	30,143	34,876	65,019
Total Comprehensive Income and Expenditure	6,049			6,049	17,319	23,368
Adjustments between accounting basis and funding basis under regulations (note8)	(11,456)	1,725	444	(9,287)	9,287	-
Net increase/(decrease)	(5,407)	1,725	444	(3,238)	26,606	23,368
31 March 2022	23,750	2,136	1,019	26,905	61,482	88,387

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.

Comprehensive Income And Expenditure Statement	Note	2021/22			2020/21		Net (Income) /Exp £000
		Gross Exp £000	Gross Income £000	Net Exp £000	Gross Exp £000	Gross Income £000	
Corporate & Democratic Services		32,726	(27,194)	5,532	35,128	(30,077)	5,052
Customer Experience & Improvement	128	(2)		126	(70)	-	(70)
Major Projects & Property	4,276	(8,557)	(4,281)	3,304	(7,527)		(4,223)
Operational Services	17,709	(9,111)	8,598	20,526	(6,151)		14,375
Planning & Economy	3,486	(924)	2,562	3,059	(946)		2,113
ICE Programme	628	-	628	585	-		585
Cost of services - continuing operations		58,953	(45,788)	13,165	62,532	(44,701)	17,831
Other Operating Expenditure	10	3,084	(2,353)	731	3,389	(135)	3,254
Financing & Investment Income & Expenditure	11	2,501	(2,182)	319	2,522	(2,965)	(443)
Taxation & Non-Specific Grant Income & Expenditure	12	20,512	(40,776)	(20,264)	27,602	(46,294)	(18,692)
(Surplus) or Deficit on Provision of Services		85,050	(91,099)	(6,049)	96,044	(94,095)	1,949
(Surplus) or deficit on revaluation of Property Plant and Equipment	13		-			23,102	
Remeasurement of net defined benefit liability/(asset)	38		<u>(17,319)</u>			<u>4,859</u>	
Other Comprehensive Income and Expenditure				(17,319)			27,961
Total Comprehensive Income and Expenditure				(23,368)			29,910

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'.

Balance Sheet	Note	31-Mar-22 £000	31-Mar-21 Restated '£000
Property, Plant & Equipment	13	83,933	78,308
Heritage Assets		258	258
Investment Property	14	126,801	126,880
Intangible Assets	15	137	255
Long-Term Investments	18	21,943	21,281
Long-Term Debtors	17	7,735	7,123
Long-Term Assets		240,807	234,105
Inventories		12	-
Short-Term Debtors	19	6,844	15,652
Cash and Cash Equivalents	20	14,814	5,141
Current Assets		21,670	20,793
Short-Term Borrowing	21	100,000	102,000
Short-Term Creditors	22	30,154	27,996
Other Short-Term Liabilities	18	340	369
Current Liabilities		130,494	130,365
Long-Term Provisions	23	2,549	4,480
Other-Long Term Liabilities	23	47,652	61,338
Capital Grants Receipts in Advance	32	4,813	4,521
Long-Term Liabilities		55,014	70,339
Net Assets		76,969	54,194
Usable Reserves	MIRS	27,022	30,898
Unusable Reserves	24	49,947	23,296
Total Reserves		76,969	54,194

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).

Cash Flow Statement	Note	2021/22	2020/21
		£000	£000
Net surplus or (deficit) on the provision of services	CIES	6,094	1,949
Adjustments to net surplus or deficit on the provision of services for non cash movements	25	14,071	4,094
Adjustments for items that are included in the net surplus or deficit on the provision of services that are investing and financing activities	26	1,050	-
Net cash flows from Operating Activities		21,215	6,043
Investing Activities	28	(9,174)	(20,704)
Financing Activities	29	(2,369)	14,228
Net increase or (decrease) in cash and cash equivalents		9,672	(433)
Cash and cash equivalents at the beginning of the reporting period		5,142	5,575
Cash and cash equivalents at the end of the reporting period		14,814	5,142

Notes to the core financial statements

1. Accounting principles

i. **General Principles**

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

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

ii. **Accruals of 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.

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

vi. Employee Benefits**Benefits Payable During Employment**

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

Termination Benefits

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

Post-Employment Benefits

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

The Local Government Pension Scheme

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

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

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

Service cost comprising:

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

This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Remeasurements comprising:

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

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the collection fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the collection fund, billing authorities, major preceptors

and central government (for NDR) share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for council tax and NDR

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

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

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

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

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

ix. Financial Instruments

Financial Liabilities

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

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

Financial Assets

Financial assets are classified based on 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 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 measurement techniques are categorised in accordance with the following three levels:

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

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

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

Expected Credit Loss Model

The Council recognises expected credit loss on all its financial assets held at amortised cost or FVOCI, either on a 12-month or lifetime basis. The expected credit loss model also applies to

lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

No impairment losses are recognised for pooled funds.

x. Government Grants and Contributions

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

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

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

Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or taxation and non-specific grant income and expenditure (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the capital grants unapplied reserve. Where it has been applied, it is posted to the capital adjustment account. Amounts in the capital grants unapplied reserve are transferred to the capital adjustment account once they have been applied to fund capital expenditure.

xi. Heritage Assets

The Council's heritage assets largely comprise items of civic regalia as well as a memorial and 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.

xii. Intangible Assets

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

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

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

Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

xiii. Investment Property

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

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

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

xiv. Jointly Controlled Operations and Jointly Controlled Assets

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

xv. Leases

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

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

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Operating leases

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

Finance Leases

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

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the Property, Plant or Equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the CIES).

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

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

The Council as Lessor**Operating Leases**

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

xvi. Overheads and Support Services

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

xvii. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that 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 for plant vehicles and equipment and £20,000 for land and buildings). Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- 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 CIES where they arise from the reversal of a loss previously charged to a service. The Revaluation Reserve contains revaluation gains recognised since 1st April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

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

Impairment

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

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

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

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

Depreciation

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

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

Depreciation is calculated on the following bases:

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

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

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

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

Disposals and Non-current Assets Held for Sale

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

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

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

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

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

xviii. Provisions and Contingent Liabilities

Provisions

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

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

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes

less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent Liabilities

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

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

xix. Reserves

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

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

xx. Revenue Expenditure Funded from Capital under Statute

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

xxi. VAT

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

xxii. Borrowing Costs Eligible for Capitalisation

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

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

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

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 2020/21.

For 2021/22 the following accounting standard changes that need to be reported relate to:

Draft

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.

Draft

	2021/22			2020/21		
	Net Expenditure chargeable to the General Fund £000	Adjustments between Accounting and Funding Basis £000	Net Expenditure charged in CIES £000	Net Expenditure chargeable to the General Fund £000	Adjustments between Accounting and Funding Basis £000	Net Expenditure charged in CIES £000
Corporate & Democratic Services	4,870	662	5,532	4,721	326	5,047
Customer Experience & Improvement	(546)	673	127	(496)	505	9
ICE Programme	542	86	628	550	34	584
Major Projects & Property	(4,579)	298	(4,281)	(4,358)	184	(4,174)
Operational Services	6,894	1,704	8,598	8,701	1,324	10,025
Planning & Economy	2,160	401	2,561	2,002	232	2,234
Cost of services - continuing operations	9,341	3,824	13,165	11,120	2,605	13,725
Other income and expenditure not charged to services but is chargeable to the General Fund	(3,934)	(15,281)	(19,215)	(21,318)	5,019	(16,299)
(Surplus)/Deficit on the Provision of Services	5,407	(11,457)	(6,050)	(10,197)	7,624	(2,573)
General Fund opening balance for the year	(29,156)			(18,959)		
General Fund closing balance for the year	(23,749)	(11,457)	(6,050)	(29,156)		

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

	2021/22 £000	2020/21 £000
General Fund Reserve	(1,772)	(2,000)
Earmarked Reserves	(22,094)	(27,156)
	(23,866)	(29,156)

Notes to the Expenditure and Funding Analysis

The adjustment between Accounting and Funding Basis on Page "&F2009&" comprises the following amounts

	2021/22			
	Adjustments for Capital Purposes (Note a)	Net Change for the Pensions Adjustments (Note b)	Other Differences (Note c)	Total Adjustments
	£000	£000	£000	£000
Corporate & Democratic Services	31	651	(21)	661
Customer Experience & Improvement	228	456	(11)	673
Major Projects & Property	45	259	(6)	298
Operational Services	845	879	(21)	1,703
Planning & Economy	1	411	(11)	401
ICE Programme		86	-	86
Net cost of services	1,150	2,742	(70)	3,822
Other income and expenditure from the Expenditure and Funding Analysis	(7,652)	1,230	(8,859)	(15,281)
Difference between General Fund (surplus) or deficit and Comprehensive Income and Expenditure Statement (Surplus) or Deficit on the Provision of Services	(6,502)	3,972	(8,929)	(11,459)

	2020/21			
	Adjustments for Capital Purposes (Note a)	Net Change for the Pensions Adjustments (Note b)	Other Differences (Note c)	Total Adjustments
	£000	£000	£000	£000
Corporate & Democratic Services	34	268	24	326
Customer Experience & Improvement	267	226	11	504
ICE Programme	-	34	-	34
Major Projects & Property	47	131	6	184
Operational Services	-	525	24	549
Planning & Economy	775	220	11	1,006
	1,123	1,404	77	2,604
Net cost of services				
Other income and expenditure from the Expenditure and Funding Analysis	(3,492)	1,177	7,334	5,019

Notes

Note a - Adjustments for Capital Purposes

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 Non-Domestic Rates (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:

	2021/22	2020/21
	Revenues from external customers (excluding grants & contributions) £000	Revenues from external customers (excluding grants & contributions) £000
Corporate & Democratic Services	(536)	(611)
Customer Experience & Improvement	(2)	-
ICE Programme	-	-
Major Projects & Property	(8,494)	(7,506)
Operational Services	(6,174)	(3,883)
Planning & Economy	(748)	(707)
Total	(15,954)	(12,707)

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.

Expenditure and Income Analysed by Nature	2021/22 £000	2020/21 £000
Expenditure		
Employee Benefit Expenses	15,857	14,022
Changes in the fair value of Investment Properties	-	-
Depreciation, amortisation, impairment	2,746	2,719
Expenditure from Council Tax, Non-Domestic Rates	20,512	27,602
Interest Payments	369	870
Other Service Expenses	43,290	45,013
Net Interest on the net defined benefit liability (asset)	1,230	1,177
Gains or Loss on the Disposal of non current assets	1,045	
Total Expenditure	85,049	91,403
Income		
Changes in the fair value of Investment Properties	-	-
Fees, Charges and Other Service Income	(15,954)	(12,721)
Grants and Contributions	(43,807)	(51,468)
Income From Council Tax, Non-Domestic Rates	(26,802)	(26,699)
Interest and investment Income	(932)	(836)
Other Income	(1,878)	(2,252)
Disposal Proceeds of non current assets	(1,725)	
Total Income	(91,098)	(93,976)
(Surplus) or Deficit on the Provision of Services	(6,049)	(2,573)

5. Critical judgements in applying accounting policies

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

- **Future Funding for Local Government.** There is an element of risk about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision. In addition, as mentioned in the Narrative Statement, the Council has made judgements about the adequacy of its balances and has also put in place processes to achieve savings that will mitigate or counteract any future changes in its levels of funding or other income.

- **Asset Classifications.** The Council has made judgements on whether assets are classified as Investment Property or Property, Plant and Equipment. These judgements are based on an understanding of the main purpose that the Council is holding the asset. If the asset is used in delivering services, or is occupied by third parties who are subsidised by the Council, the asset is deemed to be Property, Plant and Equipment. A non-current asset used solely to earn rentals and/or for capital appreciation is classified as an Investment Property.

- **Property, Plant and Equipment.** Non-current assets are depreciated over their useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to them. If the useful life of a non-current asset is reduced, depreciation increases and the carrying amount of the non-current asset falls. Annual depreciation charge for buildings would increase proportionately for every year that an asset useful life has to be reduced.
- **Lease Classification.** The Council has made judgements 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

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. The assumptions and other sources of estimation uncertainty disclosed below relate to the estimates that require the authority's most difficult, subjective or complex judgements. As the number of variables and assumptions affecting the possible future resolution of the uncertainties increases, those judgements become more subjective and complex. As a result balances cannot be determined with complete certainty, actual results could be different from the assumptions and estimates made.

The items in the Council's Balance Sheet at 31st March 2022 for which there is a risk of adjustment in the forthcoming financial year are provided below:

Item	Uncertainty	Effect if actual results differ from assumptions
Property, plant and equipment	<p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.</p> <p>Assets are valued on a five-year rolling basis. Building indices are not applied to</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £x for every year that useful lives had to be reduced.</p> <p>Based on the assets that were valued in the year as part of the five-year rolling revaluation programme, the average increase in the value of assets was x%. If</p>

Item	Uncertainty	Effect if actual results differ from assumptions
	<p>approximate for those assets that are not subject to the revaluation process in the year.</p> <p>COVID-19 had a significant impact on property values worldwide in 2019/20 but the market has sufficiently recovered in 2020/21 that reliable market evidence is available again to base the majority of asset valuations on. For those where sufficient market evidence is still not available, they are subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.</p>	<p>this percentage increase was also applied to the assets that were not revalued in the year, this would increase their Balance Sheet value by £x, which is not considered material enough to warrant a full valuation of all properties.</p> <p>Assets to which the 'material valuation uncertainty' applies are included in the Balance Sheet at £x based on the assumptions provided by the valuer.</p>
Arrears	<p>The NDR arrears balance of £x at the Balance Sheet date is deemed to be at risk of material adjustment within the next year due to current economic circumstances meaning that businesses are struggling to pay. A review of significant balances suggested that an impairment of doubtful debts of x% (£x) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.</p>	<p>If collection rates were to deteriorate further, for every 1% reduction in collection rates, an extra £x would be required to be set aside as an allowance.</p>
Pensions Liability	<p>At 31 March 2022, the net Pension Liability was £46.26</p> <p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the authority with expert advice about the assumptions to be applied.</p> <p>Brexit and COVID-19 both initially had negative impacts on the UK economy and pension asset values, but the market appears to be recovering and stabilising. However, another serious outbreak of COVID-19 could have a detrimental impact on asset returns, as could an increase in interest rates to curb inflation increases as a result of the recovery. The outcome of pending legal cases may also affect the pensions liability going forward.</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</p> <p>During 2021/22, the Council's actuaries advised that the net pensions liability for funded LGPS benefits had decreased by £13.3m n due to:</p> <ul style="list-style-type: none"> • Asset returns over the accounting period being higher than expected • Changes in the financial assumptions - discount rate increase, inflation increase and salary increase • Demographic assumptions changed due to the effect of COVID-19 impacting mortality rates

7. Events after the balance sheet date

The Statement of Accounts was authorised for issue by the Chief Financial Officer on

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

8. Adjustments between Accounting Basis and Funding Basis under Regulations

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

General Fund balance

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

Capital receipts reserve

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

Capital grants unapplied

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

Adjustments between accounting basis and funding basis under regulations	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Mvmt in Unusable Reserves
For the year 2021/22	£000	£000	£000	£000
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)	1,099			(1,099)
Revaluation gains/losses on Property, Plant and Equipment	711			(711)
Movements in the market value of Investment Property				-
Amortisation of Intangible Assets	120			(120)
Capital grants and contributions applied	(5,710)		444	5,266
Revenue expenditure funded from capital under statute	816			(816)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,045			(1,045)
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>				
Statutory provision for the financing of capital investment	(2,826)			2,826
Capital expenditure charged against the General Fund	(31)			31
Adjustments primarily involving the Capital Receipts Reserve				
Transfer of non-current asset sale proceeds from revenue to the capital receipts reserve	(1,725)	1,725		
Use of the Capital Receipts Reserve to finance new capital expenditure				-
Adjustments involving the Pooled Financial Instrument Fund Adjustment Account:				
Unrealised Fair Value gains/losses on financial investments	(654)			654
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 38)	6,047			(6,047)
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,074)			2,074
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	(8,205)			8,205
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	(69)			69
Total Adjustments	(11,456)	1,725	444	9,287

Adjustments between accounting basis and funding basis under regulations	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Mvmt in Unusable Reserves
For the year 2020/21	£000	£000	£000	£000
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)	1,766			(1,766)
Revaluation gains/losses on Property, Plant and Equipment	-			-
Movements in the market value of Investment Property	-			-
Amortisation of Intangible Assets	181			(181)
Capital grants and contributions applied	(2,608)		452	2,156
Revenue expenditure funded from capital under statute	775			(775)
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>				
Statutory provision for the financing of capital investment	(2,208)			2,208
Capital expenditure charged against the General Fund	(271)			271
Adjustments primarily involving the Capital Receipts Reserve				
Use of the Capital Receipts Reserve to finance new capital expenditure		(204)		204
Adjustments involving the Pooled Financial Instrument Fund Adjustment Account:				
Unrealised Fair Value gains/losses on financial investments	(2,097)			2,097
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 38)	4,594			(4,594)
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,012)			2,012
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	9,431			(9,431)
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	77			(77)
Total Adjustments	7,628	(204)	452	(7,876)

9. Transfers to/from earmarked reserves

This note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2021/22.

Earmarked Reserves	Balance as at 1 April	Transfers Out	Transfers In	Balance as at 31 March	Transfers Out	Transfers In	Balance as at 31 March
	2,020	2020/21	2020/21	2,021	2021/22	2021/22	2,022
	£000	£000	£000	£000	£000	£000	£000
Control Outbreak Management Fund Reserve	-	-	85	85			85
Custom Build Reserve	75	-	-	75			75
Cohesion/Migration Impact/Gurkha Settlement	70	(4)	-	66			66
Emergency Assistance Grant	-	-	64	64			64
Cultural Recovery Earmarked Reserve	-	-	47	47			47
Land Charges	45	-	-	45			45
Ward Reserve	-	-	26	26			26
Total of all Earmarked General Fund Reserves	18,305	(3,134)	13,735	28,907	-	-	28,908

10. Other Operating Income and Expenditure

Other Operating Expenditure	2021/22			2020/21		
	Gross Exp	Gross Inc	Net Exp	Gross Exp	Gross Inc	Net Exp
	£000	£000	£000	£000	£000	£000
Photovoltaic Cells Feed-In Tariff	-	-	-	-	(15)	(15)
Gains/losses on disposal of non-current assets	1,045	(1,725)	(680)	-	-	-
Other Corporate Income & Expenditure	2,039	(628)	1,411	2,973	(122)	2,851
Total	3,084	(2,353)	731	2,973	(137)	2,836

11. Financing and Investment Income and Expenditure

Financing and Investment Income and Expenditure	2021/22			2020/21		
	Gross Exp	Gross Inc	Net Inc/Exp	Gross Exp	Gross Inc	Net Inc/Exp
	£000	£000	£000	£000	£000	£000
Interest payable and similar charges	369		369	870	-	870
Net interest on the net defined benefit liability/(asset)	1,230		1,230	1,177	-	1,177
Interest receivable and similar income		(932)	(932)	-	(836)	(836)
Changes in the fair value of Investment Property			-	-	-	-
Unrealised Fair Value gains/losses on financial investments	597	(1,250)	(653)	32	(2,130)	(2,098)
Fair value (gains)/losses on financial investments			-	-	-	-
Impairment losses (including reversals of impairment losses or impairment gains)	305		305	442	-	442
Total	2,501	(2,182)	319	2,521	(2,966)	(445)

12. Taxation and Non-specific Grant Income and Expenditure

Taxation and Non-specific Grant Income and Expenditure	2021/22			2020/21		
	Gross Exp £000	Gross Inc £000	Net (Inc) /Exp £000	Gross Exp £000	Gross Inc £000	Net (Inc) /Exp £000
Council Tax income		(6,928)	(6,928)	-	(6,705)	(6,705)
Collection Fund (Surplus)/Deficit - Council Tax	22	-	22	39	-	39
Collection Fund (Surplus)/Deficit - NDR	2,177		2,177	9,662	-	9,662
Non Domestic Rates (Income) and Expenditure	16,332	(19,875)	(3,543)	16,332	(19,994)	(3,662)
Non Domestic Rates (Safety net)/Levy Payment	1,981		1,981	1,569	-	1,569
Other COVID Related Grants		(2,784)	(2,784)	-	(5,564)	(5,564)
Non-ringfenced Government Grants		(6,682)	(6,682)	-	(12,627)	(12,627)
Capital Grants and Contributions		(4,507)	(4,507)	-	(1,404)	(1,404)
Total	20,512	(40,776)	(20,264)	27,602	(46,294)	(18,692)

13. Property, Plant and Equipment (PPE)

	Movements on balances in 2021/22					
	Assets Under Construction £000	Land & Buildings £000	Vehicles, Plant & Equipment £000	Community Assets £000	Surplus Assets £000	Total PPE Assets £000
<u>Cost or valuation</u>						
As at 1 April 2021	12,403	53,938	8,290	6,939	1,536	83,106
Additions	5,960	1,565	498	426	20	8,469
Revaluation increases recognised in the Revaluation Reserve						-
Revaluation decreases recognised in the Revaluation Reserve						-
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services						-
Reversal of previous revaluation decreases recognised in the Surplus/Deficit on the Provision of Services						-
Other movements in cost or valuation						-
Derecognition - Disposals		(219)			(812)	(1,031)
Reclassifications	219	(219)	-	(18)	18	-
As at 31 March 2022	18,582	55,065	8,788	7,347	762	90,544
<u>Accumulated Depreciation</u>						
As at 1 April 2021	-	(1,881)	(3,744)	-	-	(5,625)
Depreciation - annual charge	-	(529)	(711)	-	-	(1,240)
Depreciation charge written out and recognised in the Surplus/Deficit on the Provision of Services or Revaluation Reserve						
Derecognition - Disposals	-	-	-	-	-	-
As at 31 March 2022	-	(2,410)	(4,455)	-	-	(6,865)
As at 31 March 2022	18,582	52,655	4,333	7,347	762	83,679
As at 31 March 2021	12,403	52,057	4,546	6,939	1,536	77,481

	Movements on balances in 2020/21 - restated					
	Assets Under Construction £000	Land & Buildings £000	Vehicles, Plant & Equipment £000	Community Assets £000	Surplus Assets £000	Total PPE Assets £000
<u>Cost or valuation</u>						
As at 1 April 2020 - restated	391	91,348	8,050	6,818	1,501	108,108
Additions	623	2,140	535	121	17	3,436
Revaluation increases recognised in the Revaluation Reserve		1,114			27	1,141
Revaluation decreases recognised in the Revaluation Reserve		(24,242)			(1)	(24,243)
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services		(5,093)			(13)	(5,106)
Reversal of previous revaluation decreases recognised in the Surplus/Deficit on the Provision of Services		475			5	480
Derecognition - Disposals	-		(295)	-	-	(295)
Derecognition - Demolition		(415)				(415)
Reclassifications	11,389	(11,389)	-	-	-	-
As at 31 March 2021	12,403	53,938	8,290	6,939	1,536	83,106
<u>Accumulated Depreciation</u>						
As at 1 April 2020	-	(799)	(3,354)	-	-	(4,153)
Depreciation - annual charge	-	(1,082)	(685)	-	-	(1,767)
Depreciation charge written out and recognised in the Surplus/Deficit on the Provision of Services or Revaluation Reserve						
Derecognition - Disposals	-	-	295	-	-	295
As at 31 March 2021	-	(1,881)	(3,744)	-	-	(5,625)
As at 31 March 2021	12,403	52,057	4,546	6,939	1,536	77,481
As at 31 March 2020	391	90,549	4,696	6,818	1,501	103,955

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 £36m in material capital commitments as at 31st March 2022

Effects of Changes in Estimates

In 2021/22, the Council made no material changes to its accounting estimates for Property, Plant and Equipment.

Revaluations

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

	Assets Under Construction £000	Land & Buildings £000	Vehicles, Plant & Equipment £000	Community Assets £000	Surplus Assets £000	Total PPE Assets £000
Carried at historical cost	12,432	252	4,547	4,145	17	21,393
Valued at current value as at:						
31-Mar-22						-
31-Mar-21	-	-	-	-	-	-
31-Mar-20	-	62,148	-	2,321	1,432	65,901
31-Mar-19	-	-	-	-	-	-
31-Mar-18	-	-	-	-	-	-
31-Mar-17	-	-	-	-	-	-
31-Mar-16	-	13,346				13,346
Total Valuation	-	75,494	-	2,321	1,432	79,247
Total asset valuation	12,432	75,746	4,547	6,466	1,449	100,640

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:

Investment Property	2021/22	2020/21
	£000	£000
Rental income from investment property	(7,882)	(7,000)
Direct operating expenses arising from investment property	1,162	1,091
Net (gain)/loss	(6,720)	(5,909)

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement. All Investment Properties were re-valued as at 31st March 2022.

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

Movements In Fair Value	2021/22	2020/21
	£000	£000
Balance at the start of the year	129,082	110,169
Additions	37	17,135
Transfers	-	-
Net gains/(losses) from fair value adjustments taken to the Comprehensive Income and Expenditure Account	-	1,778
Total	129,119	129,082

Fair Value Hierarchy

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

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

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

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

Valuation Process for Investment Property

The Council's investment property has been valued as at 31st March 2022 by the Wilkes, Head & Eve in accordance with the methodologies and basis for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

The Council's investment properties are categorised as follows

Categories of Investment Property	31-Mar-22 £000
Commercial/Industrial Units	27,337
Land leased out for mixed use	5,238
Office Units	53,488
Retail	43,056
Total of all investment properties	129,119

15. Intangible assets

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

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

Intangible assets	2021/22 £000	2020/21 £000
Balance at the start of the financial year		
Gross carrying amounts	1,834	1,838
Accumulated amortisation	(1,579)	(1,401)
Net carrying amount at start of year	255	437
Additions		-
Disposals		(3)
Amortisation for the period	(118)	(182)
Reversal of past amortisation of disposal		3
Other charges		-
Net carrying amount at end of year	137	255
Comprising:		
Gross carrying amounts	1,834	1,834
Accumulated amortisation	(1,697)	(1,579)
Net book value of intangible assets	137	255

16. Interests in Jointly Controlled Operations

Jointly Controlled OperationsCCTV Service

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

Rushmoor Borough Council's element of the shared CCTV service costs are shown on the Operational Services line in the Cost of Services section of the Comprehensive Income and Expenditure Statement. Below is a memorandum account of the financial activity of the shared CCTV service from 1 April 2021 to 3 March 2022.

	Rushmoor Borough Council 2021/22 £000	Hart District Council 2021/22 £000	Total 2021/22 £000
Employee Related Expenditure	144	86	230
Premises Related Expenditure	3	2	5
Supplies and Services	99	17	116
Support Services	82	-	82
Capital Charges	17	-	17
Net Expenditure	345	105	450
Hosting Charge	(15)	15	-

Building Control Service

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

Rushmoor Borough Council's element of the shared Building Control service costs are included in the Planning and Economy line in the Cost of Services section of the Comprehensive Income and Expenditure Statement. Below is a memorandum account of the financial activity of the shared Building Control service from 1 April 2021 to 31 March 2022.

	Rushmoor Borough Council 2021/22 £000	Hart District Council 2021/22 £000	Total 2021/22 £000
Employee Related Expenditure	238	283	521
Premises Related Expenditure	9	14	23
Transport Related Expenditure	4	5	9
Supplies and Services	33	28	61
Support Services	110	-	110
Capital Charges	1	-	1
Expenditure	395	330	725
Hosting Charge	(7)	7	-
Fees and Charges	(248)	-	(248)
Other Income	(27)	-	(27)

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

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

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

18. Long Term Debtors

	31-Mar-22 £000	31-Mar-21 £000
Farnborough International Airport Loan	6,700	6,700
Rushmoor Development Partnership	348	348
Loan to Subsidiary	683	8
Car Loans	56	46
Rent Free Lease Period	12	21
	7,799	7,123

19. 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-Mar-22	31-Mar-21 Restated	31-Mar-22	31-Mar-21 Restated
	£000	£000	£000	£000
Investments				
At Amortised Cost	-	-	-	-
At Fair Value through Profit & Loss	21,882	21,281	-	-
Total Investments	21,882	21,281	-	-
Debtors				
At Amortised Cost				
- Trade Receivables	395	414	7,183	5,370
- Loans made for service purposes	7,383	6,709	-	-
- Loss Allowance	-	-	(1,363)	(1,075)
Total Debtors*	7,778	7,123	5,820	4,295
Cash & Cash Equivalents				
At Amortised Cost	-	-	14,814	5,145
Total Cash & Cash Equivalents	-	-	14,814	5,145
Total Financial Assets	29,660	28,404	20,634	9,440

*Debtors due within 1 year excludes £1,054k in respect of Council Tax debtors, HMRC, Non-Domestic Rates and Housing Benefit subsidy payments, from the total of £6,844k reported on the Balance Sheet, as these are statutory levies not falling within the definition of financial instruments. £367k is also excluded in respect of Payments in Advance.

Financial Liabilities

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

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

- long-term loans from the Local Enterprise Partnership,
- short-term loans from other local authorities,
- lease payables detailed in note 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-Mar-22	31-Mar-21	31-Mar-22	31-Mar-21
	£000	£000	£000	£000
Borrowing				
Loans at Amortised Cost		-	100,000	102,000
Total Borrowing	-	-	100,000	102,000
Other Long Term Liabilities				
Finance Lease Liabilities at Amortised cost	1,396	1,736	340	369
Total Other Long Term Liabilities	1,396	1,736	340	369
Creditors				
Liabilities at Amortised Cost	-	-	19,075	18,571
Total Creditors*	-	-	19,075	18,571
Total Financial Liabilities	1,396	1,736	119,415	120,940

*Creditors due within 1 year excludes £2,459k from the total of £30,154k reported on the Balance Sheet, in respect of Council Tax creditors and payments for Non-Domestic Rates. £1,386k is also excluded in respect of Income in Advance and £7,233k in relation to Revenue Grants Receipts in Advance as these do not meet the definition of a financial liability as they relate to non-exchange transactions.

Gains and Losses

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

	Financial Liabilities		Financial Assets		2020/21	2020/21
	Amortised Cost	Amortised Cost	Fair Value			
	£000	£000	PL	Total	Total	
			£000	£000	£000	£000
Interest expense	369	-	-	369	870	
Interest paid and similar charges	369	-	-	369	870	
Interest revenue		(15)	(918)	(933)	(836)	
Interest receivable and similar income	-	(15)	(918)	(933)	(836)	
Losses from changes in fair value (Unrealised)			597	597	32	
Gains from changes in fair value (Unrealised)			(1,250)	(1,250)	(2,130)	
Fee income/(expense)		81		81	68	
Other investment income	-	81	(653)	(572)	(2,030)	
Net impact on Surplus/Deficit on Provision of Services	369	66	(1,571)	(1,136)	(1,996)	

Fair Value

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

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

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

Fair values are assessed against the following fair value hierarchy:

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

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

20. Short-Term Debtors

Short-Term Debtors	31-Mar-22 £000	31-Mar-21 £000
Central government bodies (excluding Business Rates)	519	8,611
Other local authorities (excluding Precepts)	1,869	2,613
Council Tax	206	259
NDR	612	690
Other entities and individuals	3,050	2,975
Payments in advance	588	504
Total Debtors	6,844	15,652

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-Mar-22	31-Mar-21
	£000	£000
Less than three months	-	-
Three to six months	-	-
Six months to a year	812	804
More than one year	1,138	926
	1,950	1,730
Less provision for debts	(1,133)	(780)
Total	817	950

21. Cash and Cash Equivalents

Cash and Cash Equivalents	31-Mar-22	31-Mar-21
	£000	£000
Cash held by the Council	4	4
Short-term cash deposits	14,150	5,138
Total Cash and Cash Equivalents	14,154	5,142

22. Short-Term Borrowing

Short-Term Borrowing	31-Mar-22	31-Mar-21
	£000	£000
Borrowings from Local Authorities	100,000	102,000
Total Short-Term Borrowing	100,000	102,000

23. Short-Term Creditors

Short-Term Creditors	31-Mar-22	31-Mar-21
	£000	£000
Central government bodies	13,895	16,054
Other local authorities	524	894
NDR	1,542	798
Other entities and individuals	5,373	3,042
Income in advance	8,819	7,208
Total Short-Term Creditors	30,153	27,996

The Council are the Local Trusted Organisation for the Prospect Estate Big Local Partnership. As at 31 March 2022, the Council held £48,234 for this purpose in the "Other entities and individuals" line of the creditors analysis (£102,287 at 31st March 2021)

24. Provisions

Long-Term Provisions	31-Mar-22	31-Mar-21
	£000	£000
Balance at 1st April	4,480	4,812
Additional provision made in the year	2,896	163
Amounts used in the year	(4,827)	(495)
Balance at 31st March	2,549	4,480

The Council had one long-term provision as at 1 April 2021 for £4.48 million in respect of Business Rate appeals, this has decreased to zero as at 31 March 2022.

25. Other Long-Term Liabilities

Other Long-Term Liabilities	31-Mar-22	31-Mar-21
	£000	£000
Other Long-Term Liabilities (Pension Liability)	46,256	59,602
Finance Lease Liabilities	1,367	1,736
Balance at 31st March	47,623	61,338

26. Unusable Reserves

Unusable Reserves	31-Mar-22 £000	31-Mar-21 £000
Revaluation Reserve	31,921	32,175
Capital Adjustment Account	67,286	61,882
Pooled Investment Fund Adjustment Account	44	(609)
Pensions Reserve	(46,256)	(59,602)
Collection Fund Adjustment Account	(10,321)	(10,321)
Accumulated Absences Account	(162)	(231)
Total Unusable Reserves	42,512	23,294

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.

Revaluation Reserve	31-Mar-22 £000	31-Mar-21 Restated £000
Balance at 1st April	32,175	55,971
Upward revaluation of assets		1,142
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services		(24,241)
Movement in year	-	(23,099)
Difference between fair value depreciation and historical cost depreciation	(254)	(697)
Amount written off to the Capital Adjustment Account	(254)	(697)
Balance at 31st March	31,921	32,175

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 "&A2327&" provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve."

Capital Adjustment Account	31-Mar-22	31-Mar-21 Restated
	£000	£000
Balance at 1st April	61,882	63,282
Amount written out of the Revaluation Reserve		
<u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</u>		
Charges for depreciation and impairment of non-current assets (Property, Plant and Equipment)	(1,100)	(1,763)
Net revaluation gains/(losses) on Property, Plant and Equipment	-	(10,359)
Amortisation of intangible assets	(118)	(181)
Revenue expenditure funded from capital under statute	(816)	(775)
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	(482)	(418)
Net of the above transactions	(2,516)	(13,496)
Adjusting amounts written out of the Revaluation Reserve to account for difference between fair value depreciation and historical cost depreciation	254	697
Net written out amount of the cost of non-current assets consumed in the year	(2,262)	(12,799)
<u>Capital financing applied in the year:</u>		
Use of the Capital Receipts Reserve to finance new capital expenditure	287	204
Capital grants and contributions credited to the Comprehensive I&E Statement that have been applied to Capital financing	4,507	2,155
Statutory provision for the financing of capital investment charged against the General Fund balances	369	364
Capital expenditure charged against the General Fund	2,503	2,116
Net of the above transactions	7,666	4,839
Movements in the market value of Investment Property debited or credited to the Comprehensive I&E Statement	-	6,560
Balance at 31st March	67,286	61,882

Pooled Investment Fund Adjustment Account

Pooled Investment Fund Adjustment Account	31-Mar-22	31-Mar-21
	£000	£000
Balance at 1st April	(609)	(2,706)
Upward revaluation of investments charged to the Surplus/(Deficit) on the Provision of Services	1,250	2,130
Downward revaluation of investments charged to the Surplus/(Deficit) on the Provision of Services	(597)	(32)
Balance at 31st March	44	(609)

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.

Pensions Reserve	31-Mar-22	31-Mar-21
	£000	£000
Balance at 1st April	(59,602)	(52,161)
Remeasurements of the net defined benefit (liability)/asset	17,319	(4,859)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(6,047)	(4,594)
Employer's pensions contributions and direct payments to pensioners payable in the year	2,074	2,012
Balance at 31st March	(46,256)	(59,602)

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:

Collection Fund Adjustment Account	31-Mar-22	31-Mar-21
	£000	£000
Balance at 1st April	(10,321)	(890)
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	(8,250)	(9,431)
Balance at 31st March	(10,321)	(10,321)

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.

Accumulated Absences Account	31-Mar-22	31-Mar-21
	£000	£000
Balance at 1st April	(231)	(154)
Settlement or cancellation of accrual made at the end of the preceding year	231	154
Amounts accrued at the end of the current year	(162)	(231)
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	69	(77)
Balance at 31st March	(162)	(231)

27. Cash Flow Statement – Adjustment to net surplus or deficit

Cash Flow Statement - Adjustment to net surplus or deficit on the provision of services for non-cash movements	2021/22 £000	2020/21 £000
Depreciation	1,240	1,762
Impairment and downward valuations	-	3,275
Amortisation	118	181
Increase/(decrease) in provision for doubtful debts	306	555
Increase/(decrease) in Creditors	4,999	12,040
(Increase)/decrease in Debtors	8,502	(11,285)
(Increase)/decrease in Inventories	(12)	7
Movement in pension liability	3,973	2,582
Other non-cash items charged to the net surplus or deficit on the provision of services	(5,055)	(5,023)
Total adjustment of net surplus or deficit on the provision of services for non-cash movements (as per page x)	14,071	4,094

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

Cash Flow Statement - Adjustments for items included in the net surplus or deficit on the provision of services that are investing or financing activities	2021/22 £000	2020/21 £000
Proceeds from the sale of Property, Plant and Equipment, investment property and intangible assets	1,050	-
Any other items for which the cash effects are investing or financing cash flows	-	-
Net adjustments to net surplus or deficit on the provision of services for financing and investment cash flows	1,050	-

29. Cash Flow Statement – Operating Activities

Cash Flow- Operating Activities	2021/22 £000	2020/21 £000
Interest received	909	967
Interest paid	(666)	(955)
Net interest received	243	12

30. Cash Flow Statement – Investing Activities

Cash Flow Statement – Investing Activities	2021/22	2020/21
	£000	£000
Purchase of Property, Plant and Equipment, investment property and intangible assets	(8,506)	(20,571)
Other payments for investing activities	(675)	(140)
Other receipts from investing activities	7	7
Net cash flows from investing activities	(9,174)	(20,704)

31. Cash Flow Statement – Financing Activities

Cash Flow Statement – Financing Activities	2021/22	2020/21
	£000	£000
Cash receipts of short and long-term borrowing	-	12,000
Other receipts from financing activities		2,533
Cash payments for the reduction of the outstanding liabilities relating to finance leases	(369)	(364)
Repayment of short and long-term borrowing	(2,000)	-
Other payments for financing activities		59
Net cash flows from financing activities	(2,369)	14,228

Cash Flow Statement - Financing Activities	01-Apr-21	Financing cash flows	Non-cash changes	31-Mar-22
	£000	£000	£000	£000
Long-term borrowings	-			-
Short-term borrowings	102,000	(2,000)		100,000
Lease liabilities	2,105	(369)		1,736
Total liabilities from financing activities	104,105	(2,369)	-	101,736

30. Reconciliation of liabilities arising from financing activities

Cash Flow Statement - Financing Activities	01-Apr-21	Financing cash flows	Non-cash changes	31-Mar-22
	£000	£000	£000	£000
Long-term borrowings	-			-
Short-term borrowings	102,000			102,000
Lease liabilities	2,105			2,105
Total liabilities from financing activities	104,105	-	-	104,105

32. 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	2021/22	142,007	-	25,845	167,852
	2020/21	125,117	-	22,771	147,888
Executive Director	2021/22	94,643	349	17,288	112,280
	2020/21	92,103	349	16,826	109,278
Executive Director	2021/22	93,587	349	17,096	111,032
	2020/21	91,559	349	16,727	108,635
Head of Financial Services and Chief Finance Officer	2021/22	79,923	-	14,546	94,469
	2020/21	74,241	-	13,512	87,753

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

The number of employees whose remuneration (including benefits, but excluding employers' pension contributions) was £50,000 or more, in bands of £5,000

2021/22	2020/21
No of employees	No of employees

Remuneration Band

£50,000 - £54,999	16	21	
£55,000 - £59,999	10		5
£60,000 - £64,999	7		8
£65,000 - £69,999	5		3
£70,000 - £74,999	4		6
£75,000 - £79,999	1		-
£80,000 - £84,999	-		-
£85,000 - £89,999	2		-
£90,000 - £94,999	2		2
£95,000 - £99,999	-		-
£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	-		-
£140,000 - £144,999	1	-	

Exit Packages

Exit Package	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	
	2021/2	2020/2	2021/2	2020/2	2021/2	2020/2	2021/22	2020/21
	No.	No.	No.	No.	No.	No.	£	£
£0-£20,000	1		2	3	3	3	24,536	52,904
£20,001-£40,000	1	1	2	1	3	2	92,823	59,647
£40,001-£60,000								
£60,001-£80,000			1	1	1	1	63,753	67,664
£80,001-£100,000								
£100,001-£120,000	1				1		119,978	
Total	3	1	5	5	8	6	301,090	180,215

33. External Audit Costs

External Audit Costs Restated	2021/22 £000	2020/21 £000
Fees payable to Ernst and Young with regard to external audit services carried out by the appointed auditor	81	(24)
Fees payable to KPMG for the certification of grant claims and returns	11	10
Refund of fee payable to Ernst and Young	(6)	-
Total	86	(14)

34. Grant Income

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

Grant Income	2021/22 £000	2020/21 £000
<u>Credited to Taxation and Non Specific Grant Income & Expenditure</u>		
New Homes Bonus	863	1,169
Section 31 Grants in Relation to Business Rates	5,267	11,314
Capital Grants & Contributions	4,507	1,404
New Burden Grant	450	144
Other COVID Related Grants	2,784	5,564
Lower Tier Service Grant	101	
Total	13,972	19,595
<u>Credited to Services</u>		
Ministry of Housing, Communities and Local Government		
Flexible Homelessness Grant	473	388
Localising Council Tax Admin Subsidy	92	78
Other & COVID Related Grants	441	506
Department for Works and Pensions		
Housing Benefit Subsidy	25,515	28,271
Housing Benefit Admin Subsidy	265	300
Discretionary Housing Payment	226	292
Other	56	33
Cabinet Office		
	-	6
Developers Contributions		
	827	186
Hampshire County Council		
Better Care Fund	1,203	1,203
Other & COVID Related Grants	252	500
Department for Health & Social Care		
	126	-
Other Grants and Contributions		
Contributions for other projects	48	28
Other COVID Related Grants	306	177
Supported through Big Local, administered by Local Trust for the Big Lottery Fund	5	5
Total	29,835	31,973

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:

The value of grants and contributions that have yet to be recognised as income as they have conditions attached to them	2021/22 £000	2020/21 £000
S 106 grants - Developers' contributions & capital grants	4,813	5,281
Creditor - Armed Forces Community Covenant	25	32
Total	4,838	5,313

35. Members' Allowances

In 2021/22 a total of £334,906 was paid out in members' allowances, compared with a total of £319,746 in 2020/21

36. Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council. During 2021/22, the Council provided financial assistance to 106 organisations by way of direct loans (£770,654), direct grant payments (£538,472), awards of rent relief (£426,838), awards of business rates relief (£529,863) and free parking permits (£68,469)

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

	£
Rushmoor Citizens Advice	524,219
Places for People Leisure Ltd	106,496
Step-by-Step	89,653
Rushmoor Voluntary Services	79,272
British Heart Foundation	57,274
Ndreams Limited	50,743
Farnborough Football Club	49,821
Basingstoke Canal Management Committee	42,246
Dial-a-Ride	32,591
Aldershot Military Museum	31,612
Aldershot Town and District Football in the Community Trust	30,277
Farnborough Air Sciences Museum	29,660

Central Government

Central Government has effective control over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its

funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Details of funding transactions with government departments in the form of grants and contributions are set out in Note 35

Members

Members of the council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2021/220 is shown in Note 34

During 2021/22 no works or services were commissioned from companies in which members had an interest.

Financial assistance totalling £2,126,903 was awarded to voluntary organisations in which 21 members and 5 ex-members had an interest. These financial awards were made with proper consideration of declarations of interest and the relevant members did not take part in any discussion or decision relating to the grants.

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

Officers

Financial assistance of £770,854, in the form of a loan, was awarded to organisations in which 2 chief officers of Rushmoor Borough Council had an interest.

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 2021/22. The council made a long-term loan of £675k and a short-term loan of £70k to the company.

The Council holds a 50% stake in Rushmoor Development Partnership (RDP). The partnership is currently in development with the objective to redevelop sites in Farnborough and Aldershot. The first full year of operation will be 2021/22. During 2021/22 the Council invested £168,000 in set up of the partnership.

35. Capital Expenditure and Financing

As at 31st March 2022 use of borrowing for capital expenditure resulted in the Council incurring a capital financing requirement of £120.5m. Total capital expenditure in 2021/22 was £8.5m, of which £0.8m was revenue expenditure funded from capital under statute. An amount of £0.3m was drawn from available capital receipts and government grants and contributions amounted to £4.5m. A summary of this expenditure and how it was financed is shown below.

Capital Expenditure and Capital Financing	2021/22 £000	2020/21 Restated £000
Opening Capital Financing Requirement	118,918	102,054
<u>Capital Investment</u>		
Loans to external body	672	357
Property, Plant and Equipment	8,469	3,072
Investment Property	37	17,135
Intangible Assets	-	-
Revenue Expenditure Funded from Capital under Statute	771	775
Total Capital Investment	9,949	21,339
<u>Sources of Finance</u>		
Capital receipts	(287)	(204)
Government grants and other contributions	(4,507)	(2,156)
Direct revenue contributions	(46)	(271)
Minimum Revenue Provision	(2,457)	(1,844)
Total sources of finance applied	(7,297)	(4,475)
Closing Capital Financing Requirement	121,570	118,918
<u>Explanation of movements in year</u>		
Increase in underlying need to borrowing (unsupported by government financial assistance)	2,283	16,500
Asset acquired under finance lease	(369)	(364)
Increase/(Decrease) in Capital Financing Requirement	1,914	16,136

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:

Operating lease Minimum Lease Payments	2021/22 £000	2020/21 £000
Not later than one year	105	85
Later than one year and not later than five years	125	124
Later than five years	1	-
Total	231	209

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

Minimum lease payments	2021/22	2020/21
	£000	£000
Minimum lease payments	50	50
Total	50	50

Finance Leases

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

Finance Lease Assets	2021/22	2020/21
	£000	£000
Vehicles, Plant and Equipment	1,932	2,303
Total	1,932	2,303

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:

Finance Lease Liability	2021/22	2020/21
	£000	£000
Finance lease liability (net present value of minimum lease payments)	1,736	2,105
Finance costs payable in future years	50	73
Total	1,786	2,178

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

Finance lease Minimum Lease Payments	2021/22	2020/21
	£000	£000
Not later than one year	358	392
Later than one year and not later than five years	1,319	1,354
Later than five years	108	432
Total	1,785	2,178

Finance lease liability over the following periods:

Finance Lease Liabilities	2021/22	2020/21
	£000	£000
Not later than one year	340	369

Later than one year and not later than five years	1,288	1,306
Later than five years	108	430
Total	1,736	2,105

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:

Operating lease minimum lease payments	2021/22	2020/21
	£000	£000
Not later than one year	8,330	8,232
Later than one year and not later than five years	28,915	27,976
Later than five years	117,851	100,520
Total	155,096	136,728

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2021/22, contingent rents of £14,763.42, were receivable by the Council (£55,317.39 in 2020/21).

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:

Amounts recognised in the Comprehensive Income and Expenditure Statement	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2021/22 £m	2020/21 £m	2021/22 £m	2020/21 £m
Cost of Services:				
Service cost comprising:				
· current service cost	4.76	3.38	-	
· past service costs	0.06	0.04	-	
Financing and Investment Income and Expenditure				
Net Interest Expense	1.15	1.09		0.08
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	5.97	4.51	-	0.08
Other Post-Employment Benefits charged to the Comprehensive Income and Expenditure Statement				
Remeasurement of the net defined benefit liability comprising:				
Return on Plan Assets (Excluding the amount included in the net interest expense)	(5.79)	(21.06)	-	-
Actuarial (gains) and losses arising on changes in financial assumptions	(10.25)	27.32	(0.09)	(0.09)
Actuarial (gains) and losses arising on changes in demographic assumptions	(1.65)	-	(0.06)	(0.06)
Actuarial (gains) and losses arising from liability experience	0.52	(1.64)	0.01	0.01
Total Amount Recognised in Other Comprehensive Income	(17.18)	4.63	(0.14)	(0.14)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(11.21)	9.13	(0.14)	(0.06)
<u>Movement in Reserves Statement</u>				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(5.97)	(4.51)	-	(0.08)
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme		1.82		
Retirement benefits payable to pensioners				0.26

Allowance for administration expenses included in Current Service Cost £29,000

Impact on the Council's cash flow

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

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

The Council is anticipated to pay the amounts detailed below in 2022/23:

Funded Benefits	Period ending 31 March 2023 £m
Current Service Cost	4.42
Interest on net defined benefit liability	1.13
Total estimated pension expense	5.55
Allowance for administration expenses included in Current Service Cost	0.03
Estimated pensionable payroll over the period	10.07

LGPS Unfunded Benefits	Period ending 31 March 2023 £m
Interest on net defined benefit liability	0.92
Total estimated pension expense	0.92

Pension Assets and Liabilities Recognised in the Balance Sheet

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

Reconciliation of funded status to balance sheet	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	31-Mar-22	31-Mar-21	31-Mar-22	31-Mar-21
	£m	£m	£m	£m
Fair value of plan assets	120.86	114.60	3.55	3.87
Present value of the defined benefit obligation	163.56	170.34	3.55	3.87
Net liability arising from defined benefit obligations	42.71	55.74	-	-

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

Active members	35%
Deferred Pensioners	20%
Pensioners	45%

Reconciliation of present value of the defined benefit obligation

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2021/22 £m	2020/21 £m	2021/22 £m	2020/21 £m
Opening balance at 1 April	170.34	142.12	3.87	3.81
Current service cost	4.76	3.38	-	-
Interest cost	3.54	3.22	0.08	0.09
Contributions by scheme participants	0.71	0.68	-	-
Remeasurement (gains) and losses:				
Actuarial (gains) and losses arising on changes in financial assumptions	(10.25)	27.32	(0.09)	0.29
Actuarial (gains) and losses arising on changes in demographic assumptions	(1.65)	-	(0.06)	-
Actuarial (gains) and losses arising from liability experience	0.52	(1.64)	0.01	(0.05)
Net Benefits paid	(4.45)	(4.78)	(0.26)	(0.26)
Past service costs	0.06	0.04	-	-
Closing balance at 31 March	163.56	170.337	3.55	3.87

Changes to the fair value of assets

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

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

Changes to the fair value assets

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2021/22 £m	2020/21 £m	2021/22 £m	2020/21 £m
Opening balance at 1 April	114.60	93.77	-	-
Interest income on assets	2.39	2.13	-	-
Remeasurement (gains) and losses on assets	5.79	21.06	-	-
Contributions by employer	1.82	1.75	0.26	0.26
Contributions by scheme participants	0.71	0.68		
Net Benefits paid out	(4.45)	(4.78)	(0.26)	(0.26)
Closing balance at 31 March	120.86	114.60	-	-

Actual return on assets

	Period ending 31 March 2022 £m	Period ending 31 March 2021 £m
Interest income on assets	2.39	2.13
Remeasurement gain/(loss) on assets	2.79	21.06
Actual return on assets	5.18	23.19

Scheme History

Scheme History	31-Mar-22 £m	31-Mar-21 £m	31-Mar-20 £m
<u>Present value of liabilities:</u>			
Local Government Pension Scheme	(163.56)	(170.34)	(142.12)
Fair value of assets in the Local Government Pension Scheme	120.86	114.60	(93.77)
<u>Surplus/(deficit) in the scheme:</u>			
Local Government Pension Scheme	(42.71)	(55.74)	(235.88)
Discretionary Benefit Obligation	(3.55)	(3.87)	(3.81)
Total Surplus/(Deficit) in the Scheme	(46.26)	(59.61)	(239.70)

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £46.26m 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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	31-Mar-22	31-Mar-21	31-Mar-22	31-Mar-21
	%	%	%	%
Discount	2.7	2.1	2.7	2.1
Rate of inflation (CPI)	3.0	2.7	3.0	2.7
Pension increases	3.0	2.7	3.0	2.7
Pension accounts revaluation rate	3.0	2.7	-	-
Salary increases	4.0	3.7	-	-

	Local Government Pension Scheme	
	31-Mar-22	31-Mar-21
	%	%
Discount	2.7	2.1
Rate of inflation (CPI)	3.0	2.7
Pension increases	3.0	2.7
Pension accounts revaluation rate	3.0	2.7

Mortality assumption

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	31-Mar-22	31-Mar-21	31-Mar-22	31-Mar-21
	%	%	%	%
Longevity at 65 for current pensioners:				
Men	22.9	23.1	22.9	23.1
Women	25.4	25.5	25.4	25.5

Longevity at 45 for future pensioners:

Men	24.7	24.8	-	-
Women	27.1	27.3	-	-

At this accounting date, the assumed rates of future mortality have been increased to reflect a slightly more negative outlook as a result of the COVID-19 pandemic.²

Pension Assets

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

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

Figures in %	Value at 31-Mar-22			Value at 31-Mar-21
	Quoted	Unquoted	Total	
Equities	44.7	11.0	55.7	57.0
Property	0.9	6.0	6.9	6.1
Government Bonds	18.0	-	18.0	17.3
Corporate Bonds	-	-	-	-
Multi Asset Credit	9.2	-	9.2	-
Cash	0.9	-	0.9	1.4
Other assets	5.8	3.5	9.3	18.2
Total	79.5	20.5	100.0	100.0

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

Sensitivity Analysis

The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 31 March 2022 and the projected service cost for the period ending 31 March 2023 is set out below.

In each case, the only assumption mentioned is altered; all other assumption remain the same as detailed above

Discount rate assumption adjustment	+0.1% pa	Base Figure	-0.1%
Present value of total obligation £m	160.46	163.56	166.834
% change in present value of total obligation	(1.9)%		2.0%
Projected service cost £m	4.27	4.42	4.58
Approximate % change in projected service cost	(3.4)%		3.5%

Rate of general increase in salaries adjustment	+0.1% pa	Base Figure	-0.1%
Present value of total obligation £m	163.89	163.56	163.236

% change in present value of total obligation	0.2%		(0.2)%
Projected service cost £m	4.42	4.42	4.42
Approximate % change in projected service cost	0.0%		0.0%

Rate of increase to pensions and rate of revaluation of pension accounts adjustment

	+0.1% pa	Base Figure	-0.1%
Present value of total obligation £m	166.51	163.56	160.782
% change in present value of total obligation	1.8%		(1.7)%
Projected service cost £m	4.58	4.42	4.27
Approximate % change in projected service cost	0.0%		0.0%

Post Retirement mortality assumption adjustment

	+0.1% pa	Base Figure	-0.1%
Present value of total obligation £m	169.12	163.56	158.00
% change in present value of total obligation	3.4%		(3.4)%
Projected service cost £m	4.60	4.42	4.25
Approximate % change in projected service cost	4.0%		(3.9)%

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

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 Instruments

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

Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies, and adjusted for current and forecast economic conditions. A two-year delay in cash flows is assumed to arise in the event of default. Investments are determined to have suffered a significant increase in credit risk where they have been downgraded by three or more credit rating notches or equivalent since initial recognition, unless they retain an investment grade credit rating. They are determined to be credit-impaired when awarded a "D" credit rating or equivalent. As at 31 March 2022, £0 (2021: £0) of loss allowances related to treasury investments.

Trade and Lease Receivables and Contract Assets

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

	31-Mar-22	31-Mar-21
	£000	£000
Neither past due or impaired	4,295	6,229
Less than two months	796	951
Two to six months	943	243
Six months to one year	21	318
More than one year	1,094	792
Total Receivables	7,149	8,533

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

Receivables are written off to the Surplus or Deficit on the Provision of Services when the debtor are formally insolvent, but steps are still taken to collect sums owing. The amount written off but still subject to enforcement action as at 31st March 2022 is £25,000 (2021: £25,000).

Loans, Financial Guarantees and Loan Commitments

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

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

Borrower	Exposure type	Balance sheet 31-Mar-22	Risk exposure 31-Mar-22	Balance sheet 31/3/2021 Restated	Risk exposure 31/3/2021
		£000	£000	£000	£000
Company loan	Loans at market rate	7,383	-	6,709	-
Company loan	Loan commitment at market rate	-	-	-	-

Total **7,383** - **6,709** -

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

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

Liquidity Risk

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

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

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

Refinancing and Maturity Risk

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

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

The Council has ready access to borrowing at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments.

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

Maturity Analysis of Financial Assets	31-Mar-22	31-Mar-21
	£000	£000
Less than one year	20,903	9,723
Between one and two years	22	27
Between two and three years	13	18
More than three years	30,719	29,151
Total	51,657	38,919

Maturity Analysis of Financial Liabilities	31-Mar-22	31-Mar-21
	£000	£000
Less than one year	119,415	120,940
Between one and two years	328	369
Between two and three years	320	369
More than three years	748	998
Total	120,811	122,676

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 2022, £78.2m (2021: £(80.7m)) of net principal borrowed (i.e. borrowing net of investments) was exposed to fixed rates.

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

At 31st March 2022, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000
Increase in interest receivable on variable rate investments	107
Impact on Surplus or Deficit on the Provision of Services	107

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

Price Risk

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

The Council's investment in a pooled property fund is subject to the risk of falling commercial property prices. This risk is limited by the Council's maximum exposure to property investments of £5m. A 5% fall in commercial property prices at 31st March 2022 would result in a £266k (2021: £226k) charge to Other Comprehensive Income and Expenditure which is then transferred to the Pooled Investment Funds Adjustment Account, when not elected.

The Council's investment in a pooled equity funds is subject to the risk of falling share prices. This risk is limited by the Council's maximum exposure to equity investments of £5m. A 5% fall in share prices at 31st March 2022 would result in a £1,096k (2021: £838k) charge to the Surplus or Deficit on the Provision of Services which is then transferred to the Pooled Investment Funds Adjustment Account, when not elected.

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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.

Collection Fund Income and Expenditure Account	£000 Council Tax	2021/22		2020/21 £000
		£000 NDR	£000 Total	
<u>Income</u>				
Income from Council Tax payers	60,321		60,321	57,434
Income from Non-Domestic Rate payers		40,190	40,190	25,450
Income Total	60,321	40,190	100,511	82,884
<u>Expenditure</u>				
Precepts				
Hampshire County Council	43,632		43,632	41,181
Police and Crime Commissioner for Hampshire	2,276		2,276	6,770
Hampshire Fire and Rescue	7,316		7,316	2,211
Rushmoor Borough Council	6,927		6,927	6,705
<u>Business rates:</u>				
Allowance for collection		119	119	122
Payments to Hampshire County Council		497	497	4,498
Payments to Hampshire Fire and Rescue Authority		4,472	4,472	500
Payments to Rushmoor Borough Council		19,874	19,874	19,994
Payments to Government		24,843	24,843	24,993
<u>Provision for bad and doubtful debts</u>				
Council Tax	1,446		1,446	811
NDR		653	653	332
Provision for NDR appeals		(4,826)	(4,826)	(828)
<u>Collection fund surplus/deficit</u>				
Council Tax	(872)		(872)	841
NDR		(26,067)	(26,067)	(926)
Expenditure Total	60,725	19,565	80,290	107,204
Net Movement in Fund	404	(20,625)	(20,221)	24,320
Balance b/fwd 1 April	(831)	26,027	25,196	876
Balance c/fwd 31 March (surplus)/deficit	(427)	5,402	4,975	25,196
The (surplus)/deficit as at 31st March allocated to:				
Hampshire County Council	(308)	486	178	1,738
Police and Crime Commissioner for Hampshire	(57)		(57)	(103)
Hampshire Fire and Rescue	(17)	54	37	229
Rushmoor Borough Council	(45)	2,702	2,657	10,318
Government		2,160	2,160	13,014
	(427)	5,402	4,975	25,196

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: (32,018 for 2021/22). This basic amount of Council Tax for a Band D property (£1,861.76 for 2021/22) is multiplied by an appropriate ratio to produce the amount due for the bands A to H. Council Tax bills are based on the following dwellings and proportions.

Tax Band	Discounted Equivalent Dwellings	Weighting	Band D Equivalent
A (Disabled Relief)	-	5/9	-
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	18
O (Army)	1,740	-	1,740
Total			32,018

2. Income from Non-Domestic Rates

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

The rateable value of properties at 31st March 2022 is £116,008,655 and the national non-domestic multiplier was 49.9p. This gives a potential business yield of £57.9 million. The actual business rates collectable for 2021/22 after reliefs is £45.1 million. In addition, there is an adjustment to the business rates income for the provision on appeals to the collection fund.

Business Rates Revaluation 2017

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

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

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

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

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

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

Collection Fund - Provisions for bad or doubtful debts	2021/22 £000	2020/21 £000
<u>Council Tax</u>		
Provisions at 1 April	2,347	1,731
Provisions made in year	1,445	811
Written off in year	(200)	(195)
Provisions at 31 March	3,592	2,347
<u>NDR</u>		
Provisions at 1 April	1,275	986
Provisions made in year	653	331
Written off in year	(121)	(42)
Provisions at 31 March	1,807	1,275
<u>NDR Valuation Appeals</u>		
Provisions at 1 April	11,200	12,026
Provisions made in year	(4,826)	(826)
Provisions at 31 March	6,374	11,200

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Annual Governance Statement 2021/22

1. Scope of Responsibility

Rushmoor Borough Council (RBC) has approved and adopted a local code of corporate governance, which is consistent with the seven core principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) Framework 'Delivering good governance in Local Government'. A copy of RBC's adopted Code is on the Council's website: ([Local Code of Corporate Governance](#)) RBC updates its code annually and evidence is collated and assessment for compliance by the Corporate Governance Group (CCG) and the Executive Leadership Team (ELT).

The Annual Governance Statement (AGS) 2021/22 states how the Council has complied with the Code and also meets the requirements of the Accounts and Audit Regulations 2015, regulation 6 (1b), and as amended by the Accounts and Audit (coronavirus) (Amendment) regulations 2020, which requires all relevant authorities to prepare an Annual Governance Statement. It is subject to detailed review by the Corporate Governance, Audit and Standards Committee (formerly Licensing, Audit and General Purposes Committee) and approval in advance of them agreeing the Statement of Accounts, into which the AGS is referred.

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

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

2. The Purpose of the Governance Framework

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

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

3. What is Governance

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

- leadership and management;
- performance and risk management;
- stewardship of public money; and

- public engagement and outcomes for our citizens and service users.

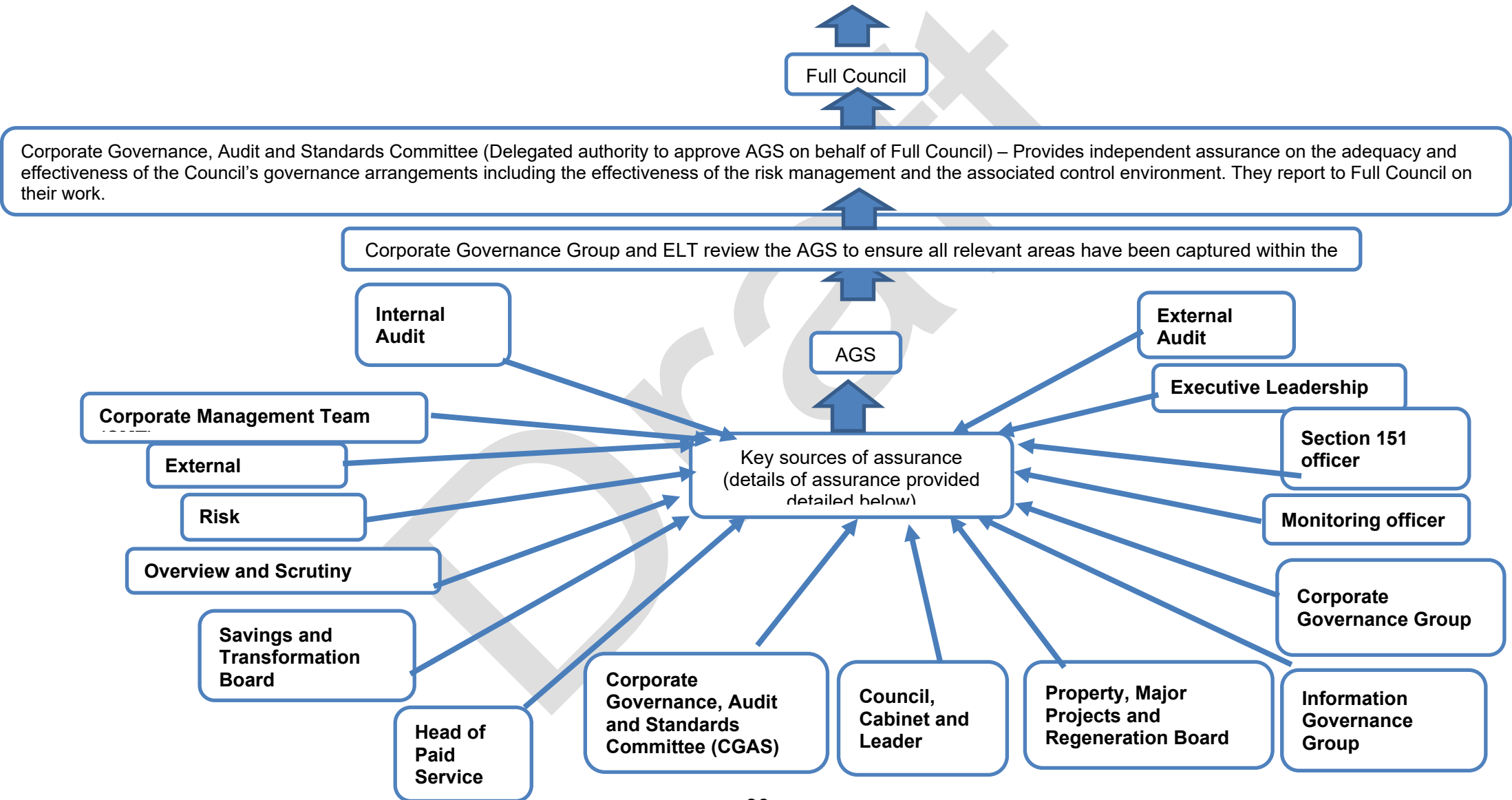
4. What is the Annual Governance Statement (AGS)?

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

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

The Council's Governance Assurance Framework, which underpins the AGS, has been in place at the Council for the year ended 31 March 2022 and up to the date of approval of the AGS and Statement of Accounts.

5. The Councils process for developing and adopting the AGS



C o r p o r a t e G o v e r n a n c e	Council, Cabinet and Leader	<ul style="list-style-type: none"> • Adopting and making substantive changes to the constitution • Approving or adopting the annual budget • Agreeing and/or amending the Terms of Reference for Committees, deciding on their composition and appointing.
	Overview and Scrutiny Committee	<ul style="list-style-type: none"> • Pre and post decisions made are subject to scrutiny/ call in for review by the Committee.
	Corporate Governance, Audit and Standards Committee (CGAS)	<ul style="list-style-type: none"> • Provides independent assurance to the Council on the adequacy and effectiveness of the governance arrangements, risk management framework and internal control environment. • Promotes high standards of Member conduct. • Approves the Annual Statement of Accounts and Annual Governance Statement.
	Risk Management	<ul style="list-style-type: none"> • The corporate risk register is regularly reviewed and monitored to ensure appropriate mitigation is in place. • Service risk registers are regularly maintained and updated which are fed into the corporate risk register. • Regular updates on risk management and the risk environment is provided to CGAS.
	Corporate Governance Group (CGG)	<ul style="list-style-type: none"> • Officers with statutory roles within the Council e.g., the Monitoring officer and Section 151 officer, review and provide assurance over the governance arrangements within the Council including any constitutional changes or issues.
	External assurances	<ul style="list-style-type: none"> • Assurances are obtained from external bodies e.g. compliance with PSN. • Peer reviews
	Information Governance Group (IGG)	<ul style="list-style-type: none"> • IGG develops and maintains an information governance framework for effective management of information. • Authority to decide/recommend operational matters around all aspects of information governance and reports to CGG. • Oversight of the Council's Cyber Security treatment plan.
	Property, Major Projects and Regeneration Board	<ul style="list-style-type: none"> • Review of governance and risk management over major projects, for example Civic Quarter and Union Yard.

C o r p o r a t e G o v e r n a n c e	Head of Paid Services	<ul style="list-style-type: none"> The Chief Executive carries the responsibility for the proper management of RBC and for ensuring that the principles of good governance are reflected in sound management arrangements. Leads the Council's Management team in driving forward the Council's Strategic objectives.
	Monitoring Officer	<ul style="list-style-type: none"> Ensures compliance with established policies, procedures, laws and regulations. Monitors ethical standards. Reports actual or potential breaches of the law.
	Section 151 Officer	<ul style="list-style-type: none"> Develops a medium term financial strategy that is aligned with strategic priorities. Safeguards public money Promotes and deliver good financial management.
	Executive Leadership Team (ELT)	<ul style="list-style-type: none"> Implements the policy and budgetary framework set by the Council and provides advice to Committees and the Council on the development of future policy and budgetary issues and oversees the implementation of Council policy. Influences a corporate culture and fostering a culture of high ethical standards and integrity. Identifies and addresses cross cutting and strategic issues that may impact on the Council's control environment and risk.
	Corporate Management Team (CMT)	<ul style="list-style-type: none"> Responsible for developing, maintaining and implementing the Council's governance, risk and control framework. Including maintaining service risk registers. Contribute to the effective corporate management and governance of the Council. Provide assurance statements for the governance arrangements within their services which inform the Local Code of Corporate Governance and the AGS.
	External Audit	<ul style="list-style-type: none"> Audit/ review and report on the Council's financial statements (including the Annual Governance Statement), providing an opinion on the accounts and use of resources, concluding on the arrangements in place for securing economy, efficiency and effectiveness in the use of resources (the value for money conclusion).
	Internal Audit	<ul style="list-style-type: none"> Provides independent assurance and annual opinion on the adequacy and effectiveness of the Council's governance, risk management and control framework. Delivers an annual programme or risk-based audit activity. Makes recommendations for improvements in the management of the Council's risk, governance and control environment.



Covid 19 Pandemic

Since March 2020 the Council has been impacted by the coronavirus pandemic. There was a significant impact on the Council in order to maintain essential services, whilst adapting to provide alternative virtual services in line with government guidance. In order to ensure the Council stays informed the Gold, Silver and Bronze groups still operate and meet every two months, where necessary. The various changes, which impacted the Council's governance, were reported within the 2019/20 and 2020/21 AGS. During 2021/22 the Council has continued to implement some changes made as a response to the Covid 19 pandemic, some of which have now become part of the Council's business as usual.

Decision Making

The legislation put in place during the Covid pandemic, which enabled Council's to carry out decision making committees remotely, was not renewed. As a result, decision making committees e.g., Council, Cabinet etc, reverted to being held in person. However, a hybrid approach is now being taken with non-decision-making committees where attendance can be in person or remote.

Emergency powers

Delegated powers remain in place to allow the Council to respond quickly when required to issue necessary grants. As there was still the potential that this was required these remained in place and are regularly reviewed. For example, during the phase of the Omicron outbreak, the Council was required to pay out grants to businesses to assist them, as a matter of urgency. The delegated powers were used in this instance to ensure the Council paid out these grants promptly.

Working from home

The Council has maintained a fluid approach to where staff work, enabling a hybrid of working environments to suit staff whilst also maintaining the same level of service provided to the Council's stakeholders. There is currently a 'rethinking the workplace' project underway which will firm up the Council's hybrid approach.

Financial implications

The Annual Governance Statement for 2020/21 outlined the significant impact Covid-19 had on the Council's finances. Whilst there was a shift in focus from dealing with the immediate short-term impacts from Covid-19 towards the recovery phase, the Council still had to assess and mitigate the impact on income from Council Tax, Business Rates and Fees and Charges. Additional expenditure, funded from Covid-related reserves was incurred, particularly around the Council's role in supporting the welfare of vulnerable individuals and communities, and costs associated with reopening the Council Offices and moving towards Council staff to working under a Hybrid model.

The Council continued to monitor high-risk income and expenditure budgets closely during the financial year given the potential impact on the Council's finances, uncertainty around how long restrictions would remain in place, and how recovery from Covid may fundamentally change some of the Council services.

The Government provided Councils with additional funding in 2021/22 to help mitigate the financial impact from Covid. Funding was provided directly to the Council in the form of grant funding and compensation for income loss from sales, fees and charges. The Council also received a number of funding streams that it was required to use to support businesses that were required to close or were subject to financial pressure because of the pandemic. These included a number of Business Rates Grants schemes with the Council being required to design and approve local schemes to support businesses.

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

- Covid-19 Emergency Funding: £0.489m
- Covid-19 Income Loss Compensation: £0.137m

The Government provided funding to support businesses through the pandemic with a number of different Business Rates Grants schemes active between March 2020 and March 2022. The Council paid out over £29m over this period as shown in the table below:

Grant Scheme	Active until	Value of Grant Payments (£)
Small Business Grants Fund (SBGF)	closed August 2020	7,050,000
Retail, Hospitality and Leisure Business Grants Fund (RHLGF)	closed August 2020	6,990,000
Local Authority Discretionary Grants Fund (LADGF)	closed August 2020	825,000
Local Restriction Support Grants (various schemes)	closed June 2021	6,637,786
Omicron Hospitality and Leisure Grant	closed March 2022	524,029
Restart Grant		3,700,033
Additional Restrictions Grant (ARG)	closed March 2022	3,336,944
Total		29,063,793

At the time of writing, the Council had yet to finalise the outturn position for 2021/22, but it was anticipated that the impact on the Council's revenue budget, as a result of the pandemic, had been as forecast and budgeted for in-year. It is worth noting that the Council does have balances and reserves available to help mitigate the likely outturn position and some of the financial risks and pressures outlined. However, it is expected the Council will need to review the 2022/23 budget and Medium-Term Financial Strategy over the course of the financial year to ensure the Council remains financially resilient.

Councils are required by law to have balanced budgets. If a way in which to finance expenditure cannot be identified then it is the statutory responsibility of the Section 151 officer, as a last resort, to issue a section 114 notice. This notice prohibits all new expenditure, with the exception of safeguarding vulnerable people and statutory services. Due to the current financial challenges, as a result of the Covid-19 pandemic, CIPFA agreed with MHCLG to temporary modifications to the existing guidance around issuing section 114 notices, in order to create an opportunity, within existing statutory limits, to enable an exploration of what further options and/or financial assistance may be available.

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

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

In December 2021, the Department for Levelling-up, Housing and Communities (DLUHC) announced an intention for the following dates to apply for the 2021/22 accounts and audit process in England:

31 July	Publication of the unaudited statement of accounts	The requirement in the Accounts and Audit Regulations 2015 (as amended) is for the public inspection period to be commenced by 1 August. However, this commencement can only happen at the earliest the first working day after the unaudited accounts (and other specified documents) are published.
30 November	Publication of the audited statement of accounts	The Accounts and Audit Regulations currently require publication by 30 September and will need to be amended before the date is formally moved back two months.

Services

With the move to business as usual and the removal of Covid-19 restrictions, the Council's services have resumed and facilities have reopened to the public, although the Council's offices currently operate on an appointment basis only. Certain facilities, e.g., Princes Hall Theatre, which had been used as a vaccination centre during the pandemic, have reverted to their primary function.

Throughout 2021/22 the Council has supported the broader Covid-19 response in facilitating test centres, both temporary and permanent, and vaccination centres. The Council also ensured that elections were carried out effectively whilst still maintaining the necessary Covid-19 restrictions which were in place at the time, which included social distancing, changes to canvassing and a greater push for postal votes.



Our values and behaviours set out what our organisation stands for and what is important to us collectively. Through embedding them into everything we do, we will work together to achieve success.



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

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

- The work of the Corporate Governance, Audit and Standards Committee (CGAS), Members and Senior Officers of the Council who have responsibility for good governance, as set out above in the diagram showing the overview of the Council's corporate governance framework.

Annual Governance Statement

- A statement of assurance is obtained from Heads of Service to confirm the governance arrangements in place within their service and any actions to be included within the AGS.
- Risk management reports and the corporate risk register is maintained and scrutinised by Corporate Management Team (CMT) quarterly and subsequently communicated to CGAS and the Corporate Governance Group.
- The Audit Manager's update reports on the internal audit activity, which provides an independent assurance that GRC is in place and provides an opinion on the effectiveness of these arrangements.
- Half yearly updates to the CGAS Committee monitoring the work carried out towards the governance actions identified in the previous year's AGS.
- Any comments made by External Audit or other external reviews.
- Internal Corporate Governance Group provides assurance over the governance arrangements within the Council.

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

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



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

PRINCIPLE A

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

PRINCIPLE A

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

Sub principles	Demonstrated by
<p>Behaving with integrity</p>	<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 is in place to assist and review the Constitution as and when required. • The Council also has in place various policies, procedures and guidance including HR policies, Anti-fraud, Acceptable Use of IT, Declarations of Interest, and Gifts and Hospitality. All colleagues are made aware of any new policies or changes and training is provided as necessary and the Council has commenced a programme to ensure policies are reviewed on an annual basis. • 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 appointed external professional advice from solicitors to support the legal work around property and construction for regeneration of Aldershot and Farnborough town centre. • Records of Executive Decision to evidence delegated authority are maintained for Regeneration. • 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 Management Team has responsibility to ensure that decisions are made properly and that these are monitored by the Governance Group and Deputy Monitoring Officers.

	<ul style="list-style-type: none"> Financial reports to relevant committees.
<p>Demonstrating strong commitment to ethical values</p>	<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, the Assistant Chief Executive, IT Service Delivery Manager, the Information Governance Officer and the Audit Manager, to ensure that the Council works within its rules and that the necessary governance provisions are followed, and associated guidance, advice and training is provided. The Council has adopted a Corporate Values Framework which sets out the attitudes and behaviours expected from staff. The four corporate values are Collaborate, Innovate, Brave and Integrity. Procurement processes are currently being reviewed to be made more robust to ensure high quality suppliers are selected and value for money is obtained. 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. The Licensing, Audit and General Purposes Committee changed to Corporate Governance, Audit and Standards committee to provide more focus on corporate governance. Training has been provided to the Committee to strengthen their focus. In addition to this an independent member has been appointed with an audit background to provide further support to the Committee and scrutiny of the Council's governance arrangements. Member training is provided for Members to support them in their roles, and they are encouraged to attend training including on Equality, Diversity and inclusion. A Champion for Equality and Diversity has been appointed for Cabinet and Equality & Diversity Action Plan has been put in place as an outcome from the peer review work.
<p>Respecting the rule of law</p>	<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. This was formally adopted by the Council in June 2020. 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 financial control environment. The Council's in-house legal service identifies and advises the Council on key elements of the law and their application.

	<ul style="list-style-type: none"> • The Council is mostly compliant with the Local Government Transparency Code. The Council has commenced a programme to ensure compliance with all the mandatory publication requirements of the code. The Corporate Management Team own the elements of the code which are specific to their services while the Corporate Governance group have oversight. • The Corporate Health and Safety team collate breaches and liaise with appropriate partner organisations and authorities e.g. HSE • The Council is compliant with the governments Public Services Network (PSN) and the Council is working towards completing the implementation of a Cyber Security treatment plan in line with the 10 steps guidance from the National Cyber Security Centre (NCSC), with work to enhance ransomware defences, backup solutions, cloud delivery, identity management, business continuity and incident management for cyber security. • The Council has in place a specific Data Protection Officer and breaches are reported to the Information Commissioners Office (ICO) as appropriate.
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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 – Annual Statement of Accounts • The Council's 3-year business plan is published on the council's website along with the monitoring of the actions towards the plan. • 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. • During 2021/22 the Council published 4 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"> • Rushmoor Partners Network is in place, which in future will include a focus on the UK shared prosperity fund. • Regular informal consultation is undertaken with representatives of all public sector partners that have a presence or footprint within the Borough's area. • A statement of community involvement is published on the Council's website. • Formal and informal consultation is carried out with Members through a range of working groups.

	<ul style="list-style-type: none"> • As part of delivering regeneration projects and better use of assets there are regular interactions with organisations such as Homes England, Hampshire County Council, the M3 LEP, Defence Estates and major local landowners and appropriate services within the Council. • The Council adopted the Local Plan 2014-2032 on the 21 February 2019, which involved participation from numerous stakeholders. Details are published on the Council’s website. • Local Enterprise Partnership (LEP) (Enterprise M3) – The Council has established good relationships and partnership arrangements as part of the involvement with the LEP. • A relationship management approach and system is in place. We now have an audit trail on contacts and have increased our levels of engagement through visits, meetings and working through partners. As part of the development of the Strategic Economic Framework strategic engagement to inform the framework was completed. • The Council supports the Prospect Estate Big Local (PEBL) • Re-negotiation of contracts based on open-book reviews for example on the Council’s waste contract, which has regular involvement from the Portfolio Holder, the Cabinet and other elected members.
<p>Engaging with individual citizens and service users effectively</p>	<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. There has been extensive consultation for the regeneration function including direct mailshots, public exhibitions, group meetings and presentations. • The new Council website project informed by resident engagement and feedback on existing website and opportunities to test the new site (currently under development and due for launch in May 2022) • 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 (Savings and Transformation Programme) in place and consultation with Members, Officers, Key stakeholders and the public is ongoing to assist and shape this programme delivery and underpin the principle of a ‘one-Council’ approach. • Examples of significant consultation exercises carried out during 2021/22 included: <ul style="list-style-type: none"> - Tell us what you think about the services we provide – 2021 - Our plans for Southwood Country Park – your views - Strategic Economic Framework - your views - Aldershot Town Centre Public Space Protection Order - Tell us what you think - Draft Green Infrastructure Strategy - Tell us what you think

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| | <ul style="list-style-type: none">- Business Survey 2022 (This was a survey to businesses in the Borough only)• A scheme is in place within the Council's Constitution to have public participation at Member meeting. Therefore, meetings of the Council and its Committees are open to members of the public to attend, with agendas and minutes being publicly available on the Council's website.• Committee meetings can now be webcast to engage with stakeholders via different mediums. |
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PRINCIPLE C

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

Sub principles	Demonstrated by
<p>Defining outcomes</p>	<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, which is updated and published on a quarterly basis. The results of the Residents Survey 2021 were considered as part of the ‘evidence base’ for the Council Plan 2022-25. A Regeneration & Major Projects Programme is established and aligns to the Council Plan. • A People Strategy is in place 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 Cost Reduction & Efficiency Programme (CREP) was initiated to review significant expenditure across the Council’s services with a view to making savings. It has since been subsumed by the Savings & Transformation Programme (STP). • Option appraisals are undertaken for all key decisions and are a standard part of the operations. • Governance arrangements have been clearly set out for Rushmoor Homes. Proper management of Board reporting and relationship with Council. • An active review of service business plans are carried out during the year by Senior Management.
<p>Sustainable economic, social and environmental benefits</p>	<ul style="list-style-type: none"> • A template is in place for the Council’s reports to Cabinet which require the consideration of business, Strategic, Economic, Legal, Financial and Equalities impact of the decisions being made and how decisions are to be made. All reports requiring executive decisions (except those exempt) are accessible via the Council’s website. (Records of Executive Decisions)

A PESTLE analysis was carried out in order to contribute to the 10-year Council vision and rolling 3-year plan. This looks at how external moves will impact on the Council's plans and objectives. The Council's Policy and Performance team monitors place and organisational data to support the work.

- Service and Project risk registers are regularly updated with links to the Corporate Risk Register.
- The Council has adopted and implemented the Local Plan 2014-2032 (adopted 21 February 2019). Details are published on the Council's website. Consultation was undertaken, and a proactive role was undertaken to engage as many residents and stakeholders as possible. Feedback from the consultation informed the submission of the Local Plan. Social, environmental and economic evidence was obtained to inform the development of the Local plan
- In November 2019, members of the council's Cabinet approved the council's Climate Change Action Plan 2020-2030. There are more than 90 actions in the plan, which will be updated every year and includes plans to
 - increase recycling and reduce waste, including by introducing a weekly food waste collection service in 2021/22, ahead of the anticipated national introduction in 2023
 - To look at how we make sure Aldershot and Farnborough town centre regeneration schemes include measures like energy efficient buildings, energy generation, and green transport
 - To involve local people in our efforts, including through things like community gardens and helping people get more involved in their local neighbourhoods
 - To make our own buildings more energy efficient, moving to green energy where possible, and to look at how our staff can work differently to reduce our impact on the environment

- Rushmoor Development Partnership

Through its business plan and site development plans the economic, social and environmental benefits of regeneration are quantified including:

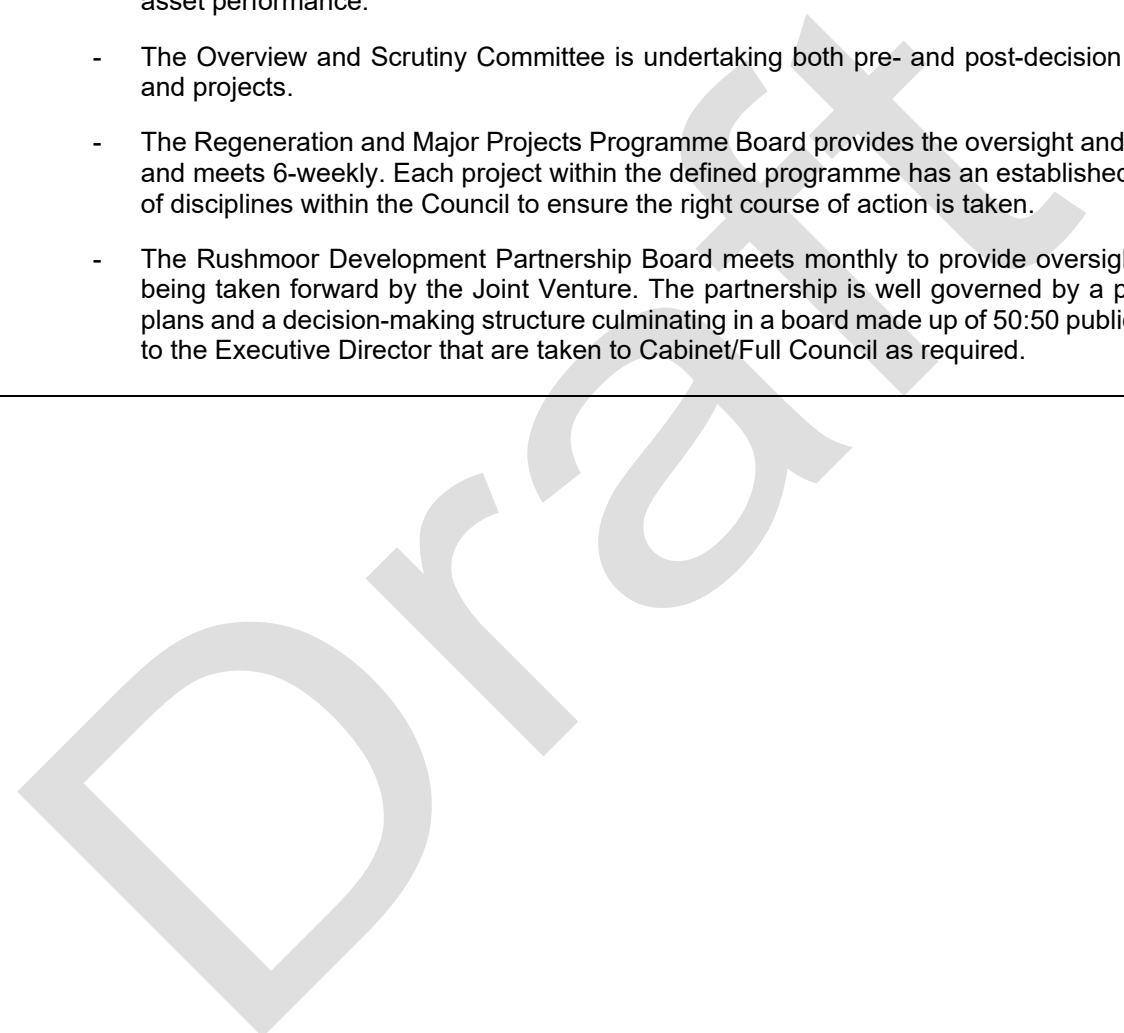
- Placemaking – ensuring the that the developments proposed provide enhancements to the vitality of the local community and the physical environs.
- Sustainability – with the Climate Emergency declared by the Council the redevelopment of Farnborough town centre has been identified as offering the opportunity to display an exemplar approach to design, transportation and community facilities.
- Financial returns – developments are viable and deliverable while still achieving community support for transforming the town centres.
- Utilising external expertise – a partnership approach is taken to development making the most of the attributes of the respective partners in terms of risk, knowledge management, data assessment and communications. In addition external advice has been sought to bolster officer capacity and expertise in deciding upon the best routes to deliver regeneration in terms of value for money.

PRINCIPLE D

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

Sub principles	Demonstrated by
<p>Determining interventions</p>	<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 for the Council's Union Yard Regeneration Project. • The Overview & Scrutiny Committee considers the effective delivery of Council priorities and recommends interventions and remedies as appropriate. • Consideration of alternative courses of action for all decision making is undertaken. • The Corporate Governance Group consider legal/constitutional issues associated with decision making.
<p>Planning interventions</p>	<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. • The Corporate Manager -Legal Services and the Principal Solicitors are engaged in wider discussions with client teams on options for resourcing larger legal projects and higher profile actions to ensure these are resourced as efficiently as possible e.g., making use of the EM Lawshare framework discounted rates; considering alternatives to prosecution; considering the terms of a Public Space Protection Order; resourcing and managing external legal support for the regeneration projects.
<p>Optimising achievement of intended outcomes</p>	<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"> - Corporate Governance, Audit and Standards (CGAS) Committee, with specific roles to ensure effective governance

	<ul style="list-style-type: none"> - The Property Investment Advisory Group (PIAG) provides early consideration of projects prior to submission to the Cabinet. This group is supported by LSHIM who provide market-based assessments of acquisition, disposal, and asset performance. - The Overview and Scrutiny Committee is undertaking both pre- and post-decision scrutiny on a range of issues and projects. - The Regeneration and Major Projects Programme Board provides the oversight and key input into the delivery of projects and meets 6-weekly. Each project within the defined programme has an established resource structure across a number of disciplines within the Council to ensure the right course of action is taken. - The Rushmoor Development Partnership Board meets monthly to provide oversight and scrutiny of the projects being taken forward by the Joint Venture. The partnership is well governed by a partnership agreement, project plans and a decision-making structure culminating in a board made up of 50:50 public: private directors with reports to the Executive Director that are taken to Cabinet/Full Council as required.
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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 asked the Local Government Association (LGA) to carry out an equality peer challenge based on the Equality Framework for Local Government which was undertaken in January 2021. The main findings and recommendations from this review can be found on the Council's website (Peer Challenges of the Council) The Council is working towards implementation of the recommendations made from the Equality peer review. • The Council, where possible, collaborates with other authorities to share information and best practice and third parties, e.g. Hampshire & Isle of Wight Chief Executive group and subsequent groups. • CMT actively carry out reviews of their services and plans during the year. • The Council regularly makes use of 'benchmarking' exercises and other research to support corporate priorities and work.
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, mandatory training courses via the Council's E-learning modules 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 Corporate Values Framework, which sets out the attitudes and behaviours expected from staff. The four corporate values are Collaborate, Innovate, Brave and Integrity. • 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.

- 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 whom decision making powers are delegated.
- 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.
- The Council has established a Corporate Governance, Audit & Standards Committee by reformatting the roles and responsibilities of its former Licensing, Audit & General Purposes Committee to provide more of a focus on all matters around corporate governance. During the past year, the Council has also appointed an independent member to assist with their work and provided a suite of training for all members of the new Committee.
- The Council subscribes to relevant professional bodies e.g., CIPFA publications
- During the past 18 months, through the Pandemic working group, the Council implemented all covid secure working measures, staff wellbeing was a key priority, which include a remote working toolkit, new IT working from home equipment and additional IT support to help staff with the range of new systems introduced.

PRINCIPLE F

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

Sub principles	Demonstrated by
<p>Managing risk</p>	<ul style="list-style-type: none"> • The Risk management policy has been embedded over 2021/22 and internal audit reviewed in February 2022. Audit actions will be addressed in 2022/23 and will bring some revisions to the existing policy to improve efficiency of reporting and to further strengthen the link between risk registers and the Council Plan. Training on the Council’s risk management policy was provided to Service Managers and Heads of Services in February 2021 and offered to CGAS Members in summer 2021. Cabinet receives quarterly reports covering both performance and risk. The Corporate Management Team reviews the risk registers on a bi-monthly basis. Service and Project risk registers feed into the Corporate Risk Register. Furthermore, risks are considered within activities and decision-making reports taken to Cabinet. • Service and Project risk registers are managed and updated regularly. • Internal Audit provides a risk-based audit plan and reports on the effectiveness of risk management to the Corporate Governance, Audit and Standards (CGAS) Committee. • 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. • Work to review the Council’s Business Continuity policy had been ‘paused’ during Covid response and recovery but re-commenced in autumn 2021. The Council is receiving advice and guidance on the existing policy from Hampshire County Council and a programme of training for key members of staff is scheduled for April 2022. • IT Disaster Recover business continuity service/ plans have been reviewed and updated – the work was linked to the DLUHC cyber security treatment plan 2021/22 – 2022/23. • A new Cyber Security Stance was presented to the Corporate Management Team (Oct 2021), setting out the threat of cybercrime, the councils technology stance, work plans and mitigations. In addition, all staff attended a specific ‘phishing’ training and awareness session. IT follows End User Device (EUD) guidance issued by National Cyber Security Centre (NCSC) when implementing security solutions and endpoint operating systems. Council IT infrastructure is audited annually, and results passed to NCSC for review and further guidance on actions to take to maintain compliance (including annual PSN assessment). Recently the Council has been awarded funding from the NCSC to improve its Cyber Security arrangements.

<p>Managing performance</p>	<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 Council's management ensures day-to-day performance management is normal as part of the culture and through the Council's management teams there is a culture of robust challenge in place for all key decisions. • The creation and publication of the Council's 3-year business plan for 2022-25. The plan is published on the council's website along with the monitoring of the actions. • 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.
<p>Robust internal control</p>	<ul style="list-style-type: none"> • All Rushmoor staff is responsible to some degree in the management of risk and adherence to internal controls in their day-to-day activities, from front line staff to Heads of Service (HoS), Executive Directors and the Chief Executive. Employees consider what might go wrong and take steps to reduce the likelihood or impact if it does by the use of internal controls. • Internal Audit provides an annual opinion on the effectiveness of the Council's governance, risk management and internal control environment. This assurance is obtained from involvement with relevant governance, risk management and internal review groups and outcomes from audit reviews carried out within the year. Details of this are reported to the CGAS Committee for review. • The Council has a Corporate Investigations Team who investigate potential fraud, corruption and maladministration and provide effective counter fraud arrangements within the Council. • The Council carries out relevant external compliance checks e.g., Fire, safety checks and Covid 19 measures.
<p>Managing data</p>	<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 work is currently underway to update the Council's Information Security policies. • 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. • Information governance e-learning modules are mandatory for all staff and Members on how to manage Council data. • Data breach logs are in place to record and enable review of breaches to ensure lessons are learnt and relevant action taken to prevent further breaches.

	<ul style="list-style-type: none"> • Data validation is an ongoing process and there are a number of year-end validation processes carried out particularly around the financial systems. In the past year, a new property system, Concerto, has been implemented, and a data validation exercise has been carried out to ensure that the data within the system is relevant, up to date and correct. • Executive Head of Finance is member of Information Governance Group and the Council's SIRO
<p>Strong public financial management</p>	<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. • The Council is developing its programme to ensure compliance with the CIPFA Financial Management Code during 2022/23.

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

Sub principles	Demonstrated by
Implementing good practice 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 is mostly compliant with the Local Government Transparency Code. The Council has commenced a programme to ensure compliance with all the mandatory publication requirements of the code. The Corporate Management Team own the elements of the code which are specific to their services while the Corporate Governance group have oversight. • 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, 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 CGAS Committee reviews and approves 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 on a quarterly basis. • Reporting arrangements for RDP/Housing Company have been put in place. Regular update seminar through the Policy and Projects Advisory Board, formal presentation to all Members at the point of submission of a planning application. Formal monitoring reports will be provided every six months to the Council's shareholder and the Chief Executive. The Chief Executive will enable consideration of these reports by the Council's Overview and Scrutiny Committee on progress and the CGAS Committee on any governance matters.

<p>Assurance and effective accountability</p>	<ul style="list-style-type: none"> • The terms of reference and working arrangements of the CGAS Committee focus on ensuring transparency and effective audit of processes. Furthermore, an independent member has been appointed with specialist skills in audit to assist with the CGAS Committee. • There are arrangements in place for ensuring all agreed actions from peer reviews, internal audit, external audit, or other inspectorate work are implemented by Management. Work is currently underway to ensure that the recommendations from the Equality Peer Review are put in place. • Risk based internal auditing provides ongoing assurance that the key risks are being managed. • A fundamental review and update of the Constitution was carried out and formally adopted by Council in June 2020.
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7. How has the Council Addressed the governance improvements actions from 2021/22?

The Annual Governance Statement 2020/21 contained the following key improvement actions. Updates have been provided throughout the year to the Corporate Governance, Audit and Standards Committee. Details of the latest update on these actions are detailed below. Where actions are ongoing these will be carried forward into the 2022/23 Action plan.

Governance Issue	Action	Current status
The Council faces a significant funding gap over the Medium-Term Financial Strategy period.	<p>The Council is working on a Cost Reduction and Efficiencies Programme (CREP) to identify cost reductions and additional income for the new MTFS period.</p> <p>A detailed design for the programme was agreed by Cabinet in March 2021 with significant work undertaken by Heads of Service and Service Managers to identify opportunities and lines of enquiry that will be validated and considered by members during 2021-22.</p> <p>The Assistant Chief Executive (as project sponsor) and the Executive Head of Finance (as Section 151 Officer) will provide support to the programme to enable members to consider options to close the funding gap.</p>	<p>Council approved the 2022/23 Revenue Budget and considered the MTFS at their meeting on 24 February 2022. The budget and MTFS included CREP opportunities with savings of £478k identified for 2022/23.</p> <p>The MTFS shows a significant funding gap remains across the MTFS and the Budget report to Council outlined the approach to be taken with the Savings and Transformation Programme (STP) to address the funding gap.</p> <p>Revised implementation date: July 2022</p>
Compliance with the CIPFA Financial Management Code	The Executive Head of Finance will undertake an assessment of the Council's compliance with the CIPFA Financial Management Code during Q3 2021 and prepare an Action Plan on matters or areas for improvement. These will be included in subsequent reports to the Corporate Governance, Audit and Standards committee as part of the update on the Annual Governance Statement Action Plan.	<p>An assessment by the Executive Head of Finance against the CIPFA FM code is planned for March/April 2022.</p> <p>Revised implementation date: May 2022</p>
External Audit have yet to provide an opinion for the 2019/20 accounts.	The Executive Head of Finance will ensure that the necessary information is provided to the external auditors to enable them to finalise their opinion on the 2019/20 accounts.	<p>The external audit opinion has not yet been received. Expectation is this would be provided by June 2022.</p> <p>Revised implementation date: June 2022</p>

<p>Relationship Management and economic engagement plan</p>	<p>Develop relationship management approach and processes and economic engagement plan.</p>	<p>The development of a relationship management approach/processes through an engagement plan has been formalised through the drafting of the Council's Strategic Economic Framework (SEF). This is due to be signed off by Cabinet in March 2022. The SEF sits below the Council's Business Plan 2022-2025.</p> <p>The SEF notes that the council will:</p> <p>1.1: Create and maintain a Key Businesses Account Management Programme</p> <p>1.1.a) The council will establish and maintain a CRM (Client Relationship Management) system to help coordinate dialogue with businesses.</p> <p>Both actions are underway within the Economy and Growth team which has now been recruited. The Council's key businesses have been identified, relationships mapped and the Economy and Growth Team is systematically seeking to engage those businesses. A CRM has been developed and is being used by the team to capture business interactions. We are engaging other business facing teams in the council to explore how information on business engagement can be captured and shared across services - where data sharing agreements allow.</p> <p>Revised implementation date: March 2022 Implemented</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>Finalise development of the Asset Management Strategy which supports the approved annual Capital Strategy.</p>	<p>Carried Forward</p> <p>Issues regarding Capital and Investment need to be considered in the light of the overall Capital Strategy, Treasury Management Strategy and Asset Management Plan. The need for a separate Capital and Investment Strategy given the Council will purchase for regeneration or invest into its existing Portfolio is now questioned. This will be reviewed following completion of the Asset Management Plan.</p> <p>Revised implementation date: July 2022</p>

<p>Concerns have been raised regarding the Council's systems and procedures for recording and monitoring commercial property (rental) income.</p>	<p>Timetable for implementation of Property System and review of the Finance system processes (Sales Ledger) will need to be agreed.</p>	<p>Carried Forward Improved reporting and revised invoicing timings have generally improved rent collections and the timing of this is Qtr Day post 7, 14, 21 & 28. Day collection figures show higher rates in 2021/22.</p> <p>Concerto has gone live for Estates Management now.</p> <p>Revised implementation date: June 2022</p>
<p>Continue to act commercially in a more uncertain economic environment which will require revised assessment analysis appraisal to be carried out for the risk and return.</p>	<p>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.</p>	<p>Carried Forward This is being addressed through the Council's Savings and Transformation Programme. An overview on the approach was set out in Appendix 4, Section 5 of the Revenue Budget, Capital Programme and Council Tax Level report to Council in February 2022.</p> <p>Revised Implementation date: September 2022</p>

Governance issues identified for 2021/22

The review of the effectiveness of the Council's governance framework has identified the following actions that will need to be addressed during 2022/23, excluding the actions carried forward from 2021/22 as detailed above. The progress against these actions will be reviewed by the Corporate Governance Group and regularly reported to the Corporate Governance, Audit and Standards Committee.

Governance Issue	Action	Target date	Lead Officer
Improving the robustness of estimates for schemes being considered for inclusion in the capital programme	The Executive Head of Finance will lead on the Council's Capital Programme planning process to ensure estimates of future capital expenditure are robust, to maintain the affordability of capital expenditure, revenue impacts are fully considered including mitigation of cost pressures.	July 2022 (with adoption as part of the 2023/24 Budget Strategy October 2022)	David Stanley, Executive Head of Finance and Section 151 Officer
Compliance with the CIPFA Financial Management Code	The Executive Head of Finance has undertaken an initial review of the Council's compliance with the CIPFA Financial Management Code for 2022/23 and will set out an Action Plan in response. An annual assessment will be undertaken by the Executive Head of Finance against the FM Code.	March 2023	David Stanley, Executive Head of Finance and Section 151 Officer
External Audit have yet to provide an opinion for the 2019/20 or 2020/21 accounts.	The Executive Head of Finance will ensure that the necessary information is provided to the external auditors to enable them to finalise their opinion on the 2019/20 accounts. Improvements have been made in the way Property Asset information is held and maintained which will support the audit of the 2020/21 and 2021/22 Accounts.	October 2022 & March 2023	David Stanley, Executive Head of Finance and Section 151 Officer
Process for s106 is more robust and continues to identify, collect and use contributions appropriately.	Key issue is now ensuring spend and as substantial funding is related to Open Spaces a post funded from s106 is being proposed to enable projects to be moved forward	September 2022	Tim Mills, Head of Economy, Planning and Strategic Housing
Ensuring comprehensive compliance around cyber security in line with the guidelines provided by the National Cyber Security Centre.	Enhancing our Cyber security Strategy and formalisation of a cyber security action plan. This is being actioned by the Cyber Security Treatment Plan.	October 2022	Nick Harding, Head of IT, Facilities & Customer Services
Ensuring compliance with the mandatory elements of the Local Government Transparency Code	Relevant services to carry out the necessary work to ensure that the mandatory elements of the transparency code are appropriately published as required. The Corporate Governance Group will have oversight to ensure that this is implemented.	July 2022	Rachel Barker, Assistant Chief Executive

Governance Issue	Action	Target date	Lead Officer
Office 365 governance set-up	<p>The main aim of this to ensure that the Council's data is protected, retained and handled appropriately. When Office365 was implemented across RBC governance policies were not developed and applied which needs rectifying.</p> <p>Currently engaging with Silversands to provision a set of activities for a Data Protection Pilot to help focus on how to control sharing of a sample data set stored in Office365, assisting in the definition of internal policies providing technical advice and design of technical controls to implement agreed policies. In addition to provision a set of activities for an Information Governance Pilot that will help to focus on retention requirements for a sample data set from the pilot department which will assist in the development of a corporate retention policy and to map this policy to technical controls available in Office365.</p> <p>Outcomes of these pilots can then be assessed and applied across the rest of RBC, if agreed.</p>	September 2022	Information Governance Officer / Catriona Herbert, Corporate Manager Legal Services

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Certification

To the best of our knowledge, the governance arrangements, as defined above and within the Council's Code of Corporate Governance, have been effectively operating during the year with the exception of those areas highlighted on page 29 above. We propose over the coming year to take steps to address the above matters identified above to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation during the year and as part of our next annual review.

Signed:



David Clifford
Leader of the Council



Paul Shackley
Chief Executive

Date:

2022

2022

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.

Funded Benefits

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

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.

Glossary of Terms

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.

Glossary of Terms

Revenue Expenditure

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

Revenue Support Grant

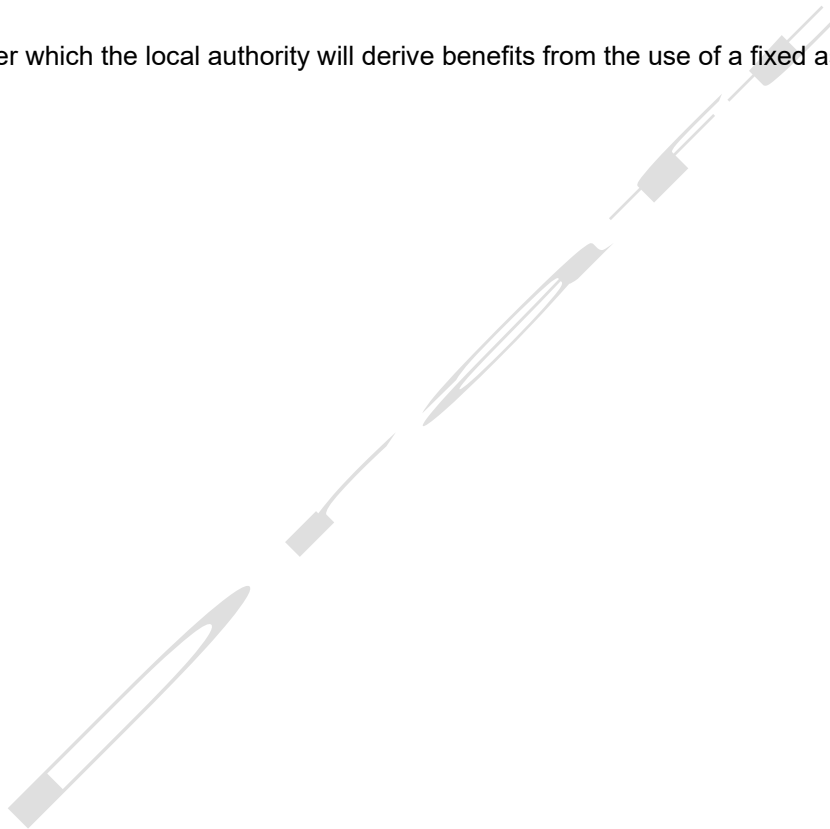
Grant paid by the Government to local authorities to help them finance the cost of their services. The system is designed so that if all local authorities spend at the level determined by the Government, the Council tax would be the same across the country.

Unfunded Benefits

The unfunded benefits are pensions arising from additional service awarded on a discretionary basis e.g., Compensatory Added Years pensions that have not previously been 'converted' to funded benefits. Such benefits are charged to the employer as they are paid. This is in contrast to funded pensions, which are paid for out of the assets of the Fund, and which the Employer has responsibility for funding by paying contributions to the Fund.

Useful Life

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



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