



STATEMENT OF ACCOUNTS 2023/24

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NARRATIVE STATEMENT

This narrative statement provides a brief explanation of the Council's overall financial position and some key messages which aim to assist readers in the interpretation of the accounting statements.

The Borough of Test Valley

Test Valley covers 62,758 hectares on the western side of Hampshire. The borough contains a mixture of urban, semi-urban and rural areas, with a large proportion of residents living in either Andover or Romsey and the surrounding areas, or in towns and villages scattered across the borough.

Key facts about Test Valley

Population 135,600 (Small Area Population Forecast 2023 base)¹

Average house price £387,400 March 2024 (£279,600 National Average)²

87.6% of 16 – 64 year olds in employment (75.5% National Average)³

Average gross weekly (full time) earnings £721.20 (£682.60 National Average)³

1,520 (1.9%) of working age residents claiming universal credit (3.8% National Average)³

5,950 Business Enterprises³

16,298 tonnes of waste recycled or composted in 2023/24

1,381 planning applications received in 2023/24

Source:

1. *Hampshire County Council*
2. www.gov.uk *House Price Index*
3. *NOMIS – Official Labour Market Statistics*

Governance

During 2023/24, Test Valley Borough Council consisted of 43 elected Councillors representing 20 wards. The political structure at the end of the year was:

Conservative 26

Liberal Democrat 17

Full details of the governance arrangements in place at the Council are contained in the Annual Governance Statement accompanying these accounts.

Council Priorities, Corporate Plan and Performance

In April 2023, the council launched its new Corporate Plan, *A Place for Everyone – Supporting our Communities to Thrive*, which sets the authority's strategic direction from 2023 through to 2027. The plan includes the following strategic priorities:

- *Sustainability*, delivering lasting benefits for our communities.
- *Prosperity*, economic growth that impacts positively on our communities.

- *Connection*, building upon the identity, strengths and ambitions of our communities.
- *Inclusion*, working together to create opportunities for our communities.
- *Environment*, a greener borough for our communities.

The Corporate Plan is underpinned by a Corporate Action Plan (CAP) which runs for the lifetime of the plan and is updated annually. It shows in detail how the council is making progress against these priority aims and includes a range of corporate performance indicators.

Each year, a review is undertaken to update the CAP to ensure it continues to highlight the significant projects that the council is taking forward in pursuit of its corporate priorities.

More information on our Corporate Plan can be found on our website:

www.testvalley.gov.uk/corporateplan

Achievements against the Corporate Action Plan

Given the scale and scope of the projects that form the CAP, it is expected that most projects that feature on the CAP will do so for multiple years.

Headline examples of progress in year one of the new Corporate Plan include:

- The council continued to support the work of the borough's two community partnerships, Andover Vision and Romsey Future. The council have worked closely with both partnerships to support the development of action plans that will steer the work of the partnerships in the coming year.
- Following the award in November 2023 of £18.3M from round three of the government's Levelling Up Fund (LUF), work has accelerated on the Masterplan to transform the town centre – will see the creation of the theatre and cultural hub run alongside development of the Western Avenue Riverside Walk.
- The council has appointed national architects to design and deliver a new theatre for Andover. The architects will now be working closely with the Council and local stakeholders to develop design concepts for the new venue.
- The development of the Western Avenue Riverside Walk is moving ahead too. In line with the vision set out in the Andover Masterplan, a park will be created adjacent to the river Anton to provide pedestrian walkways and cycle lane improvements. The council is currently working closely with Southern Water, Hampshire County Council and local businesses to progress plans and design concepts.
- The council has supported work with colleagues in health to continue the provision of a range of health services via the Health Hub in the Chantry Centre. Services include vaccinations, health checks physiotherapy, pharmacy, breathing tests, learning and disability health checks. On average, the service is managing around 400 appointments per month for these services.
- As part of a creative programme of events and activities to bring people into Andover town centre and drive business, 59 events were delivered by the council and partners during 2023.
- Since launching the place brand for Andover town centre, the council has run workshops with representatives from local organisations to discuss how to use the

brand. Next steps include working with local businesses to start to implement the brand.

- In Romsey, further work has been undertaken regarding community facilities. To ensure that the council fully understands residents' views, we have held public workshops during May 2024 to inform Citizens' Assembly meetings in July and September 2024.
- We have continued to make our green spaces more wildlife friendly, leaving some areas across the borough unmown and seeding wildflowers where appropriate to allow wildlife to thrive.
- Funded by the Public Sector Decarbonisation Scheme, Bourne House's gas heating system has been replaced with new electric powered heating systems alongside solar panels to help account for increased electricity consumption.
- We have progressed plans to expand our depots to support anticipated changes to our waste collection systems.
- A net zero business support service was launched in December 2023, engaging with 41 companies through seminars and site visits, providing guidance and recommendations on how these businesses can reduce their carbon footprint.
- The council has supported rural businesses and communities to apply for and spend small scale grants funded by the Rural England Prosperity fund.
- A series of events were held with communities across the borough to help understand and shape priorities for their local area. This has resulted for example in the development of a village shop network which connects and supports village shops across the borough to meet, network and share best practice.
- We have supported our communities in all aspects of community planning including appointing a new additional neighbourhood Planning officer and commencing an update on our Community Planning toolkit.
- As well as appointing a new additional neighbourhood planning officer, we have supported the Neighbourhood Plan in Kings Somborne, with 3 sites for housing allocating at least 42 homes. As well as supporting the Neighbourhood Plan in Wellow with 2 sites for housing allocating about 20 homes.
- Events have also promoted support for communities in developing grant applications. This year we have awarded:
 - Over £50k towards 76 Cllr community grants – many linked to the thriving communities workshops.
 - £300k in community asset fund grants to 13 community organisations.
 - Over £380k in revenue funding to 6 local organisations.
- The council has continued to support a conducive environment for new and established business to grow, providing and signposting to business support opportunities and grants. During 2023/24, 13 Business Incentive Grants were paid out, to the value of £19,750. Additionally, five Independent Retailer Grants were approved.

- We also relaunched the Test Valley Borough Council business newsletter in October 2023, with good subscriber uptake increasing monthly.
- Through the UK Shared Prosperity Fund we have provided direct support to the University of Southampton Science Park towards a fast-track catalyst programme targeted at early-stage innovation led businesses.
- We relaunched the manufacturing in Andover group, 3 meetings held last year each hosted at local businesses including PLP, Ocado and Bowyer engineering. These focussed on themes including net zero decarbonisation and skills and recruitment.
- In partnership with DWP we have delivered 2 job and employment fairs in Romsey. 120 people attended the event in September 2023, interested in jobs and apprenticeships, with approximately 50 people identified as potential candidates for local businesses and 4 signed up for local apprenticeships.
- The Local Plan consultation closed on 2nd April after 8 weeks of consultation. Approximately 700 people attended the exhibitions held across the Borough. Officers are currently registering the representations received.
- In 2023/24 the council enabled the delivery of 112 new affordable homes. While below the target of 200 homes per year set out in the Housing Strategy 2020-25, the delivery over the preceding three years of the Corporate Plan by far exceeded the target, bringing the average delivery so far over the period of the Plan to 239 new affordable homes per annum.
- Through strong partnership working with relevant agencies, we have been able to reduce the number of new people rough sleeping in the borough. We will build on this work going forward, implementing lessons learnt to ensure all residents who are at risk of experiencing homelessness can benefit. As part of our commitment, a new three-year Preventing Homelessness and Rough Sleeping Strategy was approved by Cabinet in February 2024. The strategy recognised new client groups such as refugees: we have utilised funds from MHCLG to enable the delivery of 14 new affordable homes specifically for Ukrainian and Afghan refugees.
- The council has distributed over £35K in cost-of-living grants to help run 32 community support projects including, breakfast clubs, school uniform projects, comfort cafes and baby necessity schemes.
- We have also supported residents directly through the work of our benefits and housing teams – supporting access to food vouchers for households on council tax support and housing benefit as well as coordinating access to the Household Support Fund.

Financial Performance

The Council monitors its budgets under two major headings: Revenue and Capital. Revenue spending relates to items consumed in the year and is financed from Council Tax, business rates, fees & charges, government grants and other income. Capital spending creates assets with a life of longer than one year and is financed from the sale of assets, government grants, developer contributions and transfers from the revenue account.

Revenue Outturn for 2023/24

The initial forecast of General Fund revenue requirements began soon after the budget for 2022/23 was approved. A significant range of essential savings / improved income opportunities were identified and included in the budget and this is likely to be required again in the medium term.

The detailed budget was approved by Council on 23rd February 2023. The approved net expenditure forecast for 2023/24 totalled £15.285M.

The actual outturn for 2023/24 reported to Cabinet on 10th July 2024 was £1.290M better than expected. The main reasons for this variance were:

- £640,000 lower than budgeted employee costs
- £136,000 lower than budgeted transport costs
- £729,000 additional investment income
- £473,000 lower than budgeted benefit overpayment recovery

The surplus of £1.290M was transferred to the Capital Receipts Reserve. This reserve is used to fund future capital expenditure.

A summary of the approved budget and final outturn for revenue activities is shown in the following table.

	Approved Budget 2023/24 £'000	Actual 2023/24 £'000	Variance £'000
Service expenditure (including investment property income and expenditure)	18,076	19,661	(1,585)
Corporate Items			
Reversal of capital charges including depreciation	(5,181)	(8,806)	3,625
Investment income, borrowing and MRP	(3,404)	(4,132)	728
Non-service related grants	(8,673)	(8,012)	(661)
Business rates levy	3,120	3,437	(317)
Retention of business rates for renewable energy schemes	(505)	(522)	17
Transfers to earmarked / capital reserves	11,852	12,450	(598)
Transfers to earmarked reserves arising from surplus in year	0	1,290	(1,290)
Transfer to / (from) Pension Reserve	0	241	(241)
Other	0	(4)	4
GENERAL FUND REQUIREMENTS	15,285	15,603	(318)
Met By			
Locally retained business rates	4,524	4,842	(318)
Council Tax	8,602	8,602	0
Other Collection Fund	2,159	2,159	0
TOTAL REVENUE RESOURCES	15,285	15,603	(318)

Accounting for Business Rates

Under the accounting arrangements for business rates, the Council retains 40% of the business rates collected; this was estimated in the original estimate to be £25.667M for 2023/24. From this amount the Council was required to pay the government a 'tariff' of £21.143M, leaving net budgeted income from rates' growth in the year of £2.054M compared to a baseline of £2.470M.

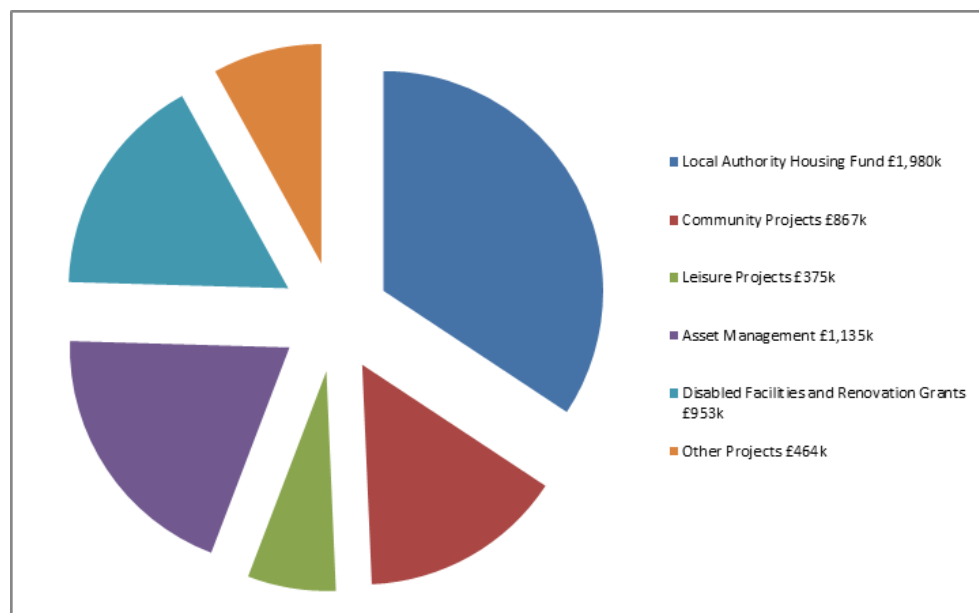
A complicated system of grants in respect of small business rates and other reliefs along with a levy for growth over the baseline figure is also in place. The budget assumed, after taking account of these reliefs and grants, a growth above the baseline of £6.240M resulting in a levy of £3.120M being payable. The actual retained income after taking account of the grants was £9.313M, a growth of £6.843M over the baseline figure. Of this, 50% is payable to the government as a levy on growth, after which the Council will retain a net surplus of £3.422M.

A summary of the position is shown in the following table.

	£'000
Total retained income from business rates	9,314
Baseline	(2,470)
Net growth on business rates	6,844
Levy @ 50% payable to government	(3,422)
Income retained by Test Valley	3,422

Capital Programme

Capital spending for the year totalled £5.774M, as summarised in the following chart:



The Council has invested substantially in capital projects in the year. The most significant was expenditure on housing for those unable to find settled accommodation on resettlement schemes through a registered housing provider with a total value of £1.980M.

The Council finances its capital expenditure from a mixture of usable capital receipts, capital grants and contributions, contributions from revenue and borrowing. In 2023/24, 72% came from contributions capital grants and contributions (£4.149M). The remainder of the capital expenditure was funded from revenue contributions (£1.273M), internal borrowing (£300,000)

and capital receipts (£52,000). The Council has set aside reserves for the future maintenance of its assets; budgeted asset management costs in 2024/25 and beyond will be funded from these reserves.

Approved capital investment over the next financial year is as follows:

	2024/25 £'000
Asset Management Projects	3,665
Disabled Facilities & Renovation Grants	2,319
Sports & Recreation	1,918
Community & Leisure Projects	1,164
Regeneration Projects	5,100
Investment Properties	2,759
External community projects funded from CIL	1,295
UK & Rural Prosperity Funds	1,149
Local Authority Housing Fund	1,044
Waste Service Changes	2,031
Other Capital Projects	1,039
TOTAL	23,483

Financial Position at the Year End

General Fund reserves stood at £2.604M at 1st April 2023. This is considered to be a prudent minimum level of general reserves and this figure remained unchanged at 31st March 2024.

In addition to the General Fund balances mentioned above, the Council held earmarked reserves of £51.474M available for specific revenue purposes and capital reserves of £22.148M available to spend on capital schemes.

Valley Housing Limited

On 30th April 2016, Valley Housing Limited, a Housing Development and Management Company which is a wholly owned subsidiary of Test Valley Borough Council was incorporated. Group accounts have not been prepared for the year ended 31st March 2024 as the value of transactions is not considered to be material.

Conclusion

High inflation levels continued to impact the Council and the communities we serve throughout the 2023/24 financial year. The direct impact of this has, to a large extent, been offset by higher interest rates and the Council's ability to generate income from cash investments. I anticipate that both inflation and interest rates will fall in the coming year and the prospects for both of these factors will feature heavily in future forecasting for the medium term.

I remain confident that the Council's level of reserves and overall financial position is comparatively strong when compared across the sector and that service provision in the medium term is secure.

I would like to extend my appreciation to all those that have contributed to the production of this year's Statement of Accounts.

Carl Whatley FCCA
Head of Finance & Revenues

EXPLANATION OF THE ACCOUNTING STATEMENT

The purpose of the Council's Statement of Accounts is to give interested parties clear information about the Council's finances.

There have been no major changes in accounting policy in 2023/24.

The accounts for 2023/24 consist of the following key statements:

- **The Statement of Responsibilities** declares the respective responsibilities of the Council and the Head of Finance & Revenues for the production of the Statement of Accounts.
- **The Expenditure and Funding Analysis** is a note to the financial statements, rather than a key statement. It shows all income and expenditure incurred by the Council throughout the year under statutory funding provisions and the adjustments that are required to these figures to produce the Comprehensive Income & Expenditure Statement under generally accepted accounting practices.
- **The Comprehensive Income & Expenditure Statement** shows all income and expenditure incurred by the Council throughout the year; it includes day-to-day transactions from running the organisation as well as gains / losses on assets and pension liabilities. The total comprehensive income and expenditure shown represents the total movement in the Council's reserves during the year.
- **The Movement in Reserves Statement** summarises the changes in balances on the Council's reserves in the year. Reserves are classified as either usable or unusable. Usable reserves include the unallocated General Fund Balance, Earmarked Revenue Reserves and the Capital Receipts Reserve. These are the reserves that the Council can apply to future expenditure subject to statutory conditions (e.g. the Capital Receipts Reserve can only be used to finance capital expenditure). Unusable reserves such as the Capital Adjustment Account and Revaluation Reserve generally reflect the timing differences between the purchase and the consumption of economic benefits of assets.
- **The Balance Sheet** shows the financial position of the Council and discloses the assets and liabilities for all Council Services. At the balance sheet date the net worth of the Council was £358.6M.
- **The Cash Flow Statement** summarises the Council's cash transactions for the year.
- **The Collection Fund** records all income from Council Tax and business rates. Expenditure includes payments to central government, Hampshire County Council (HCC), Hampshire and Isle of Wight Fire & Rescue Service (HIWFRS) and the Council's General Fund in respect of business rates' income; and precepts to HCC, HIWFRS, Hampshire Police and Crime Commissioner, local parish/town councils and the Council's own demand on the Collection Fund in respect of Council Tax. The Collection Fund is not incorporated within the Comprehensive Income & Expenditure Statement as it reflects the statutory requirement for billing authorities to maintain a separate Collection Fund.

The Independent Auditor's Report explains how the Council's auditors, Ernst & Young, plan their audit and the basis on which they provide an opinion on the Council's Statement of Accounts. It also gives the auditor's opinion on the Council's arrangements for securing

economy, efficiency and effectiveness in the use of resources in the year.

The Annual Governance Statement accompanies the Statement of Accounts and explains how the Council ensures that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. It is not covered by the auditor's opinion but is considered by the auditor and reported on by exception in the auditor's report if it is not compliant with proper practice.

The accounts are supported by the notes to the financial statements. These notes include a summary of significant accounting policies, further detail relating to matters in the main financial statements, assumptions made about the future and major estimations made.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS 2023/24

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Head of Finance & Revenues.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts

The Head of Finance & Revenues' Responsibilities

The Head of Finance & Revenues is responsible for the preparation of the Council'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 Head of Finance & Revenues has:

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

The Head of Finance & Revenues 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 the Head of Finance & Revenues

I hereby certify that the Statement of Accounts gives a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31st March, 2024.

Signed Date.....
Carl Whatley, FCCA, Head of Finance & Revenues

Signed Date.....
Cllr Carl Borg-Neal, Chairman of the Audit Committee

EXPENDITURE AND FUNDING ANALYSIS YEAR ENDED 31ST MARCH 2024

The Expenditure and Funding Analysis is a note to the financial statements, rather than a key statement. It shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement on page 12.

2022/23			2023/24			Note
Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	
£'000	£'000	£'000	£'000	£'000	£'000	
435	2,058	2,493	184	2,315	2,499	
4,196	2,150	6,346	4,657	1,349	6,006	
2,582	516	3,098	2,769	(4)	2,765	
114	1,762	1,876	1,827	3,003	4,830	
1,673	609	2,282	1,563	859	2,422	
1,258	391	1,649	1,655	55	1,710	
(8,614)	8,272	(342)	(8,950)	10,223	1,273	
100	(55)	45	(209)	36	(173)	
5,606	515	6,121	5,976	(119)	5,857	
3,129	(3,828)	(699)	3,173	(435)	2,738	
10,479	12,390	22,869	12,645	17,282	29,927	5
		Net Cost of Services				
(15,429)	(29,279)	(44,708)	(18,245)	(19,010)	(37,255)	5
(4,950)	(16,889)	(21,839)	(5,600)	(1,728)	(7,328)	5,8
		Surplus				
(43,528)		Opening General Fund	(48,478)			
(4,950)		Surplus on General Fund in Year	(5,600)			
(48,478)		Closing General Fund	(54,078)			

2022/23 £'000		2023/24 £'000
(2,604)	General Fund Balance	(2,604)
(45,874)	Earmarked Reserves Balance	(51,474)
(48,478)	Total General Fund	(54,078)

COMPREHENSIVE INCOME & EXPENDITURE STATEMENT YEAR ENDED 31 MARCH 2024

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

2022/23		Net Exp.	Services	2023/24		Net Exp.	Note
Exp.	Income £'000	2022/23 £'000		Exp. £'000	Income £'000	2023/24 £'000	
5,314	(2,821)	2,493	Community & Leisure	5,856	(3,357)	2,499	
8,582	(2,236)	6,346	Environmental Service	8,393	(2,387)	6,006	
4,289	(1,191)	3,098	Finance & Revenues	3,714	(949)	2,765	
5,026	(3,150)	1,876	Housing & Environmental Health	7,029	(2,199)	4,830	
3,610	(1,328)	2,282	Planning & Building	4,102	(1,680)	2,422	
1,721	(72)	1,649	Planning Policy & Economic Development	1,917	(207)	1,710	
4,975	(5,317)	(342)	Property & Asset Management	6,546	(5,273)	1,273	
18,974	(18,929)	45	Benefits	18,960	(19,133)	(173)	
6,824	(703)	6,121	Corporate & Support	6,744	(887)	5,857	
3,314	(4,013)	(699)	Central Costs	3,257	(519)	2,738	
62,629	(39,760)	22,869	Net Cost of Services	66,518	(36,591)	29,927	
			Other Operating Income and Expenditure				
0	(856)	(856)	Profit on disposal of Property, Plant & Equipment	0	(11)	(11)	20
1,848	(1,848)	0	Parish Precepts	1,983	(1,983)	0	
			Financing and Investment Income and Expenditure				
0	(2,087)	(2,087)	Interest Income	0	(4,483)	(4,483)	31
151	0	151	Interest Payable	147	0	147	31
202	0	202	Impairment Losses / (Gains)	134	0	134	
0	0	0	Loss on derecognition of financial instrument	375	0	375	31
5,432	(4,073)	1,359	Pension Fund Interest Costs	6,975	(6,585)	390	14
0	(4,253)	(4,253)	Changes in Fair Value of Investment Properties	0	(869)	(869)	17
0	0	0	Loss on Disposal of Investment Properties	150	0	150	20
347	(8,177)	(7,830)	Net Investment Property Income	400	(8,585)	(8,185)	17
70,609	(61,054)	9,555	Net Operating Expenditure	76,682	(59,107)	17,575	
			Taxation and non-specific grant income				
0	(8,374)	(8,374)	Council Tax Income	0	(8,635)	(8,635)	9
21,546	(22,532)	(986)	Business Rates Income & Expenditure	24,262	(27,262)	(3,000)	9
0	(7,585)	(7,585)	Non Ringfenced Government Grants	0	(8,013)	(8,013)	9
0	(14,449)	(14,449)	Capital Grants and Contributions	0	(5,255)	(5,255)	9,21
92,155	(113,994)	(21,839)	Surplus on the provision of services	100,944	(108,272)	(7,328)	
			Other comprehensive income and expenditure				
0	(5,077)	(5,077)	Net gains on revaluation of Property, Plant & Equipment	0	(1,735)	(1,735)	16
0	(45,497)	(45,497)	Re-measurement of the net defined benefit pension liability	0	(6,391)	(6,391)	14
92,155	(164,568)	(72,413)	Total comprehensive income and expenditure	100,944	(116,398)	(15,454)	

MOVEMENT IN RESERVES STATEMENT YEAR ENDED 31 MARCH 2024

This statement shows the movement in the year on the different reserves held by the Council, analysed into "usable reserves" (i.e. those that can be applied to fund expenditure or local taxation) and "unusable reserves".

The statement shows how the movements in the year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to Council Tax 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 Authority Reserves £'000	Note
<u>Movements during 2022/23</u>							
Balance as at 31st March 2022	43,528	7,936	7,049	58,513	212,215	270,728	
Total Comprehensive Income & Expenditure	21,839	0	0	21,839	50,574	72,413	
Adjustments between accounting basis and funding basis under regulations	(16,889)	(6)	1,387	(15,508)	15,508	0	8
Increase / (Decrease) in Year	4,950	(6)	1,387	6,331	66,082	72,413	29,30
Balance as at 31st March 2023	48,478	7,930	8,436	64,844	278,297	343,141	
<u>Movements during 2023/24</u>							
Total Comprehensive Income & Expenditure	7,328	0	0	7,328	8,126	15,454	
Adjustments between accounting basis and funding basis under regulations	(1,728)	4,676	1,106	4,054	(4,054)	0	8
Increase / (Decrease) in Year	5,600	4,676	1,106	11,382	4,072	15,454	29,30
Balance as at 31st March 2024	54,078	12,606	9,542	76,226	282,369	358,595	

2022/23 £'000		2023/24 £'000
2,604	General Fund Balance	2,604
45,874	Earmarked Reserves Balance	51,474
48,478	Total General Fund	54,078

BALANCE SHEET AS AT 31 MARCH 2024

The Balance Sheet summarises the assets and liabilities recognised by the Council as at the Balance Sheet date. The net assets are matched by a combination of usable and unusable reserves. These are shown in more detail in notes 29 and 30.

2022/23			2023/24		Note
£'000	£'000		£'000	£'000	
109,802		Land & Buildings	108,434		16
3,822		Vehicles, Plant & Equipment	3,368		16
12,821		Community Assets	13,019		16
604		Infrastructure Assets	575		16
315		Surplus Assets	310		16
	127,364	Property, Plant & Equipment (PPE)		125,706	
	166,245	Investment Properties		166,965	17
	92	Intangible Assets		76	18
674		Long-Term Debtors	578		31
25,496		Long-Term Investments	12,840		31
	26,170	Long-Term Assets		13,418	
16,299		Cash and Cash Equivalents	7,963		22
50,954		Short-Term Investments	68,959		31
1,695		Inventories	1,954		23
14,810		Debtors	16,287		24
(2,553)		Less: Impairment Allowance	(2,901)		24
	81,205	Current Assets		92,262	
(38,843)		Creditors	(27,741)		25
(272)		Short-Term Borrowing	(278)		31
(1,194)		Provisions	(682)		26
	(40,309)	Current Liabilities		(28,701)	
	360,767	Total Assets less Current Liabilities		369,726	
(6,299)		Long-Term Borrowing	(6,047)		31
(11,327)		Net Liability to Pension Fund	(5,084)		14
	(17,626)	Long-Term Liabilities		(11,131)	
	343,141	Net Assets		358,595	
		Usable Reserves			
2,604		General Fund Balance	2,604		29
45,874		Revenue and Earmarked Reserves	51,474		29
7,930		Capital Receipts Reserve	12,606		29
8,436		Capital Grants Unapplied	9,542		29
	64,844	Total Usable Reserves		76,226	
		Unusable Reserves			
37,088		Revaluation Reserve	38,089		30
251,423		Capital Adjustment Account	249,338		30
7		Deferred Credits	7		30
1,322		Collection Fund Adjustment Account	269		30
(216)		Accumulated Absences Account	(250)		30
(11,327)		Pension Fund Reserve	(5,084)		30
	278,297	Total Unusable Reserves		282,369	
	343,141	Total Equity		358,595	

These financial statements replace the unaudited financial statements certified on 30th July 2024.

Signed..... Date.....
C Whatley, FCCA, Head of Finance & Revenues

CASH FLOW STATEMENT YEAR ENDED 31 MARCH 2024

This statement summarises the movements in the Council's cash transactions. It shows the volume of financial activity that takes place between the Council and its stakeholders.

The Cash Flow Statement is different to the other statements because it is on a cash basis and some of the figures may not agree with other figures in the accounts which are all on an accruals basis (i.e. based on amounts payable and receivable rather than actually paid or received). The bottom section of the statement shows a reconciliation of the movement in Cash and Cash Equivalents in the year to the figures shown in the Balance Sheet.

2022/23			2023/24		Note
£'000	£'000		£'000	£'000	
		<u>Revenue Activities</u>			
	21,839	Net surplus on the provision of services		7,328	
		<u>Adjustments for non-cash transactions</u>			
3,143		Depreciation of PPE / Amortisation of intangibles	3,705		16,18
(4,253)		Revaluation Gains on Investment Properties	(719)		17
(967)		Impairment & downward / (upward) Valuations of PPE & intangibles	1,077		16,18
0		Derecognition of financial instrument	375		
5,222		Pension Fund Transfers	148		14
(11,310)		Other non-cash items	(122)		28
	(8,165)			4,464	
	(4,090)	<u>Adjustments in respect of Investing Activities</u>		(5,266)	
		<u>Adjustments for items on an accruals basis</u>			
488		(Increase) / Decrease in Debtors	(1,784)		
16		(Increase) / Decrease in Inventories	(259)		
(15,821)		Decrease in Creditors	(4,940)		
	(15,317)			(6,983)	
	(5,733)	<u>Net Cash Outflow from Operating Activities</u>		(457)	
		<u>Investing Activities</u>			
(74,971)		Purchase of Short-term and Long-term Investments	(54,517)		
90,000		Proceeds from Short-term and Long-term Investments	49,900		
(5,505)		Purchase of Assets	(4,046)		
20		Sale of Assets	0		
4,291		Other Capital Cash Received	4,694		
	13,835	<u>Net Investing Activity Cashflow</u>		(3,969)	
		<u>Financing Activities</u>			
(240)		Cash payments to reduce outstanding borrowing	(246)		
3,051		Other receipts / (payments) for financing activities	(3,664)		28
	2,811	<u>Net Financing Activity Cashflow</u>		(3,910)	
	10,913	<u>Net Increase in Cash and Cash Equivalents</u>		(8,336)	
	5,386	Cash and Cash Equivalents at the start of the reporting period		16,299	
	16,299	Cash and Cash Equivalents at the end of the reporting period		7,963	

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NOTES TO THE FINANCIAL STATEMENTS

1. **Accounting Policies**

1.1. This note sets out the accounting policies followed in compiling the Council's accounts. The aim of the note is to explain the basis of the figures in the accounts and to disclose policies that are significant and relevant to the Council.

1.2. **General Principles**

The Statement of Accounts summarises the Council's transactions for the 2023/24 financial year and its position at the year-end of 31 March 2024. 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 CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 ('the Code') and the Service Reporting Code of Practice 2023/24 supported by International Financial Reporting Standards (IFRS) and statutory guidance.

The Statement of Accounts has been prepared on a going concern basis. The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

1.3. **Prior Period Adjustments**

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or performance.

1.4. **Accruals of Income & 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 from service recipients, whether for services or the provision of goods, is accounted for when (or as) the goods or service are transferred to the service recipient in accordance with the 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 provided are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the

Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

1.5. **Cash and Cash Equivalents**

Cash is represented by cash in hand.

Cash equivalents are deposits with financial institutions payable without penalty or notice, maturing in not more than one day and are readily convertible to known amounts of cash with insignificant risk of change in value.

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

1.6. **Provisions, Contingent Liabilities and Contingent Assets**

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 and a reliable estimate of the potential liability can be reasonably calculated.

Provisions are charged as an expense to the Comprehensive Income & Expenditure Statement in the year that the Council recognises the obligation and are shown at the best estimate of the eventual outcome at the Balance Sheet date.

Payments to settle the obligation are charged against the provision. Any difference between the provision and the actual settlement figure are charged to the Comprehensive Income & Expenditure Statement when the obligation is settled.

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 where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount cannot be measured reliably.

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

Contingent Assets

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

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

1.7. Reserves

The Council sets aside specific and general amounts as reserves for future purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to be included in the surplus / deficit on the provision of services in the Comprehensive Income & Expenditure Statement. The reserve is then appropriated back in to the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets and retirement benefits and do not represent usable resources to the Council. Transactions with these reserves are explained in the relevant accounting policies below.

1.8. 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 / contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income & Expenditure Statement until conditions attached to the grant / contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant / contribution are required to be consumed by the Council as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants / contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors.

When conditions are satisfied, the grant / contribution is credited to the relevant Service line or Taxation and Non-Specific Grant income in the Comprehensive Income & Expenditure Statement.

Where capital grants are credited to the Comprehensive Income & Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. When the grant has been applied, it is posted to the Capital Adjustment Account.

Business Improvement District

A business improvement district (BID) scheme applies across Andover Town Centre. The scheme is funded by a BID levy paid by non-domestic ratepayers. The Council acts as an agent under this scheme. Only the following amounts are recognised in the Council's Comprehensive Income & Expenditure Statement:

- BID levy amounts payable on the Council's properties within the BID scheme area are shown as service expenditure under the relevant service.
- BID levy collection costs are shown in the net cost of services under the relevant service.

Community Infrastructure Levy

The Council has elected to charge a Community Infrastructure Levy (CIL). The levy is charged on new builds (chargeable developments for the Council) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy is used to fund infrastructure projects to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a small proportion of the charges (5% for the Council) may be used to fund revenue expenditure.

1.9. Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within twelve months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

An accrual is made for the cost of holiday entitlement and accrued flexible working hours (based on an average per employee) earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is charged to the surplus or deficit on the provision of services but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year that the absence occurs.

Termination Benefits

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

Post-Employment Benefits

The Council's employees are entitled to join the Local Government Pension Scheme administered by Hampshire County Council. This scheme provides defined benefits to members (retirement lump sums and pensions) earned as employees work for the Council.

The liabilities of the pension fund attributable to the Council are included in the Balance Sheet based on an actuarial valuation.

Full details of the valuation method are shown in the employee benefits note to the core financial statements.

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 standards. In the Movement in Reserves Statement, this means that there are

appropriations to and from the Pension Reserve to remove notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners. The negative balance that arises on the Pension 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.

1.10. **Events after the Balance Sheet Date**

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

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

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

1.11. **VAT**

Income and expenditure excludes any amounts related to VAT to the extent that it is recoverable from HM Revenue & Customs.

1.12. **Overheads and Support Services**

The cost of overheads and support services are accounted for under two separate headings, Corporate & Support and Central Costs, in the Expenditure & Funding Analysis and the Comprehensive Income & Expenditure Statement as part of the net cost of services. They are not charged to service segments.

1.13. **Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council (e.g. software licences) is capitalised when it is expected that the future economic benefits will flow to the Council.

Intangible assets are measured initially at cost. The balance is amortised over the useful life of the asset to the relevant service line in the Comprehensive Income & Expenditure Statement to reflect the pattern of consumption of benefits.

Amortisation is not permitted to have an impact on the General Fund Balance. These charges are reversed out of the General Fund balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

1.14. **Investment Property**

Investment properties are those that are used solely to earn rental income and / or capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Investment properties are not depreciated but are revalued annually according to market conditions. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure section in the Comprehensive Income & Expenditure Statement. The same treatment is applied to gains / losses on disposal.

Investment properties under construction are measured at fair value once it is possible to measure reliably the fair value of the investment property, and at cost before that date.

Rentals received in respect of leases on investment properties are credited to the financing and investment income section and result in a gain for the General Fund balance. However, revaluation and disposal gains / losses are not permitted to have an impact on the General Fund balance. The gains / 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 sale proceeds) the Capital Receipts Reserve.

1.15. **Property, Plant and Equipment**

Assets that have physical substance and are held for use in the provision of services, for rental to others or for administrative purposes on a continuing basis are classified as property, plant and equipment (PPE).

Recognition

Expenditure on the acquisition, creation or enhancement of PPE 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.

Expenditure that secures but does not add to an asset's potential to deliver future economic benefits (i.e. repairs and maintenance) is charged as an expense when it is incurred.

A de minimis level of £10,000 is applied to capital expenditure. Any expenditure on land, equipment or other chattels below this amount is not recognised as an asset.

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

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

- infrastructure and community assets – 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).

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

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. (Exceptionally, gains might be credited to the Comprehensive Income & Expenditure Statement where they arise from the reversal of a loss previously charged to a service.)

Where decreases in value are identified, they are accounted for as follows:

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

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

Impairment

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

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

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

Where an impairment loss is reversed subsequently, the reversal is credited to relevant service lines in the Comprehensive Income & Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would be charged if the loss had not been recognised.

Disposals

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to Other Operating Expenditure line in the Comprehensive Income & Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income & Expenditure Statement also as part of the gain or loss on

disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. 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.

Depreciation

Depreciation is provided for on all assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets).

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

Componentisation of an asset will be considered where:

- The carrying value of an asset is greater than £1M and
- The component is at least 20% of the carrying value of the asset and
- The change in depreciation after componentisation is greater than £10,000 per annum.

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.

1.16. Heritage Assets

Heritage assets are assets held primarily for their *historical, artistic, scientific, technological, geophysical or environmental qualities and maintained for their contribution to knowledge and culture.*

The Council does not have a policy in respect of the purchase, preservation, management and disposal of Heritage Assets.

Heritage assets are either excluded from the Balance Sheet or included within Community Assets, valued at historic cost. The Code requires Heritage Assets to be classified separately on the Balance Sheet and to be valued at fair value. The Council has not re-stated Heritage Assets in accordance with the Code due to their immaterial overall value.

1.17. Charges to Revenue for Non-Current Assets

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding 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 losses can be written off.
- Amortisation of intangible assets attributable to the service.

The Council is not required to raise Council Tax to cover depreciation, impairment losses, revaluation or amortisation. Depreciation, impairment losses, revaluation and amortisation are therefore replaced in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserve Statement.

1.18. **Revenue Expenditure Funded From Capital Under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income & Expenditure Statement in the year. Where the Council has determined to meet the cost of these charges from existing capital resources, 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 there is no impact on the level of Council Tax.

1.19. **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.

Criteria for determining whether a lease is finance or operating in nature

A number of factors are considered in determining whether a lease should be classified as finance or operating. Three of these are over-riding, the remainder are considered holistically to assess the nature of a lease.

Leases of land will be considered operating leases unless the land will be permanently impaired as a result of the lease (e.g. the land is used for mining).

Where it is almost certain that the lessee will retain the asset in perpetuity or until the end of the asset's useful economic life, the lease will be classified as a finance lease.

Where the Council leases a building to a tenant, the building element of the lease will be considered to be operating in nature if the lessee is required to return the building in a repaired condition at the end of the lease.

Factors that indicate a lease might be a finance lease include:

- Where the net present value of lease payments is more than 80% of the asset's purchase price.
- Where the lease period is longer than 75% of the asset's useful life.
- Where there are options to extend the primary lease at rates substantially lower than market rents.

- Where ownership transfers to the lessor at the end of the lease or there are options to buy the asset at the end of the lease term on favourable conditions which are reasonably certain to be taken up.
- Terms included in the lease which penalise the lessee more than the lessor in the event that the lessee cancels the lease.

Council as Lessee – Finance Leases

Assets held under finance leases are recognised on the Balance Sheet at the commencement of the lease at 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.

Lease payments are apportioned between;

- a charge for the acquisition of the interest in the asset – applied to write down the lease liability and
- a finance charge (debited to the financing and investment income and expenditure line in the Comprehensive Income & Expenditure Statement).

Assets recognised under finance leases are 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, 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.

Council as Lessee – Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income & Expenditure Statement as an expense of the services benefitting from the use of leased assets. 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).

Council as Lessor – Finance Leases

There are no leases that qualify as finance leases where the Council is the lessor.

Council as Lessor – Operating Leases

Where the Council grants an operating lease over an asset, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income & Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease).

1.20. 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 and are initially measured at their fair value and subsequently carried at their amortised cost. Annual charges to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective rate is the rate that exactly discounts future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

Financial Assets

Financial Assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- Amortised cost
- Fair value through profit or loss (FVPL), and
- Fair value through other comprehensive income and expenditure (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 payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at their 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 & Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective interest rate 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 Comprehensive Income & Expenditure Statement is the amount receivable for the year in the loan agreement.

Where the Council makes a soft loan (i.e. at less than market rate or with an interest free period), the loan will be shown in the balance sheet at carrying value rather than amortised value unless the value of the advance is greater than £500,000 or there is significant discounting of interest rates.

Any gains or losses that arise on the derecognition of an asset are credited or debited to the financing and investment income and expenditure line in the CIES.

Expected Credit Loss Model

The Council recognises expected credit losses on all its financial assets held at amortised cost either on a 12-month or lifetime basis. Only lifetime losses are recognised for trade receivables.

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 the risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at Fair Value through Profit or Loss 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 as they arise 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 price – 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 authority can access at the measurement date.
- 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 derecognition of the asset are credited or debited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement.

1.21. Inventories

Inventories are included in the Balance Sheet at the lower of cost or net realisable value.

1.22. Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties, and some of its financial instruments, such as equity share holdings, at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either

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

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use it in its highest and best use.

The Council uses appropriate valuation techniques for each circumstance, maximising the use of relevant known data and minimising the use of estimates and unknowns. This takes into account the three levels of categories for inputs to valuations for fair value assets:

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

2. Accounting Standards that have been issued but have not yet been adopted

The Code requires the Council to identify Accounting Standards that have been issued but have yet to be adopted. The Council is also required to assess the possible impact that application of the Standards will have when they are applied.

IFRS16 Leases will apply from 1st April 2024 for the year ended 31st March 2025. The Council will apply IFRS16 for the year ended 31st March 2025. It is not expected to have a material effect on the Statement of Accounts for the year ended 31st March 2025.

3. 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 that have the most significant effect on the amounts in the financial statements are:

Asset classifications – the Council has made judgements on whether assets are classified as Investment Property or PPE. These judgements are based on the main reason that the Council is holding the asset. If the asset is used in the delivery of services or is occupied by third parties who are subsidised by the Council they are deemed to be PPE assets whereas if full market rent is being charged this would indicate that the asset is an Investment Property. The classification determines how revalued amounts are shown in the accounts and whether depreciation is chargeable on the asset.

Future funding for local government - there is a high degree of uncertainty about future levels of funding for local government. The Council has determined that this

uncertainty is not sufficient to provide an indication that its assets might be impaired as a result of a need to close facilities and reduce levels of service provision.

Providing for potential liabilities – the Council has made judgements about the likelihood of pending liabilities and whether a provision should be made or whether there is a contingent liability. The judgements are based on the degree of certainty concerning future and past events and the Council’s control over them.

4. **Assumptions made about the Future and Other Major Sources of Estimation Uncertainty**

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

The items in the Council’s Balance Sheet at 31st March 2024 for which there is a significant risk of material adjustment in the forthcoming financial year are explained in the following table.

Item	Uncertainties	Effect if actual results differ from assumptions
Impairment Allowance	The Council has made allowances for doubtful debts of £2.901M in 2023/24 (2022/23 £2.553M) based on what it believes to be a prudent but realistic level.	If collection rates were to deteriorate or improve, a 5% change would require an adjustment to the allowance of £145,000 (2022/23 £127,700).
Pension Liability	Estimation of the net liability to pay pensions depends on a number of complex judgments relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns from pension fund assets. A firm of actuaries is engaged by the pension fund administrator to provide expert advice about the assumptions to be applied.	More information can be found in Note 14 about the sensitivity to changes in assumptions in respect of: <ul style="list-style-type: none"> • The discount rate used • Salary inflation • Rates of increase to pensions in payment • Mortality rates
Provisions	The Council has made a provision of £682,000 in 2023/24 (2022/23 £1.194M) in respect of its share of appeals made by ratepayers for past business rates’ costs. It is not certain how many of the appeals will be upheld nor the amount by which rateable values will be reduced.	A 10% increase or decrease in the actual number of appeals upheld would result in a change to the provision of £68,200 (2022/23 £119,400).
Property, Plant & Equipment	The Council carries out a rolling programme of valuations for PPE required to be measured at current	Every 1% change in the valuation of land and buildings would require an adjustment of £1.084M.

Investment Properties	value. £108.4M of assets were valued at current value in 2023/24.	
	The Council values its investment properties annually and the fair value at 31 st March 2024 was £166.965M. 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.	Every 1% change in the valuation of investment properties would require an adjustment of £1.67M. If the useful life of assets is reduced, depreciation increases and the carrying value of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £1,400 if the useful lives were reduced by one year.

5. Note to the Expenditure and Funding Analysis

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

Transactions in 2023/24

Adjustments between Funding and Accounting Basis				
2023/24				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note a)	Net change for the Pensions Adjustments (Note b)	Other Differences (Note c)	Total Adjustments
	£'000	£'000	£'000	£'000
Community & Leisure	1,936	(3)	382	2,315
Environmental Service	804	(8)	553	1,349
Finance & Revenues	0	(4)	0	(4)
Housing & Environmental Health	3,007	(4)	0	3,003
Planning & Building	863	(4)	0	859
Planning Policy & Economic Development	56	(1)	0	55
Property & Asset Management	2,041	(3)	8,185	10,223
Benefits	0	0	36	36
Corporate & Support	96	(215)	0	(119)
Central Costs	0	0	(435)	(435)
Net Cost of Services	8,803	(242)	8,721	17,282
Other income and expenditure from the Expenditure and Funding Analysis	(11,766)	390	(7,634)	(19,010)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(2,963)	148	1,087	(1,728)

Comparative Transactions for 2022/23

Adjustments between Funding and Accounting Basis 2022/23				
	Adjustments for Capital Purposes (Note a)	Net change for the Pensions Adjustments (Note b)	Other Differences (Note c)	Total Adjustment s
	£'000	£'000	£'000	£'000
Community & Leisure	1,397	355	306	2,058
Environmental Service	677	1,060	413	2,150
Finance & Revenues	0	516	0	516
Housing & Environmental Health	1,326	436	0	1,762
Planning & Building	87	522	0	609
Planning Policy & Economic Development	235	156	0	391
Property & Asset Management	55	387	7,830	8,272
Benefits	0	0	(55)	(55)
Corporate & Support	84	431	0	515
Central Costs	0	0	(3,828)	(3,828)
Net Cost of Services	3,861	3,863	4,666	12,390
Other income and expenditure from the Expenditure and Funding Analysis	(24,167)	1,359	(6,471)	(29,279)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(20,306)	5,222	(1,805)	(16,889)

a) Adjustments for Capital Purposes

This column adds in depreciation and impairment, revaluation gains and losses and revenue expenditure financed by capital under statute in the services lines, and for:

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amount written off for those assets
- **Financing and investment income and expenditure** – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for conditions which 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.

b) Net Change for the Pensions Adjustments

This column shows the net change for the removal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and income:

- For **services** – this represents the removal of the employer pension contributions made by the authority under 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 & Expenditure Statement.

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:

- For **services** – this represents items not reported to management in the revenue outturn report, such as Section 106 commuted income and the movement in the untaken leave accrual, and amounts which were reported to management but are not included in the net cost of services in the Comprehensive Income & Expenditure Statement.

Commuted income from Section 106 grants of £535,000 was received in the year from developers but not included in the report to management. This is transferred to earmarked reserves to pay for future maintenance of community facilities, parks and open spaces as required under the terms of those Section 106 agreements. The amount used to pay for maintenance in the year was £935,000.

- For **Financing and investment income and expenditure** – this column recognises adjustments to the General Fund for net investment property income of £8.185M which is reported in the General Fund in Net Cost of Services.
- For **Taxation and non-specific grant income and expenditure** - this column represents the difference of £1.053M between what is chargeable under statutory regulations for Council Tax and NDR that was projected to be received at the beginning of the year and the income recognised under generally accepted accounting practices in the Code of Practice. This is a timing difference, as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

6. Segmental Income

Income received from external customers is analysed on a segmental basis in the following table:

Service	2022/23 Revenues from external customers £'000	2023/24 Revenues from external customers £'000
Community & Leisure	2,782	3,240
Environmental Service	2,236	2,387
Finance & Revenues	290	221
Housing & Environmental Health	682	461
Planning & Building	1,328	1,659
Planning Policy & Economic Development	31	13
Property & Asset Management	13,494	13,858
Benefits	540	357
Corporate & Support	649	744
Central	3,684	295
Total income analysed on a segmental basis	25,716	23,235

7. Expenditure and income analysed by nature

The Council's expenditure and income is analysed in the following table:

Expenditure / Income	2022/23 £'000	2023/24 £'000
Expenditure		
Employee benefits expenses	25,026	23,489
Other service expenses	34,235	34,640
Depreciation, amortisation, impairment	2,176	5,158
Other capital charges	1,673	4,023
Interest payable	151	147
Precepts and levies	1,848	1,983
Pension fund interest costs	1,359	390
Total expenditure	66,468	69,830
Income		
Fees, charges and other service income	(25,716)	(23,235)
Interest and investment income	(2,087)	(4,483)
Changes in fair value of investment properties	(4,253)	(869)
Income from council tax and non-domestic rates	(11,208)	(13,618)
Government grants and contributions	(44,187)	(35,092)
(Gain)/ loss on the disposal of assets	(856)	139
Total income	(88,307)	(77,158)
Surplus on the Provision of Services	(21,839)	(7,328)

8. Adjustments between accounting basis and funding basis under regulation

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

Transactions in 2023/24

	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Reserve	Total Usable Reserves	Unusable Reserves	Note
	£'000	£'000	£'000	£'000	£'000	
Adjustments primarily involving the Capital Adjustment Account						
Depreciation of non-current assets	3,689	0	0	3,689	(3,689)	16
Amortisation of intangible assets	16	0	0	16	(16)	18
Impairment of non-current assets	1,077	0	0	1,077	(1,077)	16
Movement in the fair value of investment property	(869)	0	0	(869)	869	17
Loss on disposal of non-current assets	139	0	0	139	(139)	20
Profit on disposal of inventory	(4)	4	0	0	0	
Revenue expenditure funded from capital under statute	3,093	(353)	(2,740)	0	0	30
Impairment of capital loans	0	0	0	0	0	30
Statutory provision for the repayment of debt	(204)	0	0	(204)	204	30
Derecognition of financial instrument	375	0	0	375	(375)	30
Adjustments primarily involving the Capital Receipts Reserve						
Proceeds from disposal of non-current assets	0	48	0	48	(48)	29
Financing of new capital expenditure	(6,429)	4,977	(1)	(1,453)	1,453	21
Adjustments primarily involving the Capital Grants Unapplied Reserve						
Capital grants credited to CIES for which expenditure has not yet been incurred	(3,846)	0	3,846	0	0	29
Adjustments primarily involving the Pensions Reserve						
Reversal of items relating to retirement benefits charged to the CI&ES	3,384	0	0	3,384	(3,384)	14
Employer's contribution to pension fund / directly to pensioners	(3,236)	0	0	(3,236)	3,236	14
Adjustments primarily involving the Collection Fund Adjustment Account						
Amount by which Council Tax and Business Rates income credited to the CI&ES is different from Council Tax and Business Rates income calculated for the year in accordance with statutory requirements.	1,053	0	0	1,053	(1,053)	30
Adjustments primarily involving the Accumulated Absences Account						
Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	34	0	0	34	(34)	30
Insertion of items not shown in the Comprehensive Income & Expenditure Statement						
Other adjustments	0	0	1	1	(1)	
	(1,728)	4,676	1,106	4,054	(4,054)	

Comparative Transactions for 2022/23

	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Reserve	Total Usable Reserves	Unusable Reserves	Note
	£'000	£'000	£'000	£'000	£'000	
Adjustments primarily involving the Capital Adjustment Account						
Depreciation of non-current assets	3,127	0	0	3,127	(3,127)	16
Amortisation of intangible assets	16	0	0	16	(16)	18
Impairment of non-current assets	(967)	0	0	(967)	967	16
Movement in the fair value of investment property	(4,253)	0	0	(4,253)	4,253	17
Profit on disposal of non-current assets	(856)	0	0	(856)	856	20
Revenue expenditure funded from capital under statute	461	(358)	(103)	0	0	30
Impairment of capital loans	4	0	0	4	(4)	29
Statutory provision for the repayment of debt	(200)	0	0	(200)	200	30
Capital grants, contributions and income in relation to donated assets credited to the CI&ES	(11,215)	0	0	(11,215)	11,215	21
Adjustments primarily involving the Capital Receipts Reserve						
Proceeds from disposal of non-current assets	0	867	0	867	(867)	29
Capital loan repayments	0	23	0	23	(23)	29
Financing of new capital expenditure	(4,938)	(538)	0	(5,476)	5,476	21
Adjustments primarily involving the Capital Grants Unapplied Reserve						
Capital grants credited to CIES for which expenditure has not yet been incurred	(1,485)	0	1,485	0	0	29
Capital loan repayments transferred to Capital Grants Unapplied reserve for future use	0	0	5	5	(5)	29
Adjustments primarily involving the Pensions Reserve						
Reversal of items relating to retirement benefits charged to the CI&ES	8,116	0	0	8,116	(8,116)	14
Employer's contribution to pension fund / directly to pensioners	(2,894)	0	0	(2,894)	2,894	14
Adjustments primarily involving the Collection Fund Adjustment Account						
Amount by which Council Tax and Business Rates income credited to the CI&ES is different from Council Tax and Business Rates income calculated for the year in accordance with statutory requirements.	(1,826)	0	0	(1,826)	1,826	30
Adjustments primarily involving the Accumulated Absences Account						
Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	20	0	0	20	(20)	30
Insertion of items not shown in the Comprehensive Income & Expenditure Statement						
Other adjustments	1	0	0	1	(1)	
	(16,889)	(6)	1,387	(15,508)	15,508	

9. Taxation and Non-Specific Grant Income

The Council received income from Council Tax and revenue grants from various central government departments including the Department for Levelling-up, Housing and Communities (DLUHC) and the Department for Business, Energy & Industrial Strategy (BEIS). These are summarised in the following tables.

Taxation / Non-Ringfenced Grants	Awarding Body	2022/23 £'000	2023/24 £'000
Council Tax Income	Council Taxpayers	8,374	8,635
New Homes' Bonus	DLUHC	2,105	1,200
Small Business Rate Relief	DLUHC	1,825	1,656
COVID-19 Additional Relief Fund	DLUHC	1,126	0
Other business rate reliefs	DLUHC	32	7
Expanded Retail Discount	DLUHC	1,420	1,931
Nursery Relief	DLUHC	44	(1)
Supporting Small Business Relief	DLUHC	0	425
Green Plant & Machinery Relief	DLUHC	0	66
Council Tax Family Annex Grant	DLUHC	152	0
Lower Tier Services Grant	DLUHC	377	0
Services Grant	DLUHC	164	96
Levy Account Surplus	DLUHC	20	20
Funding Guarantee Grant	DLUHC	0	1,352
Revenue Support Grant	DLUHC	0	236
Multiplier Cap	DLUHC	320	1,025
		15,959	16,648

The net income shown in the Comprehensive Income & Expenditure Statement for business rates is comprised of a number of transactions that are summarised in the table below.

Business Rates Income & Expenditure	2022/23 £'000	2023/24 £'000
Share of income transferred from Collection Fund	22,425	25,270
Tariff paid to government	(17,151)	(20,825)
Share of surplus / (deficit) on Collection Fund in the year	(2,053)	1,992
Levy payable to government in respect of growth in the year	(2,235)	(3,437)
Net Business Rates Income	986	3,000

Capital grants and contributions were received in the year as shown in the following table. The figure for 2022/23 includes £11.215M in donated assets under section 106 agreements.

Capital Grants and Contributions	Awarding Body	2022/23 £'000	2023/24 £'000
Disabled Facilities Grant	DLUHC	1,376	1,496
Contributions to works on property	Tenants / Other developers	148	38
Rural England Prosperity Fund Grant	DLUHC	0	129
Public Sector Decarbonisation Scheme Grant	BEIS	4	91
UK Shared Prosperity Fund Grant	DLUHC	45	76
Local Authority Housing Fund Grant	DLUHC	545	1,298
Changing Places Toilet Grant	DLUHC	0	96
Local Authority Tree Fund Grant	DEFRA	0	93
Lawn Tennis Association Grant	LTA	0	20
Food Waste Collection Grant	DEFRA	0	1,331
Contributions under s106 and CIL agreements / capital grants	Developers	12,331	587
		14,449	5,255

Other grants received in the year and included in the Net Cost of Services are shown in the following table.

Specific Grants included in the Net Cost of Services	Awarding Body	2022/23 £'000	2023/24 £'000
Housing Benefit Subsidy	DWP	18,280	18,655
Housing Benefit Administration Subsidy	DWP	228	221
Localising Council Tax Admin Subsidy	DLUHC	84	0
Discretionary Housing Payments	DWP	108	120
Business Rates Collection	DLUHC	189	194
Biodiversity Net Gain Grant	DEFRA	0	20
Redmond Review Implementation	DLUHC	22	21
Council Tax Support & New Burdens	DLUHC	160	133
Energy Rebate Discretionary Scheme	BEIS	174	0
COVID Business Grants - OPS	DLUHC	(152)	0
Various New Burdens Grants	DLUHC / DWP / DEFRA	112	112
Various Election Funding Grants	Cabinet Office	22	54
Flexible Homelessness Support Grant	DLUHC	432	668
COVID Household Support Fund & Self Isolation Voucher	DWP	518	444
Ukraine Support Grant	DLUHC	1,626	538
Asylum Dispersal Grant	DLUHC	20	63
Domestic Abuse - Support to Victims	DLUHC	42	35
Rough Sleepers Initiative Grant	DLUHC	249	279
Heat Network Delivery	BEIS	0	97
Uk Shared Prosperity Fund	DLUHC	41	56
Apprenticeships Incentives	DFE	1	0
Transparency Code Set-Up	DLUHC	8	8
Neighbourhood Planning Grants	DLUHC	0	40
Levelling Up Fund - Capacity & Capability	DLUHC	0	66
Welcome Back Funding	DLUHC	(11)	0
		22,153	21,824

10. Special Expenses

Income from the special Council Tax Levy which applies in the Andover Town Council area was £343,700 in 2023/24 (£339,900 – 2022/23).

11. External Audit Costs

The Council incurred the following fees in relation to external audit and inspection.

Class of Work	2022/23 £'000	2023/24 £'000
External Audit Fees	84	137
Certification of Grants Claim and Returns	27	36
	111	173

12. Members' Allowances

The Council paid the following amounts to members of the Council during the year.

	2022/23 £'000	2023/24 £'000
Allowances	449	494
Expenses	6	7
Total Members' Allowances	455	501

13. Officers' Remuneration and Termination Benefits

The number of employees whose remuneration, including termination benefits but excluding pension contributions, was £50,000 or more in bands of £5,000 in 2023/24 was:-

Remuneration Band	2022/23 Number of Employees	2023/24 Number of Employees
£50,000 - £54,999	19	15
£55,000 - £59,999	6	18
£60,000 - £64,999	12	3
£65,000 - £69,999	1	11
£70,000 - £74,999	0	0
£75,000 - £79,999	2	1
£80,000 - £84,999	0	2
£85,000 - £89,999	6	0
£90,000 - £94,999	2	3
£95,000 - £99,999	0	5
£100,000 - £129,999	0	0
£130,000 - £134,999	0	1
£135,000 - £139,999	1	0
£140,000 - £149,999	0	0
£150,000 - £154,999	0	1

The following table sets out the remuneration of senior officers in the year. A senior officer is described as 'a person who has responsibility for the management of the Council to the extent that the person has power to direct or control the major activities of the body, whether solely or collectively with other persons.' For the purposes of these accounts, Test Valley Borough Council has determined that senior officers are those included in the Management Team, which comprises the Chief Executive, Deputy Chief Executive and Heads of Service.

The 'Total Remuneration excluding pension contributions' of the following officers is included in the pay bandings in the previous table.

Post	Salary (Including Fees and Allowances)		Car Allowance and Other Expenses		Total Remuneration Excluding Pension Contributions		Pension Contributions		Total Remuneration Including Pension Contributions	
	22/23 £'000	23/24 £'000	22/23 £'000	23/24 £'000	22/23 £'000	23/24 £'000	22/23 £'000	23/24 £'000	22/23 £'000	23/24 £'000
Chief Executive	135	146	4	4	139	150	22	24	161	174
Deputy Chief Executive (1) - Note (a)	54	0	2	0	56	0	8	0	64	0
Deputy Chief Executive (2) - Note (b)	28	129	1	4	29	133	5	21	34	154
Head of Community & Leisure	86	91	4	4	90	95	14	16	104	111
Head of Environmental Services	86	92	5	5	91	97	14	16	105	113
Head of Property & Asset Management - Note (c)	82	87	4	3	86	90	13	13	99	103
Head of Housing & Environmental Health (1) - Note (d)	86	27	4	1	90	28	14	5	104	33
Head of Housing & Environmental Health (2) - Note (e)	0	55	0	3	0	58	0	9	0	67
Head of Legal & Democratic	86	92	4	4	90	96	14	16	104	112
Head of Planning & Building 1 - Note (f)	8	0	0	0	8	0	1	0	9	0
Interim Head of Planning & Building - Note (g)	41	0	0	0	41	0	6	0	47	0
Head of Planning & Building 2 - Note (h)	36	87	2	4	38	91	6	15	44	106
Head of Planning Policy & Economic Development	86	92	4	4	90	96	14	16	104	112
Head of Finance & Revenues	86	92	3	4	89	96	14	16	103	112
Head of Strategy & Innovation	82	92	4	4	86	96	13	16	99	112

Note (a) – The costs for 2022/23 are for part of the year only as the postholder left the Council during the year.

Note (b) – The costs for 2022/23 are for part of the year only as the postholder joined the Council during the year.

Note (c) - the costs for 2023/24 are for part of the year only as the postholder left the Council during the year.

Note (d) – The costs for 2023/24 are for part of the year only as the postholder left the Council during the year.

Note (e) – The costs for 2023/24 are for part of the year only as the postholder started in post during the year.

Note (f) – The costs for 2022/23 are for part of the year only as the postholder left the Council during the year.

Note (g) – An Interim Head of Planning and Building was in post for six months of 2022/23. The costs shown are the costs for that period only.

Note (h) – The costs for 2022/23 are for part of the year only as the postholder joined the Council during the year.

The number of exit packages and total cost per band are set out in the following table.

Exit Package Band	Number of Redundancies		Number of Other Departures		Total Cost of Exit Packages by Band	
	2022/23	2023/24	2022/23	2023/24	2022/23 £'000	2023/24 £'000
£0 - £20,000	0	0	0	1	0	Note (i)
Total	0	0	0	1	0	0

Note (i) – The total value of exit packages in 2023/24 is not disclosed due to there being only one such package and the potential for linking the value to the individual concerned.

All the costs above were charged to the Comprehensive Income & Expenditure Statement in the year.

14. **Defined Benefit Pension Scheme**

As part of the terms and conditions of employment of its officers, the Council contributes 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 and this needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme, administered by Hampshire County Council – this is a funded defined benefit scheme with benefits up to 31st March 2014 being linked to final salary and benefits after this date based on a Career Average Revalued Earnings scheme, meaning that the Council and its employees pay contributions into a fund, calculated at a level estimated to balance the pensions' liabilities with investment assets.

The accounts recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge made against the Council Tax is based on cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund in the Movement in Reserves Statement.

The following transactions have been included in the Comprehensive Income & Expenditure Statement and Movement in Reserves Statement during the year:

Comprehensive Income & Expenditure Statement	2022/23 £'000	2023/24 £'000
Cost of Services		
Current Service Costs	6,757	2,994
Financing & Investment Income & Expenditure		
Interest Cost	5,432	6,975
Interest Income	(4,073)	(6,585)
Total amount included in the Surplus on Provision of Services	8,116	3,384
Other Comprehensive Income & Expenditure		
Actuarial (gains) / losses due to change in financial assumptions	(73,592)	50
Actuarial (gains) / losses due to demographic assumption changes	16	(3,009)
Experience (gains) / losses on liabilities	15,150	2,651
Remeasurement (gains) / losses on assets	12,929	(6,083)
Total amount charged to the Comprehensive Income & Expenditure Statement	(37,381)	(3,007)
Movement In Reserves Statement		
Reversal of net charges made to the deficit on the provision of services in accordance with the Code	(8,116)	(3,384)
Actual employer's contributions payable	2,894	3,236
Total Amount included in the Movement in Reserves Statement (note 8)	(5,222)	(148)

Prior to 2007, the Council awarded discretionary post-retirement benefits upon early retirement. This is an unfunded defined benefit arrangement, meaning that no assets exist in the pension fund to meet the ongoing liabilities.

The Council contributes to the Pension Fund at a common rate applicable to a group of employees which is set having regard to the assets and liabilities of the group as a whole.

The Council pre-paid employer contributions to the Pension Fund relating to Scheme years 2023/24, 2024/25 and 2025/26 as a single lump sum payment in April 2023. The total prepayment was £7.820M of which £2.635M related to Scheme year 2023/24 with a contribution rate of 17.7%.

It is forecast that pension contributions payable by the employer in 2024/25 will amount to £2.605M.

The allowance for administration expenses included in the Current Service Cost is £47,900 (2022/23 £47,000).

Assets & Liabilities in relation to retirement benefits

The following tables show the Council's liabilities to the Pension Fund and its share of the Fund's assets at the year end. The net liability at 31st March 2024 was £9.511M (2022/23 - £11.327M).

Liabilities	2022/23 £'000	2023/24 £'000
Opening present value of funded liabilities	201,142	149,803
Opening present value of unfunded liabilities	2,728	2,375
Current Service Cost	6,757	2,994
Interest Cost	5,432	6,975
Contributions by Participants	1,093	1,116
Actuarial (gain) / loss on liabilities due to change in financial assumptions	(73,592)	50
Actuarial (gain) / loss on liabilities due to change in demographic assumptions)	16	(3,009)
Experience (gains) / losses on liabilities	15,150	2,651
Net benefits paid out	(6,352)	(5,635)
Unfunded benefits paid out	(196)	(209)
Closing present value of funded liabilities	149,803	154,721
Closing present value of unfunded liabilities	2,375	2,390
Total present value of scheme liabilities	152,178	157,111

Assets	2022/23 £'000	2023/24 £'000
Opening fair value of assets	152,268	140,851
Interest income on assets	4,073	6,585
Actuarial (gain) / loss on assets	(12,929)	6,083
Contributions by the employer	2,698	3,027
Contributions by participants	1,093	1,116
Net benefits paid out	(6,352)	(5,635)
Closing fair value of assets	140,851	152,027

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on assets in the year is shown in the following table.

Assets	2022/23 £'000	2023/24 £'000
Interest income on assets	4,073	6,585
Actuarial (gain) / loss on assets	(12,929)	6,083
Actual return on assets	(8,856)	12,668

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.. The Fund's liabilities have been assessed by an independent firm of actuaries, based on the latest full valuation of the scheme carried out as at 31 March 2022 and a duration of liabilities of 17 years.

The principal assumptions used by the actuary were:

	2022/23	2023/24
Discount rate for liabilities	4.7%	4.8%
Rate of Inflation - CPI	2.7%	2.8%
Rate of increase in salaries	3.7%	3.8%
Mortality Assumptions		
Longevity at 65 for current pensioners (years)		
Men	23.3	22.1
Women	25.7	24.7
Longevity at 65 for future pensioners aged 45 at last formal valuation (years)		
Men	23.8	22.6
Women	26.7	25.7

It is assumed that each member will surrender pension on retirement, such that the total cash received (including any accrued lump sum from pre-2008 service) is 70% of the permitted maximum.

The proportions of total assets held in each asset type, shown below, reflect the proportions held by the Fund as a whole at 31st March 2024.

	2022/23			2023/24		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Equities	42.0%	15.6%	57.6%	37.9%	7.9%	45.8%
Bonds	16.5%	0.0%	16.5%	24.6%	12.2%	36.8%
Property	1.4%	5.4%	6.8%	0.0%	7.5%	7.5%
Other	1.1%	18.0%	19.1%	0.8%	9.1%	9.9%
Total	61.0%	39.0%	100.0%	63.3%	36.7%	100.0%

The figures in this note are sensitive to the assumptions used. The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 31st March 2024 and the projected service cost for the year ending 31st March 2025 is set out in the following table. In each case, only the assumption mentioned is altered; all other assumptions remain the same.

Discount rate	
Adjustment to rate	-0.1%
% change in present value of total obligation	2%
Approximate monetary amount (£'M)	2.68
Rate of increase in salaries	
Adjustment to salary increase rate	+0.1%
% change in present value of obligation	0%
Approximate monetary amount (£'M)	0.06
Rate of increase to pensions in payment	
Adjustment to pension rate	+0.1%
% change in present value of obligation	2%
Approximate monetary amount (£'M)	2.67
Post retirement mortality assumptions	
Increase in life expectancy	+1 year
% change in present value of obligation	4%
Approximate monetary amount (£'M)	6.28

15. Leases

Operating Leases

The Council leases out land and property under operating leases for a number of purposes. These include generation of income from investment properties and for the provision of recreational facilities.

The future minimum lease rentals receivable under non-cancellable leases in future years are shown in the table below.

	2022/23	2023/24
	£'000	£'000
Receivable within one year	9,531	9,563
Receivable within one to five years	32,731	33,048
Receivable after five years	450,837	414,429
Total minimum lease rentals receivable	493,099	457,040

The minimum lease payments receivable do not include rents that are contingent on performance or based on a percentage of turnover.

In 2023/24 the Council recognised income from contingent rents of £28,000 (2022/23 - £38,000).

16. Property, Plant & Equipment (PPE)

These are tangible assets which are held or used in the production or supply of goods and services, for rental to others, or for administrative purposes, and are expected to be used during more than one period.

They are further classified into:

- Operational assets
 - Land & buildings (e.g. offices and car parks)
 - Vehicles, Plant & Equipment
 - Infrastructure assets (e.g. footpaths and cycle ways)

- Community assets (e.g. parks and open spaces); and
- Non-Operational assets
 - Surplus assets (i.e. assets that are not being used to deliver services, but which do not meet the criteria to be classified as either investment properties or assets held for sale)

The following table shows the movement in balances of items of property, plant and equipment in the year.

2023/24	Land & Buildings	Vehicles, Plant & Equipment	Infra structure	Community	Surplus Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost / Valuation						
Historic Cost b/f	81,494	9,497	904	15,328	528	107,751
Revaluation Increases shown in the Revaluation Reserve b/f	35,871	0	53	0	0	35,924
Revaluation Decreases shown in the CI&ES b/f	(6,522)	(36)	(16)	(923)	(203)	(7,700)
Additions	290	508	0	612	0	1,410
Revaluations	1,735	0	0	0	0	1,735
Disposals - Historic Cost	0		0	(37)	0	(37)
Reverse depreciation on disposed / revalued assets	(2,732)	(291)	0	(47)	0	(3,070)
Impairments in year	(984)	0	0	(93)	0	(1,077)
Cost / Valuation at 31st March 2024	109,152	9,678	941	14,840	325	134,936
Depreciation						
Historic Cost Depreciation b/f	(504)	(5,639)	(294)	(1,584)	(10)	(8,031)
Depreciation on Revaluations b/f	(537)	0	(43)	0	0	(580)
Charge in year - Historic Cost	(1,676)	(962)	(28)	(284)	(5)	(2,955)
Charge in year - Revalued Amounts	(733)	0	(1)	0	0	(734)
Reverse depreciation on disposed / revalued assets	2,732	291	0	47	0	3,070
Depreciation at 31st March 2024	(718)	(6,310)	(366)	(1,821)	(15)	(9,230)
Net Book Value at 31st March 2024	108,434	3,368	575	13,019	310	125,706
Net Book Value at 31st March 2023	109,802	3,822	604	12,821	315	127,364

Comparative Information for 2022/23

2022/23	Land & Buildings	Vehicles, Plant & Equipment	Infra structure	Community	Surplus Assets	Total
Cost / Valuation	£'000	£'000	£'000	£'000	£'000	£'000
Historic Cost b/f	70,697	8,710	904	14,835	528	95,674
Revaluation Increases shown in the Revaluation Reserve b/f	31,216	0	54	0	0	31,270
Revaluation Decreases shown in the CI&ES b/f	(7,489)	(36)	(16)	(923)	(203)	(8,667)
Additions	12,009	1,360	0	493	0	13,862
Revaluations	5,077	0	0	0	0	5,077
Disposals - Historic Cost	0	(11)	0	0	0	(11)
Reverse depreciation on disposed / revalued assets	0	0	0	0	0	0
Reclassification	(1,634)	(581)	0	0	0	(2,215)
Impairments in year	967	0	0	0	0	967
Cost / Valuation at 31st March 2023	110,843	9,442	942	14,405	325	135,957
Depreciation						
Historic Cost Depreciation b/f	(307)	(5,362)	(265)	(1,317)	(5)	(7,256)
Depreciation on Revaluations b/f	(382)	0	(43)	0	0	(425)
Charge in year - Historic Cost	(1,409)	(839)	(29)	(267)	(5)	(2,549)
Charge in year - Revalued Amounts	(577)	0	(1)	0	0	(578)
Reverse depreciation on disposed / revalued assets	1,634	581	0	0	0	2,215
Depreciation at 31st March 2023	(1,041)	(5,620)	(338)	(1,584)	(10)	(8,593)
Net Book Value at 31st March 2023	109,802	3,822	604	12,821	315	127,364
Net Book Value at 31st March 2022	93,735	3,312	634	12,595	320	110,596

Depreciation is charged based on the following assumed useful economic lives

- Land – Not depreciated
- Buildings – 10 to 60 years
- Vehicles – 3 to 7 years
- Plant & Equipment – 3 to 15 years
- Infrastructure Assets – 10 to 30 years

The impairments shown above are due to changes in the market value of assets as a result of current market conditions or as a result of changes to lease or other conditions which have altered an asset's carrying value. No assets were materially impaired as a result of structural damage.

The following table shows, for each class of PPE asset, the value of assets based on their respective methods of valuation. Where assets are carried at revalued amounts, the value is shown based on the year of the most recent revaluation.

	Cost	Depreciated Cost	Reval 2019/20	Reval 2020/21	Reval 2023/24	Total value of PPE
	£'000	£'000	£'000	£'000	£'000	£'000
Land and Buildings	24	0	2,198	7,908	98,304	108,434
Vehicles, Plant & Equipment	508	2,860	0	0	0	3,368
Infrastructure	104	471	0	0	0	575
Community	9,890	3,129	0	0	0	13,019
Surplus Assets	0	0	0	310	0	310
Total PPE Assets	10,526	6,460	2,198	8,218	98,304	125,706

No assets are carried in the balance sheet based on valuations from 2021/22 or 2022/23. All assets revalued in those years were subsequently revalued in 2023/24.

The Council carries out a rolling programme of valuations that ensures all land & buildings and surplus assets are valued at least once every five years. Vehicles, plant & equipment, infrastructure, and community assets are held at depreciated historic cost. Revaluations in 2023/24 were carried out by an external valuer, Carter Jonas. All revaluations were carried out as at 31st March 2024.

The majority of information for PPE valuations comes from assessing active markets for similar properties. However, there is still some need for estimation as no two properties can be treated the same. The Council's valuers make assumptions on certain areas including the asset's useful remaining life and degree of specialism in calculating the asset's value for the accounts.

Surplus assets are measured at fair value.

At the 31st March 2024 contractual commitments on existing capital schemes totalled £3.441M (2022/23 £2.987M). The most significant item is £624,000 in relation to vehicles which have been ordered but not delivered at 31st March 2024.

17. Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income & Expenditure Statement.

	2022/23	2023/24
	£'000	£'000
Rental income from Investment Property	8,177	8,585
Investment Property direct costs	(347)	(400)
Net Investment Property income	7,830	8,185

There are no restrictions on the Council's ability to realise the value inherent in its investment property portfolio or in the Council's right to the remittance of income and the proceeds of disposal.

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

	2022/23 £'000	2023/24 £'000
Balance at start of year	157,181	166,245
Expenditure on existing property	(47)	1
Expenditure on property under construction	4,858	0
Net changes in fair value of property	4,253	869
Disposals	0	(150)
Balance at end of year	166,245	166,965

Fair Value Hierarchy and Valuation Techniques

The Council's investment property portfolio has been assessed as Level 2 for valuation purposes (see Note 1.22 for an explanation of Fair Value levels).

The fair value of the investment property portfolio has been measured using the investment method of valuation. Valuations have taken into account existing lease terms and rentals from the tenancy schedule, research into market evidence, market rentals and yields. Changes in yields have led to a material increase in the valuation of some of the Council's investment properties.

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is deemed to be their current use.

Investment property under construction is measured at cost.

There has been no change in the valuation techniques used during the year for investment properties.

The fair value of the Council's investment property is measured annually at each reporting date. All valuations are carried out by an external valuer, Carter Jonas, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

18. Intangible Assets

Intangible Assets represent the value of development costs and software licences for computer programmes used and the Council's right to hold markets in Andover town centre.

Market rights are not amortised as they are considered to have a life longer than 50 years; however a periodic impairment review is carried out on this asset to ensure the carrying value is prudent.

Software licences are amortised over their estimated useful economic life on a straight line basis.

The following table summarises the movement in balances for intangible assets in the year.

	Software Licences £'000	Market Rights £'000	Total £'000
Cost or Valuation			
Cost / Fair Value b/f	530	57	587
Cost / Valuation at 31st March 2024	530	57	587
Amortisation			
Amortisation of Historic Cost b/f	(495)	0	(495)
Charge for the year	(16)	0	(16)
Amortisation at 31st March 2024	(511)	0	(511)
Net Book Value as at 31st March 2024	19	57	76
Net Book Value as at 31st March 2023	35	57	92

Comparative information for 2022/23

	Software Licences £'000	Market Rights £'000	Total £'000
Cost or Valuation			
Cost / Fair Value b/f	849	57	906
Reverse amortisation on disposed assets	(284)	0	(284)
Cost / Valuation at 31st March 2023	565	57	622
Amortisation			
Amortisation of Historic Cost b/f	(798)	0	(798)
Charge for the year	(16)	0	(16)
Reverse amortisation on disposed assets	284	0	284
Amortisation at 31st March 2023	(530)	0	(530)
Net Book Value as at 31st March 2023	35	57	92
Net Book Value as at 31st March 2022	51	57	108

19. Heritage Assets

The Council holds a number of heritage assets. Some of these are carried at historical cost and others are not included on the Balance Sheet. The total estimated value of Heritage Assets at the balance sheet date is shown in the table below split according to their treatment in the Balance Sheet.

	Carrying Value	Fair Value	Carrying Value	Fair Value
	2022/23 £'000	2022/23 £'000	2023/24 £'000	2023/24 £'000
Included in Community Assets	493	668	634	809
Not included in the Balance Sheet	0	190	0	190
Total	493	858	634	999

The most significant Heritage Assets owned by the Council are the silver maces which form part of the Council's civic regalia. Other Heritage Assets include the war memorials in Andover and Romsey, a Japanese cannon in Romsey War Memorial Park and various pieces of public art.

FRS30 (Heritage Assets) requires that, where material, Heritage Assets be shown at valuation as a separate category of non-current asset on the Balance Sheet. The total estimated value of Heritage Assets is not material; therefore the Council has elected not to re-state the accounts to the extent required by the Standard.

20. Profit on Disposal of Assets

During the year, the Council made a net loss on the disposal of fixed assets of £139,000 (2022/23 net profit of £856,000). An analysis of this loss is shown in the following table.

	2022/23 £'000	2023/24 £'000
Right To Buy Contributions	854	48
Net profit / (loss) on disposal of property, plant & equipment	2	(37)
Loss on disposal of investment property	0	(150)
Total Profit on Disposal of Assets	856	(139)

21. Capital Expenditure and Financing

Total Capital Expenditure to be financed in 2023/24 amounted to £5.774M. This can be analysed as expenditure on new assets (£1.411M), revenue expenditure funded from capital under statute (£4.023M), expenditure classed as financial instruments (£40,000) and expenditure classified as inventory (£300,000).

	2022/23 £'000	2023/24 £'000
Opening Capital Financing Requirement	6,199	5,999
Capital Expenditure		
Property, Plant & Equipment	13,862	1,410
Investment Property	4,811	1
Revenue Expenditure Funded from Capital Under Statute	1,673	4,023
Capital loan	18	40
Inventory	0	300
Sources of Finance		
Capital Receipts	(887)	3,334
Repayment of capital loan	(2,000)	0
Government Grants and Other Contributions	(13,069)	(4,149)
Contributions from Revenue / Reserves	(4,408)	(4,659)
Movement in Minimum Revenue Provision	(200)	(204)
Closing Capital Financing Requirement	5,999	6,095

The movement in the Capital Financing Requirement represents capital expenditure financed from internal borrowing of £300,000 less the movement in the minimum revenue provision of £204,000.

The Property, Plant & Equipment line and the Government Grants and Other Contributions line above for 2022/23 include the assumed costs and contribution of donated assets valued at £11.215M which the Council did not purchase but which were adopted as part of a S106 agreement.

The Government Grants and Other Contributions line shown in the previous table represents the total 'Capital Grants and Contributions' figure per the Comprehensive Income & Expenditure Statement less the movement in the Capital Grants Unapplied Reserve.

Total capital expenditure has been analysed on a service basis in the following table:

	2023/24 Long-Term Assets	2023/24 Revenue Expenditure Funded From Capital	2023/24 Total
	£'000	£'000	£'000
Community & Leisure	715	1,068	1,783
Environmental Service	372	0	372
Housing & Env. Health	0	2,892	2,892
IT	150	0	150
Property & Asset Management	(5)	1	(4)
Planning Policy & Economic Development	179	62	241
Total Expenditure	1,411	4,023	5,434

The table above excludes the capital expenditure on financial instruments which are included in note 31 and the capital expenditure on inventory.

22. Cash and Cash Equivalents

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

	2022/23	2023/24
	£'000	£'000
Cash held by the Council	5	4
Bank Current Accounts	1,202	(90)
Short-term deposits	15,092	8,049
Total Cash & Cash Equivalents	16,299	7,963

23. Inventories

The balance of inventories is as shown in the following table.

	2022/23	2023/24
	£'000	£'000
Stock held by services	270	275
Nitrate credits	1,425	1,679
Total Inventories	1,695	1,954

Following the Court of Justice of the European Union judgments, Natural England advised in June 2019 that in order to comply with the Habitats Regulations, all new residential and overnight accommodation development should be nutrient neutral.

The Council has, therefore, purchased credits to provide off site mitigation solutions in order to achieve nutrient neutral development. These credits will be sold to developers as part of S106 agreements as part of a nitrate mitigation solution. It is anticipated they will be sold at cost plus indexation and are held as inventory at the lower of cost or net realisable value.

24. Analysis of Debtors

	2022/23	2023/24		Net £'000
	£'000	Debtor £'000	Impairment Allowance £'000	
Central Government Bodies	1,939	1,455	0	1,455
Sundry Debtors	9,345	7,369	(1,603)	5,766
Pension Fund Prepayment	0	5,185	0	5,185
Collection Fund	886	2,138	(1,278)	860
Car Leasing and Loans	87	140	(20)	120
Total Debtors	12,257	16,287	(2,901)	13,386

Included within car leasing and loans in the previous table are loans to employees for vehicle purchases. At 31st March 2024, £140,000 (2022/23 - £104,000) was outstanding.

The Collection Fund balances relate to Council Tax and Business Rates. There are two elements. The first represents the Council's share of amounts due from taxpayers in respect of 2023/24. The second is the balance of the cash that is owing from other preceptors on the Council Tax Collection Fund in respect of the movements on the Collection Fund in the year. The second element is £NIL for 2022/23 as there was a balance owing to other preceptors in that year. For more details on the Collection Fund, please see pages 70 to 73.

The Collection Fund balances are shown in the following table.

	2022/23 £'000	2023/24 £'000
Council's share of Council Tax debtors	638	745
Council's share of Business Rates' debtors	1,282	1,073
Other preceptors' share of Council Tax movement	0	320
Total Collection Fund balances	1,920	2,138

25. Analysis of Creditors

	2022/23 £'000	2023/24 £'000
Sundry Creditors	8,801	4,276
Collection Fund	5,861	1,901
Central Government	6,613	4,580
Section 106 Balances	17,352	16,734
Compensated Absences Accrual	216	250
Total Creditors	38,843	27,741

The Collection Fund balances relate to Council Tax and Business Rates. There are two elements. The first is the Council's share of payments from taxpayers in respect of 2024/25 that have been received before the end of 2023/24. The second is the balance of the cash that is owed to the other preceptors on the Business Rates Collection Fund in respect of the movements on the Collection Fund in the year. For more details on the Collection Fund, please see pages 70 to 73.

The Collection Fund balances are shown in the following table.

	2022/23 £'000	2023/24 £'000
Council's share of Council Tax receipts in advance	142	139
Other preceptors' share of Council Tax movement	1,144	0
Council's share of Business Rates' receipts in advance	857	346
Other preceptors' share of Business Rates movement	3,718	1,416
Total Collection Fund balances	5,861	1,901

The balances due to Central Government are shown in the following table.

	2022/23 £'000	2023/24 £'000
PAYE / NI / VAT	26	30
NDR levy	2,392	3,422
NDR S31 Grants	4,195	836
NDR Transitional Payment Protection	0	292
Total Central Government balances	6,613	4,580

Section 106 balances relate to contributions made by developers as part of certain planning agreements. These sums are included as creditors because many contributions have time conditions within which expenditure must be made.

The section 106 balances are comprised of the following types of contribution.

	2022/23	2023/24
	£'000	£'000
Open Spaces / Recreation	6,298	6,178
Highways / Cycle Routes / Green Travel	3,271	2,903
Affordable Housing	2,441	2,797
Education & Skills' Development	584	171
Public Art	305	300
Community Facilities	3,544	3,528
Other	909	857
Total Section 106 balances	17,352	16,734

The major balances on the section 106 contributions relate to big housing developments at East Anton, Abbotswood, Picket Twenty and Picket Piece.

26. Provisions

The following table details the movement in the provisions.

	2022/23	2023/24
	£'000	£'000
Balance at start of year	1,814	1,194
Amounts charged to the provision	(1,789)	(1,753)
Increase in provision	1,169	1,241
Balance at end of year	1,194	682

The Council's share of backdated business rates appeals that are expected to be awarded in future years was £682,000 at the end of the year (2022/23 £1.194M). It is not possible to determine when appeals will be settled; therefore the whole balance is shown in current liabilities. This process is managed by the Valuation Office Agency and is outside the control of the Council.

The provision relates to appeals based on the VOA's ratings lists from 2017 and 2023. All outstanding matters related to the 2010 list were resolved in the year.

Appeals related to the 2017 list were calculated on a similar basis to prior years, taking the weighted average of determined appeals and applying that percentage to outstanding appeals. One high value property exception was identified and this had a specific value assigned based on successful appeals from similar types of property.

There is insufficient evidence to prepare an updated weighted average of success on the 2023 list and therefore, the 2017 weighted average figure has been applied to this list as well. An additional allowance has been incorporated into the calculation to reflect appeals that are expected but which had not been lodged with the VOA by 31st March 2024.

27. Trust Funds

The Council operates a number of trusts for civic purposes. The balances at the end of the year were £68,000 (2022/23 - £68,000). The most significant balance is in respect of the Romsey Walk and Pleasure Ground - £62,000 (2022/23 - £59,000).

28. Notes to the Cash Flow Statement

An analysis of items included in the Cash Flow Statement is shown in the following tables.

Net Cash inflow from Operating Activities includes:	2022/23 £'000	2023/24 £'000
Interest received	448	4,483
Interest paid	(155)	(147)

Other Non-Cash items	2022/23 £'000	2023/24 £'000
Movement in Bad Debt Allowance	57	348
Movement in provisions	(620)	(512)
Donated assets under s106 agreements	(11,215)	0
Other non-cash items	468	42
Other Non-Cash items	(11,310)	(122)

Other income / (payments) for financing activities	2022/23 £'000	2023/24 £'000
Movement in Council Tax debtors	(64)	(107)
Movement in amounts owed to Council Tax preceptors	152	(1,464)
Movement in Business Rates debtors	179	209
Movement in amounts owed to Business Rates preceptors	2,784	(2,302)
Other income / (payments) for financing activities	3,051	(3,664)

29. Usable Reserves

The Council's usable reserves represent the level of funding the Council has at its disposal to allocate to future expenditure, subject to the requirement to retain prudent reserve levels for unforeseen future events.

The amounts making up the Council's usable reserves are summarised in the following table. More information on each reserve is given in the following paragraphs.

Reserve	2022/23 £'000	2023/24 £'000
General Fund Balance	2,604	2,604
Revenue & Earmarked Reserves	45,874	51,474
Capital Receipts Reserve	7,930	12,606
Capital Grants Unapplied Reserve	8,436	9,542
Total Usable Reserves	64,844	76,226

General Fund Balance

This is a contingency fund – money set aside for emergencies or to cover any unexpected costs that may occur during the year.

Revenue & Earmarked Reserves

Earmarked reserves are held for specific purposes for costs which will be incurred in future years.

A breakdown of the movement in Earmarked Reserves is shown in the following table.

	Balance as at 31/03/2022	Transfers In 2022/23	Transfers Out 2022/23	Balance as at 31/03/2023	Transfers In 2023/24	Transfers Out 2023/24	Balance as at 31/03/2024
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income Equalisation Reserve	300	0	0	300	0	0	300
Budget Equalisation Reserve	1,182	775	(612)	1,345	0	(524)	821
Investment Equalisation Reserve	250	100	0	350	300	0	650
Pension Equalisation Reserve	500	0	0	500	245	0	745
Collection Fund Equalisation Reserve	4,505	608	(2,315)	2,798	5,480	(1,956)	6,322
Total Equalisation Reserves	6,737	1,483	(2,927)	5,293	6,025	(2,480)	8,838
Capacity Building Reserve	375	0	(30)	345	0	(55)	290
New Homes' Bonus Reserve	10,476	2,105	(524)	12,057	1,200	(764)	12,493
Enterprise and Innovation Reserve	315	0	0	315	0	0	315
Rejuvenation Projects Reserve	2,267	744	(382)	2,629	663	(204)	3,088
Special Projects Reserve	198	0	(21)	177	0	(88)	89
Total Future Growth Reserves	13,631	2,849	(957)	15,523	1,863	(1,111)	16,275
Asset Management Plan	3,070	2,166	(2,508)	2,728	2,398	(1,733)	3,393
Chantry Centre Planned Maintenance Reserve	1,481	567	(132)	1,916	476	(94)	2,298
Local Development Framework Reserve	548	200	(156)	592	24	(237)	379
Developer contribution for future years' maintenance costs	12,566	3,683	(719)	15,530	536	(935)	15,131
Housing Reserve	768	846	(614)	1,000	222	(2)	1,220
COVID Grants Reserve	673	22	(358)	337	0	0	337
Environment Act Reserve	300	0	0	300	82	(34)	348
Community Support Reserve	26	1,437	0	1,463	507	0	1,970
Leisure Centre Equalisation Reserve	0	0	0	0	350	0	350
Other Earmarked Reserves	286	115	(50)	351	0	(2)	349
Other Specific Reserves	838	279	(276)	841	117	(372)	586
Total Specific Reserves	20,556	9,315	(4,813)	25,058	4,712	(3,409)	26,361
Total Earmarked Revenue Reserves	40,924	13,647	(8,697)	45,874	12,600	(7,000)	51,474

Capital Receipts Reserve

The movement of the balance of the Capital Receipts Reserve reflects the transactions in the year in generating capital receipts and incurring capital expenditure. These transactions are summarised in the following table.

	2022/23		2023/24	
	£'000	£'000	£'000	£'000
Balance at start of year		7,936		7,930
Capital Receipts				
Sale of Assets	13		0	
Profit on sale of inventory	0		4	
Capital Loan Repayment	23		0	
Right to Buy Receipts	854		48	
		890		52
Capital Expenditure				
Purchase of Assets	(538)		4,977	
Revenue Expenditure funded from Capital Under Statute	(358)		(353)	
		(896)		4,624
Balance at end of year		7,930		12,606

Capital Grants Unapplied Reserve

The Capital Grants Unapplied Reserve holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require payment 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.

The movement in the balance of the Capital Grants Unapplied Reserve is shown in the following table.

	2022/23		2023/24	
	£'000	£'000	£'000	£'000
Balance at start of year		7,049		8,436
Capital Grants Received:				
Disabled Facilities Grants	164		565	
Community Infrastructure Levy	730		351	
Local Authority Housing Fund Grant	545		1,298	
Food Waste Collection Grant	0		1,331	
Other capital grants	46		300	
Capital Loan Repayment	5		0	
		1,490		3,845
Capital Expenditure				
Capital expenditure	0		1	
Revenue Expenditure funded from Capital Under Statute	(103)		(2,740)	
		(103)		(2,739)
Balance at end of year		8,436		9,542

30. Unusable Reserves

There are a number of unusable reserves that make up part of the Council's net worth. The balances on these accounts are calculated according to proper accounting practices but the balance cannot be used by the Council for future expenditure on delivering services.

The amounts making up the Council's unusable reserves are summarised in the following table. More information on each reserve is given in the following paragraphs.

Reserve	2022/23 £'000	2023/24 £'000
Revaluation Reserve	37,088	38,089
Capital Adjustment Account	251,423	249,338
Deferred Credits	7	7
Collection Fund Adjustment Account	1,322	269
Accumulated Absences Account	(216)	(250)
Pension Fund Reserve	(11,327)	(5,084)
Total Unusable Reserves	278,297	282,369

Revaluation Reserve

The balance on the Revaluation Reserve represents the unrealised gains made by the Council arising from increases in the value of its Property, Plant & 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
- disposed of and the gains realised
- reclassified as investment properties.

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 of the Capital Adjustment Account.

	2022/23		2023/24	
	£'000	£'000	£'000	£'000
Balance at start of year		32,589		37,088
Upward revaluations of assets in the year	6,458		2,607	
Downward revaluations of assets in the year	(1,381)		(872)	
Depreciation of previous years' revaluation gains	(578)		(734)	
		4,499		1,001
Balance at end of year		37,088		38,089

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the purchase, subsequent expenditure, depreciation and impairment of assets compared with the financing of those assets under statutory provisions.

	2022/23		2023/24	
	£'000	£'000	£'000	£'000
Balance at start of year		231,921		251,423
Transfer from Revaluation Reserve	578		734	
Revaluation gains on Investment Property	4,253		869	
Assets purchased in the year	18,673		1,411	
Capital loan advanced in year	18		40	
Statutory provision for the repayment of debt	200		204	
Transfer from Capital Receipts Reserve	358		353	
Transfer from Capital Grants Unapplied Reserve	103		2,740	
		24,183		6,351
Disposal of assets	(11)		(186)	
Repayment of capital loan	(2,029)		0	
Impairment of capital loan	(4)		0	
Impairment of financial instrument	0		(375)	
Depreciation of non-current assets	(3,127)		(3,689)	
Amortisation of intangible assets	(16)		(16)	
Impairments	967		(1,077)	
Revenue expenditure funded from capital	(461)		(3,093)	
		(4,681)		(8,436)
Balance at end of year		251,423		249,338

Deferred Credits

This represents the balance of the remaining mortgages given by the Council that will become usable capital receipts when they are repaid.

Collection Fund Adjustment Account

The Comprehensive Income and Expenditure Statement shows the Council's share of the income generated from Council Tax and Business Rates in the year. However, statutory accounting arrangements require that any variances from budget cannot be treated as income or expenditure by the Council until later years. To ensure the correct accounting treatment for this, a transfer is made to the Collection Fund Adjustment Account for the movement in the surplus or deficit in the year.

This account shows the Council's share of the accumulated difference between the estimated and actual returns in the Collection Fund (see pages 70 to 73).

The surplus on the Council Tax part of the Collection Fund at 31st March 2024 was £1.510M, of which the Council's share is £154,000. The surplus in respect of business rates was £316,000 of which the Council's share was £126,000.

The Council is entitled to retain 100% of the business rates collected from Renewable Energy schemes within the Borough. However, any variance to the original budget cannot be treated as income until later years and is therefore transferred to the Collection Fund Adjustment Account. The amount retained at 31st March 2024 was £11,000 higher than the actual income from Renewable Energy Schemes and this will be returned to the General Fund in 2024/25.

	2022/23	2023/24
	£'000	£'000
Share of Council Tax Surplus b/f	263	288
Movement in the year	25	(134)
Share of Council Tax Surplus c/f	288	154
Share of Business Rates' Surplus / (Deficit) b/f	(762)	1,017
Movement in the year	1,779	(891)
Share of Business Rates' Surplus c/f	1,017	126
Renewable Energy Business Rates retained b/f	(5)	17
Movement in year	22	(28)
Renewable Energy Business Rates retained c/f	17	(11)
Balance at end of year	1,322	269

Accumulated Absences Account

This represents the reversal of the accrual for compensated absences (annual leave not taken at the year-end). The accrual is required under the Code but under regulations is not allowed to count as expenditure against the General Fund and the subsequent level of Council Tax.

Pension Fund Reserve

The Pension Fund Reserve absorbs the timing differences arising from the different arrangements for accounting for retirement benefits and for funding those benefits under statutory provisions.

The Council accounts for retirement benefits in the Comprehensive Income & Expenditure Statement as the benefits are earned by employees; however, statutory arrangements require that benefits are financed as the Council makes contributions to the pension fund.

The debit balance on this reserve therefore shows a substantial shortfall between the benefits earned by past and current employees of the Council and the resources set aside to meet them. Statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

The transactions relating to the Council's pension liability are shown in more detail in note 14.

31. Financial Instruments

Financial instruments are contractual arrangements that give rise to a financial asset in one entity and a financial liability in another. For the Council this primarily relates to financial assets in the form of investments and debtors and financial liabilities in the form of creditors.

During the year all investment funds were managed internally.

Financial Instrument Balances

The following categories of financial instrument are carried in the Balance Sheet.

	31st March 2023		31st March 2024	
	Current £'000	Long-Term £'000	Current £'000	Long-Term £'000
Financial Assets:				
<u>Investments</u>				
Fair Value through Profit or Loss	0	375	0	0
Amortised Cost	50,954	25,121	68,959	12,840
<u>Debtors</u>				
Amortised cost - Sundry Debtors	10,355	674	6,923	578
Amortised cost - Car Leasing and Loans	105	0	140	0
Financial Liabilities:				
<u>Creditors</u>				
Amortised cost - Borrowings	(272)	(6,299)	(278)	(6,047)
Amortised cost - Sundry Creditors	(5,803)	0	(2,595)	0

Fair Value of Financial Instruments that are Measured at Fair Value through Profit and Loss

The Council has a shareholding in HCB Holding Ltd. During the year, the 375 A Class Common Shares were impaired to nil value on the basis that there is no current prospect of a commencement of trading or any evidence to support continuing to hold the investment at their original cost.

Fair Value of Financial Instruments that are not Measured at Fair Value

Except for the financial assets carried at fair value (described in the table above), all other financial assets and liabilities held by the Council are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans receivable, prevailing benchmark market rates have been used to provide the fair value
- No early repayment or impairment is recognised
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable, the fair value is taken to be the carrying amount or billed amount
- For loans from the PWLB, their prevailing market rates have been applied to provide the fair value under PWLB debt redemption procedures.

The fair values are calculated as follows:

Financial assets	31st March 2023		31st March 2024	
	Carrying Value £'000	Fair Value £'000	Carrying Value £'000	Fair Value £'000
Cash	5	5	4	4
Cash Equivalents	16,294	16,294	7,959	7,959
Deposits with banks and building societies	30,622	30,622	21,112	21,112
Short term Loans and Receivables	20,332	20,332	47,847	47,847
Long term Loans and Receivables	25,121	24,137	12,840	13,041
Total	92,374	91,390	89,762	89,963

The fair value is higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31st March 2024) attributable to the commitment to receive interest above market rates.

Financial liabilities	31st March 2023		31st March 2024	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	£'000	£'000	£'000	£'000
Borrowings - PWLB debt	(6,571)	(5,360)	(6,325)	(5,031)
Total	(6,571)	(5,360)	(6,325)	(5,031)

The fair value of the liabilities is lower than the carrying amount because the Council's loans are fixed rate loans where the interest rate payable is lower than the rates available for similar loans in the market at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31st March 2024) arising from a commitment to pay interest to lenders below current market rates.

It is considered that the carrying value is equal to the fair value for all other financial assets and liabilities not included in the table above.

The valuation basis adopted uses Level 2 Inputs – i.e. inputs other than quoted process that are observable for the financial instruments.

Items of income, expense, gains or losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments measured at amortised cost are made up as follows:

	2022/23	2023/24
	£'000	£'000
Interest received	407	4,483
Interest paid	(160)	(147)

32. Nature and Extent of Risks Arising From Financial Instruments

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

- credit risk – the possibility that other parties might fail to pay amounts due to the Council
- liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates

Overall procedures for managing risk

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the treasury management team, under policies approved by the Council prior to the

commencement of each financial year in the Treasury Management Strategy and Annual Investment Strategy.

The Treasury Management Strategy and Annual Investment Strategy for the 2023/24 financial year was approved by Council in February 2023 and is available on the Council's website.

Credit Risk

Treasury Investments

Credit risk arises from deposits with banks and building societies, as well as credit exposures to the Council's customers.

The risk is minimised through the policy of the Council to place deposits only with a limited number of institutions that meet strict criteria as defined in the Council's Treasury Management Strategy and Annual Investment Strategy.

The Council's maximum exposure to credit risk in relation to its investments cannot be assessed generally as the risk of any financial institution failing to make interest payments or repay the principal sum will be specific to each individual institution. With regard to deposits with banks and building societies, the Council has no recent experience of defaults. Although a risk of irrecoverability applies to all of the Council's deposits, there was no evidence at 31st March 2024 that this was likely to crystallise and the credit impairment losses have been assessed as nil.

The following table summarises the credit risk of the Council's investment portfolio at 31st March 2024 by credit rating.

Credit rating	£'000s
A+	5,672
A	100
A-	60,687
BBB+	15,340
Total	81,799

Trade Receivables

As per the requirements of the Code, Trade Receivables excludes balances arising from statutory functions (e.g. Council Tax and Non Domestic Rates) as they have not arisen from contractual trading activities.

Trade debtors are not subject to internal credit rating and are collectively assessed for the purposes of calculating expected credit losses using a provision matrix based on historical data.

The Council's maximum exposure to credit risk is shown on the following table.

	Amount at 31st March 2024	Historical Experience of Default	Historical Experience Adjusted for Market Conditions	Estimated Maximum Exposure to Default
	£'000	%	%	£'000
Long Term Debtors	578	0.00	0.00	0
Sundry Debtors	6,923	23.15	23.15	1,603
Other Debtors	140	14.29	14.29	20
Total	7,641			1,623

The Council does not allow credit for customers. The following table provides a breakdown of amounts past due but not impaired included in Sundry Debtors.

	31st March 2023 £'000	31st March 2024 £'000
Less than three months	429	888
Three months to one year	1,029	523
More than one year	1,149	897
Total	2,607	2,308

Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed and has ready access to borrowing from the Public Works Loans Board (PWLB). There is a minimal risk that the Council will not be able to meet its commitments under financial instruments.

The Council has loans from the PWLB on a repayment basis. The maturity analysis is as follows:

	2022/23 £'000	2023/24 £'000
Less than one year	246	251
Between one and five years	1,039	1,062
Between five and ten years	1,436	1,468
Between ten and fifteen years	1,605	1,641
Between fifteen and twenty years	1,794	1,834
Between twenty and twenty five years	424	40
Total	6,544	6,296

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

Market Risk

The Council is exposed to a small risk in terms of its exposure to interest rate movements on its deposits with banks and building societies. An interest rate rise / fall would result in the interest credited to the Surplus or Deficit on Provision of Services increasing / decreasing.

Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies and therefore has no exposure to loss arising from movements in exchange rates.

33. Related Party Transactions

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

Central Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides significant funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties. Grants received from Government departments are set out in more detail in note 9.

Members of the Council have direct control over the Council's financial and operating policies. The amount paid to Councillors is disclosed in note 12. At the date that the accounts were approved for audit, 42 out of 43 Councillors, all non-Council members and all current Heads of Service had confirmed that they have not had material transactions with the Council during the financial year. There are no known material transactions with any of these Councillors to report.

During 2023/24 £185,000 (2022/23 £174,900) in grants was paid to voluntary organisations in which one Councillor was officially appointed. The grants were made with proper consideration of declarations of interest. The relevant Member did not take part in any discussion or decision relating to the grants. The most significant of these grants are reported annually to Cabinet prior to the start of the financial year.

During 2023/24 £184,000 of income was received from Valley Housing Limited, a wholly owned subsidiary of Test Valley Borough Council. A loan of £40,000 to Valley Housing Limited was outstanding at the end of the financial year.

34. Group Accounts

On 30th April 2016, Valley Housing Limited, a Housing Development and Management Company which is a wholly owned subsidiary of Test Valley Borough Council was incorporated.

Group accounts have not been prepared for the year ended 31st March 2024 as the value of transactions between Test Valley Borough Council and Valley Housing Limited is not considered to be material.

35. Contingent Assets

As part of the Large Scale Voluntary Transfer Agreement (LSVT), the Council is entitled to receive income generated from Right-to-Buy sales of former Council properties. In 2023/24 the income generated from this source was £48,000 (2022/23 £854,000). The generation of this income is outside of the Council's control and is not quantifiable for future years.

36. Contingent Liabilities

Large Scale Voluntary Transfer (LSVT)

As part of the LSVT the Council was required to provide environmental warranties to both Testway Housing and their lenders for a period of 36 years (to expire 19th March 2036). There was no local knowledge of serious problems in this regard, and considering the likely costs involved in obtaining insurance cover, it is currently not considered to be cost effective to purchase insurance against this risk.

Municipal Mutual Insurance Ltd – Scheme of Arrangement

In 1992 Municipal Mutual Insurance Ltd. (MMI), which the Council and many other local authorities had insured with, experienced trading difficulties. The Company's creditors agreed a "Scheme of Arrangement" which allowed the Company to work towards a solvent run-off (of the company) until all outstanding claims were settled.

On 28th March 2012, the Supreme Court ruled the Employers' Liability Policy Trigger Litigation relating to mesothelioma claims which found against MMI. The judges ruled that the insurer who was on risk at the time of an employee's exposure to asbestos was liable to pay compensation for the employee's mesothelioma.

To date, the Council has paid two levies to the Scheme Administrator totalling £76,400, representing 25% of the maximum liability applicable to the Council; these costs were shown in non-distributed costs in the Comprehensive Income and Expenditure Statement.

No indications have been given as to whether future levies will be necessary. The Council's maximum remaining liability is £228,000.

37. Events After the Balance Sheet Date

There are no events after the balance sheet date which would have a material impact on the accounts for 2023/24.

38. Going Concern

The going concern assumption in the Accounting Code of Practice is based on the expectation that a local authority's services will continue to operate for the foreseeable future.

The Council's budget for 2024/25 reported to Council on 29th February 2024 was balanced.

In a worst case scenario where the Council's finances are severely impacted, then as a last resort, the Council has four equalisation reserves and the New Homes Bonus Reserve which are forecast to total £14.565M at the end of March 2025, providing the financial headroom to manage its affairs and resources effectively over the medium term.

A cash flow forecast has been undertaken, using all currently known or expected transactions that will take place over the next year to the end of March 2026. In summary, this forecast clearly establishes that:

- Over the going concern period the Council is predicted to have positive cash balances at all times.
- There is no expectation that external borrowing will be required.

Following the completion of the review of available reserves and the cash flow forecast for the next twelve months, the Council considers that there is no risk to the Council as a going concern.

39. Date Accounts Authorised for Issue

The pre-audited Statement of Accounts was authorised for issue by the Head of Finance & Revenues on 30th July 2024.

The audited Statement of Accounts was approved by the Chairman of the Audit Committee and the Head of Finance & Revenues on 26th February 2025.

THE COLLECTION FUND

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund which 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.

INCOME AND EXPENDITURE ACCOUNT				
	2022/23		2023/24	
	£'000	£'000	£'000	£'000
COUNCIL TAX				
Opening Balance		2,541		2,798
<u>Income</u> Council Tax		99,257		104,781
<u>Expenditure</u>				
Hampshire County Council	71,404		75,886	
Hampshire and Isle of Wight Fire & Rescue Service	3,872		4,180	
Hampshire Police and Crime Commissioner	12,139		13,068	
Test Valley Borough Council	8,241		8,612	
Parishes	1,848		1,973	
Payments to preceptors in respect of previous surpluses	985		1,556	
Increase in Bad Debt Allowance	511		794	
Total Expenditure		99,000		106,069
Council Tax Surplus / (Deficit) For The Year		257		(1,288)
Closing Balance		2,798		1,510
BUSINESS RATES				
Opening Balance		(1,904)		2,543
<u>Income</u> Business Ratepayers		49,015		59,758
<u>Expenditure</u>				
Central Government	25,288		32,084	
Hampshire County Council	4,552		5,775	
Hampshire and Isle of Wight Fire & Rescue Service	506		642	
Test Valley Borough Council	20,230		25,667	
Payments to preceptors in respect of forecast surplus	(5,402)		4,710	
Reduction in provision for backdated appeals	(1,551)		(1,279)	
Transitional Protection Payments from Central Govt	(52)		(6,982)	
Increase in Bad Debt Allowance	393		598	
Cost of Collection Allowance	188		194	
Interest on refunds	0		82	
Amount retained in respect of renewable energy schemes	416		494	
Total Expenditure		44,568		61,985
Business Rates' Surplus / (Deficit) For The Year		4,447		(2,227)
Closing Balance		2,543		316
COLLECTION FUND SUMMARY				
Surplus / (deficit) for the year		4,704		(3,515)
Balance at the start of the year		637		5,341
Surplus at the end of year		5,341		1,826

NOTES TO THE COLLECTION FUND

Business Rates

The starting point for the income from Business Ratepayers is the Rateable Value of each hereditament multiplied by the (national) Business Rating Multiplier for the year, which was 51.2p in 2023/24.

Net income is derived following adjustments in respect of:

- Transitional Relief
- Mandatory and Discretionary Relief in respect of charities and kindred organisations
- Small Business Relief
- Rural Rate Relief
- Supporting Small Businesses Reliefs
- Retail, Hospitality and Leisure discount and
- Bad debts.

The total non-domestic rateable value at the 31st March 2024 was £171,113,365.

The Collection Fund balance on the 31st March 2024 in respect of Non Domestic Rates (NDR) was a surplus of £316,000 which is included within the Balance Sheet. Amounts in respect of Test Valley Borough Council are contained within the reserves section of the Balance Sheet; amounts due to the other major preceptors are shown within creditors.

This surplus will be shared amongst the major preceptors on a fixed apportionment basis (Central government 50%, Test Valley Borough Council 40%, Hampshire County Council 9% and Hampshire and Isle of Wight Fire and Rescue Authority 1%) in 2024/25 and 2025/26.

The payments to the major preceptors in 2023/24 are shown in the following table.

Non Domestic Rates Collection Fund				
2022/23				2023/24
Total	Major Preceptors	Precept	Share of 2022/23 Forecast Surplus	Total
£'000		£'000	£'000	£'000
22,587	Central Government	32,084	2,355	34,439
4,066	Hampshire County Council	5,775	424	6,199
452	Hampshire and Isle of Wight Fire & Rescue Service	642	47	689
18,069	Test Valley Borough Council	25,667	1,884	27,551
45,174	Total	64,168	4,710	68,878

Council Tax

The income from Council Tax is directly linked to the banding of properties based on their valuations. The number of chargeable dwellings in each valuation band was converted to an equivalent number of Band D dwellings, which was used to calculate the Council Tax base of 51,968 for 2023/24.

The Collection Fund balance on the 31st March 2024 in respect of Council Tax was a surplus of £1.510M which is included within the Balance Sheet. Amounts in respect of Test Valley Borough Council are contained within the reserves section of the Balance Sheet; amounts due from the other major preceptors are shown within debtors.

This surplus will be shared amongst the major preceptors in proportion to their respective precepts (Test Valley's share is 10.21% for 2023/24 and 10.13% for 2024/25) and will be included in the Council Tax calculations for 2023/24 and 2024/25.

The payments to the major preceptors in 2023/24 are shown in the following table.

Council Tax Collection Fund				
2022/23			2023/24	
	Major Preceptors	Precept	Share of 2022/23 Surplus	Total
£'000		£'000	£'000	£'000
72,128	Hampshire County Council	75,886	1,139	77,025
3,910	Hampshire and Isle of Wight Fire & Rescue Service	4,180	62	4,242
12,260	Hampshire Police & Crime Commissioner	13,068	194	13,262
8,343	Test Valley Borough Council	8,612	161	8,773
96,641	Total	101,746	1,556	103,302

COUNCIL TAX BASE - ANALYSIS OF PROPERTIES

BAND	A*	A	B	C	D	E	F	G	H	TOTAL
Full Charge	0	1,261	4,900	10,380	8,270	7,027	4,383	3,357	474	40,052
10% Discount	0	0	0	0	0	0	0	0	0	0
25% Discount	2	1,513	4,939	5,077	3,011	1,705	796	521	48	17,612
50% Discount	0	218	17	19	8	19	19	16	6	322
100% Exempt	0	20	39	52	35	24	12	5	3	190
50% Premium	0	3	4	1	2	0	0	1	0	11
100% Premium	0	1	1	2	0	1	1	2	0	8
200% Premium	0	1	1	1	0	0	1	0	0	4
Net Adjustment for Properties Charged at a Lower Band	4	19	41	4	8	(50)	14	(29)	(11)	0
Total Number of Properties	6	3,036	9,942	15,536	11,334	8,726	5,226	3,873	520	58,199
Chargeable Number of Properties	4	2,869	9,792	14,960	11,069	8,539	5,143	3,775	504	56,655
Equivalent Number of Properties after discounts, exemptions, premiums and disabled relief	4	2,370	8,519	13,637	10,279	8,081	4,927	3,637	486	51,940
Ratio to Band D	5/9	6/9	7/9	8/9	1	11/9	13/9	15/9	2	
Band D Equivalents	2	1,580	6,626	12,122	10,279	9,877	7,117	6,062	972	54,637
Provision for Council Tax Support										(2,747)
Provision for Bad Debts										(600)
Crown Contributions										678
Total Band D Equivalents										51,968

GLOSSARY OF TERMS

Accounting Period	The period of time covered by the accounts, normally a period of twelve months, commencing on 1 st April for local authority accounts.
Accruals	This is the accounting concept that income and expenditure are recorded as they are earned or incurred, rather than when money is received or paid.
Actuarial Gains & Losses	Actuaries assess financial and non-financial information provided by the Council to project levels of future pension fund requirements. Changes in actuarial deficits or surpluses can arise leading to a loss or gain because: - events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses) - the actuarial assumptions have changed.
Assets	Items of worth which are measurable in terms of value.
Balances	The reserves of the Council, both revenue and capital, which represent the accumulated surplus of income over expenditure on any of the funds.
Business Rates	Businesses pay Business Rates instead of Council Tax. Each year, the Government sets the charge based on a fixed percentage of the business's rateable value, and the charge is collected by the Council. Since 1 st April 2013, the Council retains a proportion of the rates collected.
Capital Expenditure	Expenditure on the acquisition or improvement of tangible assets which yield benefits to the Council for more than one year.
Capital Receipts	Monies received from the sale of non-current assets, which may be used to finance new capital expenditure.
Cash and Cash Equivalents	Cash and deposits held in banks that are readily convertible into known amounts of money without penalty or time delays.
Collection Fund	This is a statutory fund separate from the main accounts of the Council. It records all income due from Council Tax and Business Rates. It shows all precepts and statutory payments to other bodies.
Contingent Assets	Future income owed to the Council arising from a past event for which the amounts cannot be accurately quantified at the balance sheet date.
Contingent Liabilities	Amounts potentially payable to individuals or organisations which may arise in the future but which at this time cannot be determined accurately.
Contingent Rent	A rental income that is based on performance. This could be as a % of turnover of net profit.
Creditors	Amounts owed by the Council for work done, goods received or services rendered within the accounting period, but for which payment was not made by the year end.
Current assets	Assets which may change in value on a day to day basis (e.g. stocks), or which are expected to be fully recovered within one year (e.g. short-term deposits with banks).
Current Service Cost	The increase in the present value of the pension scheme liabilities expected to arise from employee service in the current period.
Debtors	Amounts owed for work or services rendered by the Council within the financial year which were not paid by the year end.
Depreciated Replacement Cost	A valuation method used as a proxy for market value of assets of a specialised nature where no market exists to gauge fair value. It is based on the estimated cost to replace the asset less an allowance for the age of the asset being valued.

Depreciation	The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset.
Effective Interest Rate	The average rate of interest over the life of a loan. It takes into account known changes in interest rates over the period of a loan, e.g. discounted rates in early periods.
Expenditure	Amounts paid by the Council for goods received or services rendered of either a capital or revenue nature. This does not necessarily involve a cash payment since expenditure is deemed to have been incurred once the goods or services have been received even if they have not been paid for.
Fair Value	The value an asset or liability could reasonably be transferred for in an arm's length transaction with another party who is properly informed about that item.
Financial Instruments	These represent any item that will cause the Council to receive or pay money. This ranges from sundry debtors and creditors to cash investments. The only items that are excluded from this are Council Tax and Business Rates.
General Fund	This is the main revenue fund of the Council includes the net cost of all services financed by local taxpayers and government grants.
Heritage Assets	Assets held primarily for their historical, artistic, scientific, technological, geophysical or environmental qualities and maintained for their contribution to knowledge and culture.
IFRS	International Financial Reporting Standards are the guidelines within which the Council's accounts have to be prepared.
Impairment Allowance	An allowance that is made against income that is due to the Council that it is considered is unlikely to be recovered.
Impairment of Assets	The reduction of the value of an asset through either market price changes or reduction in the asset's ability to deliver services e.g. if affected by fire or flood. Impairments as a result of market price changes from previous years may be reversed as market conditions change.
Income	Amounts due to the Council for goods supplied or services rendered of either a capital or revenue nature. This does not necessarily involve cash being received since income is deemed to have been earned once the goods or services have been supplied even if cash has not been received.
Intangible Assets	Assets that have no physical form but which provide economic benefits to the Council. Examples include software licences (that last over one year) and rights to hold markets in Andover High Street.
Inventories	Stocks and work-in-progress are included under this heading.
Investment Property	Properties owned by the Council which are held solely for income generation purposes or for appreciation in sale value.
Leases	Where a rental is paid for the use of an asset for a specified period of time. Two forms of lease exist. Under a Finance Lease the asset is treated as the property of the lessee. Under an Operating Lease the asset remains the property of the lessor and the lease costs are a revenue expense of the Council.
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 of the Balance Sheet date.
Minimum Revenue Provision	Amounts set aside as a statutory provision for the repayment of debt.

Non-Current Assets	Assets which are owned by the Council which have a useful life of more than one year.
Past Service Cost	Discretionary benefits awarded on early retirement are treated as past service costs.
Precepts	The method by which an authority obtains the income it requires by making a levy on an appropriate billing authority. The billing authority (this Council) must then charge for the precepted amount. For example, the Council Tax bills raised by the Council include the amounts precepted by Hampshire County Council, Fire and Police Authorities and Parish Councils.
Present Value	The current estimated value of future assets or liabilities taking into account the estimated effects of the time value of money.
Property Plant and Equipment	Tangible assets which yield benefit to the Council for a period of more than one year. They can be further classified into:
Land and Buildings	Property assets held and occupied, used or consumed by the Council in the direct delivery of services for which it has either statutory or discretionary responsibility e.g. Council offices.
Vehicles and Equipment	Items of plant and machinery used by the Council in the delivery of services e.g. refuse vehicles, grounds maintenance equipment.
Community assets	Assets that the Council intends to hold in perpetuity, which have no determinate finite useful life and may have restrictions on their disposal e.g. parks, works of art.
Infrastructure assets	These are inalienable assets, the benefit of which is received only by their continued use e.g. cycle routes, footpaths.
Surplus assets	These are assets that are not being used to deliver services, but which do not meet the criteria to be classified as either investment properties or assets held for sale.
Asset under Construction	Assets that are not yet completed.
Provision	An amount 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.
Reserves	
Usable	Amounts set aside for future purposes over which the Council has full discretion, subject to statutory regulations which require capital reserves to be used only to finance new capital expenditure.
Unusable	Amount included in the balance sheet that the Council is not able to apply to future expenditure.
Revenue Contributions to Capital	The method of financing capital expenditure directly from the General Fund.
Revenue Expenditure	Expenditure incurred on the day to day running of the Council. This mainly includes employee costs, general running expenses and contract payments.
Revenue Expenditure Funded From Capital Under Statute	Items of expenditure that are categorised as capital expenditure but do not generate new assets for the Council. The main examples of this are Disabled Facilities' Grants and grants to affordable housing projects.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TEST VALLEY BOROUGH COUNCIL

Disclaimer of Opinion

We were engaged to audit the financial statements of Test Valley Borough Council ('the Council') for the year ended 31 March 2024. The financial statements comprise the:

- Comprehensive Income and Expenditure Statement,
- Movement in Reserves Statement,
- Balance Sheet,
- Cash Flow Statement
- the related notes 1 to 39 including material accounting policy information and including the Expenditure and Funding Analysis
- Collection Fund and the related notes

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

We do not express an opinion on the accompanying financial statements of the Council. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 (Statutory Instrument 2024/907) which came into force on 30 September 2024 required any outstanding accountability statements for years ended 31 March 2015 to 31 March 2023 to be approved not later than 13 December 2024 and the accountability statements for the year ended 31 March 2024 to be approved not later than 28 February 2025 ('the backstop date').

The audit of the financial statements for the year ended 31 March 2023 for Test Valley Borough Council was not completed for the reasons set out in our disclaimer of opinion on those financial statements dated 26 November 2024.

Our planned audit work in the current year was focused on transactions in the year and the current year balance sheet.

Due to delays in receiving audit evidence in sufficient time before the backstop date, have been unable to complete our audit procedures on; Property, Plant & Equipment (23/24 £126m, 22/23 £127m)

As a result of the disclaimer of opinion in the prior year and the backstop date, we also do not have sufficient appropriate audit evidence over the following:

- in the balance sheet and accompanying notes: the opening balances, closing reserves position and the valuation of property assets held at valuation included in 'other land and buildings' and heritage assets that were not revalued in year.
- in the comprehensive income and expenditure account and accompanying notes: comparatives and income and expenditure transactions that are impacted by the opening balances shown in the prior year balance sheet
- in the cash flow statement and accompanying notes: opening balances, comparatives and in-year cash flow movements that are calculated as a movement between the opening and closing balance sheet
- in the collection fund and accompanying notes: opening balances, comparatives and in-year movements that are calculated as a movement between the opening and closing balance

Therefore, we are disclaiming our opinion on the financial statements.

Matters on which we report by exception

Notwithstanding our disclaimer of opinion on the financial statements we have nothing to report in respect of whether the annual governance statement is misleading or inconsistent with other information forthcoming from the audit, performed subject to the pervasive limitation described above, or our knowledge of the Council.

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended)
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)
- we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

We have nothing to report in these respects.

Responsibility of the Head of Finance & Revenues

As explained more fully in the Statement of Responsibilities for the Statement of Accounts 2023/24 set out on pages 10, the Head of Finance & Revenues is responsible for the preparation of the Statement of Accounts 2023/24, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, for being satisfied that they give a true and fair view and for such internal control as the Head of Finance & Revenues determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Council's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report.

However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Code of Audit Practice 2024 and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

We have undertaken our review in accordance with the Code of Audit Practice 2024, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in November 2024, as to whether Test Valley Borough Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Test Valley Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 (as amended) to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until the NAO, as group auditor, has confirmed that no further assurances will be required from us as component auditors of Test Valley Borough Council.

Until we have completed these procedures, we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of Test Valley Borough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Andrew Brittain (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Reading
27 February 2025

Test Valley Borough Council
Annual Governance Statement 2023/24

1 Scope of responsibility

- 1.1 The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and 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.
- 1.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.
- 1.3 The Council has approved and adopted a local code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the Local Code of Corporate Governance is on the Council's website at: <http://www.testvalley.gov.uk/aboutyourcouncil/corporatedirection/local-code-corporate-governance>, or can be obtained from the Head of Legal and Democratic Services.
- 1.4 This statement explains how the Council has complied, and continues to comply, with the principles underlying this code and also meets the requirements of regulation 6 of the Accounts and Audit (England) Regulations 2015, which requires all relevant bodies to prepare an annual governance statement.

2 The purpose of the governance framework

- 2.1 The governance framework comprises the systems and processes, and culture and values, by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. 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, value for money services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk at 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.
- 2.3 The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks occurring and the impact should they happen, and to manage them efficiently, effectively and economically.
- 2.4 The governance framework that has been in place at the Council for the year ended 31 March 2024 is explained in the following sections.

3 The governance framework

3.1 The key elements of the systems and processes that comprise the Council's governance arrangements are as follows:

- The Council has fulfilled the following key roles (now formally adopted as part of the Local Code of Governance):
 - To promote the well-being of the area and provide leadership to the community;
 - To ensure the provision of high quality services provided in-house, by private sector companies, (where the ability to influence exists), jointly with other Councils or agencies, or by the voluntary sector;
 - To be accountable and provide stewardship for the use of public funds and resources;
 - To build a strong sense of community.

3.2 In fulfilling these roles the Council is committed to following the seven core principles of good corporate governance identified in the CIPFA/SOLACE Guidance.

3.3 Partnership Working

3.3.1 A single strategic partnership for the Borough is in place called the Test Valley Partnership. It brings together the key partner agencies from across the public and voluntary and community sector. It meets twice a year and provides a place in which the key strategic issues facing the borough can be discussed, joint work developed and statutory duties (such as community safety) met.

3.3.2 The Test Valley Partnership and its umbrella groups (community safety management group, community resilience forum and the civilian military forum) all continued to meet during 2023/24. The partnership reviews its programme of work in light of where evidence is demonstrating a focus is required.

3.3.3 During this year the partnership has continued to demonstrate its added value by bringing partners together to work on key issues affecting communities in Test Valley by aligning work and resources and taking a focused and targeted approach to where it can make its greatest impact. A good example of this in practice has been the response to the Cost of Living crisis.

3.3.4 The headline outcomes were:

- A cost-of-living **information hub** on the Council website with input from a host of agencies.
- In 2023/24 the Cost of Living Grant scheme has awarded £21,000. This has enabled community-based organisations, from the hyper-local to the borough-wide, to support households struggling through the increasing cost of living. Projects funded include placing Citizen's Advice case workers at Foodbanks to extend their reach, clothing, shoe and school uniform provision for children, a travelling food pantry providing subsidised, healthy food in the rural areas, advice cafes, free dentistry, and a range of food support and breakfast club type projects.

3.3.5 As the Council's place-based approach has continued to develop, partnership websites such as Andover Vision and Romsey Future have been developed, where appropriate, due to the collaborative nature of the projects e.g. Romsey South of Town Centre. Consultation and project information has been posted to these websites with clear links back to relevant Council Services.

3.4 Community Working and the Corporate Plan

3.4.1 The Council has a clear vision of its purpose and desired outcomes for the short, medium and long term. These are encapsulated in its Corporate Plan and in its delivery vehicle, the Corporate Action plan through a range of corporate and service strategies.

3.4.2 There has been considerable consultation and stakeholder involvement in the development and progression of these plans and strategies and they are made available to the public through a variety of means including the Council's website , online newsletter and Test Valley News.

3.4.3 In April 2023 a new Corporate Plan "A Place for Everyone – Supporting our communities to thrive" was approved by Full Council. This followed an extensive evidence-led process that brought together the strategic influences facing the authority and an innovative and robust package of community engagement working with the Involve Foundation (a leading national organisation) to design and deliver a series of deliberative events across the borough to enable a representative group of the borough's population to come together to explore the future focus of the council's corporate plan priorities. Drawing upon lived experience, data and insights and facilitating deliberation amongst participants culminated in a series of robust outcome statements that informed the development of the council's strategic priorities.

3.4.4 The process to develop the Corporate Plan actively engaged Councillors throughout with involvement in the first phase of engagement at local events and with the active engagement of the council's overview and scrutiny committee throughout the process.

3.4.5 The Council has a longstanding strategic commitment to work with its communities collaboratively and the new corporate plan strengthens this further with recognition of how our strategic priorities will need to be agile in responding to the different needs of our communities within the borough. At the centre of this is the democratic role elected councillors play in bringing communities together to ensure inclusivity when undertaking local action planning and priority setting. The Council's Member and Community Development Group, chaired by the Leader of the Council, supports community councillors to engage more effectively with local residents and communities and has undertaken work to review and update its action plan which will ensure members are supported effectively in their role as community councillors.

3.4.6 In 2023 a focused programme of work to develop this further has been undertaken, supporting councillors to come together with local partners (such as parish councils) within their communities to explore the emerging issues and priorities and to begin a process of local (community-led) action planning. Further strengthening the approach to place-based working, this has involved the council's senior managers working alongside the community team and local councillors in delivering this programme of work. It forms a key part of the council's ongoing organisational development to enable us to be able to support our communities to thrive.

- 3.4.7 Building upon the practice and learning gained as part of the council's participation in the Innovation in Democracy Programme and our use of the approach to develop the new Corporate Plan, further opportunities to embed and develop our approach to innovative engagement practice through the use of deliberative engagement has taken place in 2023/24. This has included topics such as the future priorities for the Business Improvement District, the Council's approach to Communications and with plans for the year ahead for a second citizens assembly to take place in Romsey in summer 2024.
- 3.4.8 The Council formally reviews its progress and performance against its corporate priorities through an Annual Corporate Action Plan Report <https://www.testvalley.gov.uk/aboutyourcouncil/corporatedirection/corporate-plan-for-2019-to-2023> which is presented to Overview and Scrutiny Committee (OSCOM) and the Cabinet.
- 3.4.9 The Council's Consultation Portal provides a single link to all our current 'live' consultations, giving residents the opportunity to get involved, as well as access to details of the feedback from previous consultations.
- 3.4.10 There are a number of tools in place to enable the Council to hear the widest range of views from local communities, in a consistent way, as part of an evidence led approach to decision making. These include:
- Statement of community involvement.
 - Community Planning Toolkit.
 - Specialist advice and support through Community Engagement Officers and policy Team.
 - Equality objectives which set out how the Council will ensure an inclusive approach to consultation.

3.5 Committee Role in Governance

- 3.5.1 The Corporate Plan is supported by a performance management framework (including performance indicators) to measure progress and performance against the Corporate Action Plan is reported annually to Overview and Scrutiny Committee.
- 3.5.2 At its meeting on 6th April 2022 Council resolved to form an Audit Committee with effect from 18th May 2022 replacing the arrangements previously undertaken by the OSCOM Audit Panel. This committee has embedded itself effectively into the overall Council governance environment and met four times during the year.
- 3.5.3 Full Council is ultimately responsible for approving amendments to the Council's Constitution. The Head of Legal and Democratic Services is responsible for monitoring and reviewing the Constitution which is undertaken at least annually to ensure that it is up to date with current legislation and best practice.
- 3.5.4 The Cabinet has responsibility for the day-to-day operation of the Council's business unless that business is delegated specifically to another committee (e.g. Planning, Licensing) and ensuring that governance arrangements and compliance is adequate for the conduct of that business.
- 3.5.5 As part of the Council's open and transparent approach, Overview and Scrutiny Committee has responsibility for scrutinising the decisions of the Cabinet and reviewing the Council's policies and functions and making recommendations to the Cabinet as appropriate.

- 3.5.6 The Council's Audit Committee takes responsibility for audit and risk management issues, reviewing the Council's work in these areas and monitoring the progress and performance of both Internal and External Audit.
- 3.5.7 The Council's General Purposes Committee, together with the General Purposes Employment Appeals and Ethics Sub-Committee, have the role of promoting and maintaining high standards of conduct amongst Members and assisting them to observe the Authority's Code of Conduct. The work of the Sub-Committee is supported by the appointment of Independent Persons as required by the Localism Act 2011. The General Purposes Committee may receive reports as to the operation of the Code of Conduct. In addition, the General Purposes Employment Appeals and Ethics Sub-Committee will be required to determine complaints which are referred to it by the Monitoring Officer following investigation and direct or recommend any further action required consistent with the Localism Act 2011 and associated regulations.
- 3.5.8 Members of OSCOM undertake task and finish panel reviews. Once an area for review has been identified, the lead member/chairman of the panel presents the draft scoping document for the review to the full committee for consideration.
- 3.5.9 A full report is then subsequently presented to OSCOM once the review has been completed or reached an appropriate stage. This process has ensured more effective and focused reviews and a clear line of responsibility to the main committee. In addition, there is a standing Budget Panel which meet regularly throughout the year and covers the budget setting process of the Council. This panel reports to OSCOM on a regular basis and brings any issues of concern to the attention of the Committee.
- 3.5.10 The roles of the Cabinet, OSCOM, and other committees of the Council as well as specific roles assigned to the Leader, Deputy Leader, Portfolio Holders and senior officers of the Council are defined and documented within the Council's Constitution.
- 3.5.11 The Constitution clearly identifies the powers, duties and responsibilities delegated to the Leader, Deputy Leader, Portfolio Holders and Officers, and includes rules for how Council and committee meetings should operate and the relationship between Members and Officers.
- 3.5.12 The conduct of Members and Officers is regulated by separate codes of conduct within the Council's Constitution. The Council's General Purposes Committee together with the General Purposes Employment Appeals and Ethics Sub-Committee promote high standards of conduct by Members and the latter considers allegations of breach of the Code of Conduct by Members where referred to them.
- 3.5.13 Having regard to the benefits of remote meetings, the Council responded to the Government's consultation/call for evidence on the subject though legislation has not been forthcoming reinstating remote meetings. The Council has been able to continue to avail itself of the ability to conduct non-committee business remotely or in a hybrid fashion where appropriate. Officers are investigating the potential for live streaming Council meetings.
- 3.6 Supporting the Committee Role
- 3.6.1 The Council has a Strategy and Innovation Service to strengthen the Council's ability to develop and manage its corporate planning processes. The Service leads on key projects and programmes including the Council's approach to modernisation in its ways of working.

- 3.6.2 The quality and value for money of services provided to users is measured through the Authority's performance management system. This includes the measurement and review of performance against national and local performance indicators and actions taken to address areas for improvement. Performance is monitored regularly throughout the year.
- 3.6.3 The conduct of day-to-day Council business is regulated through policies and procedures such as Contract Standing Orders and Financial Procedure Rules. The delegations to Members and Officers are kept continually under review and revised as appropriate.
- 3.6.4 A comprehensive set of Human Resources policies ensures compliance with employment legislation and promotes good personnel practices. These include disciplinary and capability processes to deal with conduct or performance which is unacceptable. These policies and procedures are regularly reviewed and revised.
- 3.6.5 A People Strategy helps shape the cultural direction and people management practices for the future to enable the Council to achieve its ambitions over the next 3-5 years. This has been enhanced over 2023/24 through a process where all senior managers have participated in an exercise to review our values as an organisation and the culture within which we work.
- 3.6.6 Whilst being able to respond to the changing needs of local government and the borough's residents, this forms part of the Council's Corporate Framework with close links to the Corporate Plan and Medium Term Financial Strategy. Work has also been undertaken during the year to identify and review hard-to-recruit-to posts.

3.7 Finance & Risk Management

- 3.7.1 The Council has in place a Medium Term Financial Strategy, updated annually, which supports the aims of the Corporate Plan. The Medium Term Financial Strategy has been materially affected by macro-economic factors of high inflation and sustained increases in interest rates. The greatest risk to the MTFS is the uncertainty surrounding the potential for a business rates re-set which could see a material reduction in a key income stream, the timing and extent of which is beyond the Council's control.
- 3.7.2 Risk management is outlined in a Risk Management Strategy. Corporate and Service specific risks are subject to ongoing review and progress in managing the corporate risk register is reported to the Audit Committee on a six monthly basis.
- 3.7.3 Risk management is embedded within the Council's processes e.g. reports to decision-making committees use a template which includes a section on risk assessment which must be completed before the report can be considered. Risk registers are also established and managed for all major projects.

3.8 Equalities, Diversity & Inclusion

- 3.8.1 Elected Members and all officers are aware of their obligations under equality legislation, as well as the standards of behaviour and language which are expected from representatives and employees of the Council. Ongoing training is provided for both Members and officers.

- 3.8.2 Equality considerations including full impact assessments where necessary and appropriate are built into the Council's decision-making process. The Council has reviewed its corporate equalities objectives, alongside its duties under the gender pay gap publication requirements and Public Sector Equality Duty. The Council continues to deliver training on the Equality Act 2010 to new members of staff and to Members.
- 3.8.3 There is an area of Portfolio responsibility focused on "Diversity and Inclusion". The Council has published information that demonstrates compliance with the Equality Duty as defined by the Equality Act 2010 on its website.
(<https://www.testvalley.gov.uk/aboutyourcouncil/corporatedirection/equality---diversity/equalities>)
- 3.8.4 The Council has established Disability Focus Groups that contributed towards the development of the new Corporate Plan. The groups are helping the Council and its partners on an ongoing basis.
- 3.8.5 The Council is a statutory partner with regards safeguarding its residents of all ages under both The Children Act 2004 and The Care Act 2014. The Council has in place a Safeguarding Children and Vulnerable Adults Policy and this and the associated procedures are monitored regularly to ensure compliance with these duties. The Council also liaises with both the Hampshire Safeguarding Children Partnership and Hampshire Safeguarding Adults Board to ensure this.
- 3.8.6 On an annual basis, the Council is required by the Hampshire Safeguarding Children Partnership (HSCP) to complete the required Section 11 audit which is a self-assessment of its position with regards its safeguarding duties. The last full audit which took place in 2023 concluded that the Council is compliant with Section 11 of The Children Act. Some minor areas of learning were identified through this process and actions have been implemented to address these. This will be reviewed by the HSCP in spring 2024.
- 3.8.7 On a bi-annual basis the Council is also required by the Hampshire Safeguarding Adults Board to undertake an audit of its position with regards its safeguarding duties, the last audit was undertaken in 2022 and concluded that the Council are compliant with our safeguarding duties. The 2024 audit will be due in March 2024.
- 3.9 Environmental and managing a changing climate
- 3.9.1 The Council approved a Climate Emergency Action Plan (CEAP) in 2020 to identify the steps it will be taking to work towards achieving carbon neutrality. Evidence has been gathered to provide information on greenhouse emissions, decarbonisation and how the Council can deliver its services in a more environmentally friendly way.
- 3.9.2 Measures have been introduced which have reduced the Council's emissions. Work is ongoing to review the content of the CEAP considering both measures within the organisation but also supporting communities within the Borough to reduce their emissions.
- 3.10 Officer structure

- 3.10.1 The Chief Executive is the Council's Head of Paid Service and has overall corporate management and operational responsibility for the way in which the Council delivers its services. The Head of Legal and Democratic Services is designated as the Council's Monitoring Officer and has responsibilities under section 5 of the Local Government and Housing Act 1989 for ensuring that the Council complies with relevant laws and regulations and internal policies such as Contract Standing Orders. The Head of Finance and Revenues is designated as the Council's Section 151 Officer with responsibility for ensuring the "proper administration of financial affairs".
- 3.10.2 The Head of Finance and Revenues also has responsibility under section 114 of the Local Government Finance Act 1988 for reporting to the Council and the external auditor if the Council has made, or is about to make, expenditure which is unlawful.
- 3.10.3 These three statutory officers meet regularly throughout the year (plus as required on an ad hoc basis) to discuss significant corporate issues.
- 3.10.4 The CIPFA statement on the Role of the Chief Financial Officer in Local Government recommends that the Chief Finance Officer reports directly to the Chief Executive and be a member of the 'Leadership Team', of equal status to other members. The Council does not strictly comply with this requirement in that the Head of Finance and Revenues reports to the Deputy Chief Executive; however, he is a member of the Management Team (which is the local comparison with the CIPFA Leadership Team reference). In practice, the Head of Finance and Revenues is able to report directly to the Chief Executive and Members as and when required and is involved and consulted in all matters which have financial implications for the Council.
- 3.11 Complaints & Whistleblowing
- 3.11.1 The Council's Constitution contains a Confidential Reporting Code for Employees which safeguards "whistle-blowers" who raise legitimate concerns about the Council's actions and specifies how their concerns should be addressed. The Code is monitored by the Audit Committee.
- 3.11.2 Financial Procedure Rules require all staff to raise concerns about the use or misuse of Council resources with the Head of Finance and Revenues or Internal Audit who will carry out an independent investigation of the circumstances. Internal Audit also actively encourages staff to raise matters of concern through "Speak Up" campaigns. A form is available on the Council's intranet for staff to raise concerns (anonymously if desired) about the use of Council resources and this facility has been extended to the website so that members of the public can raise concerns in this area.
- 3.11.3 The Council also has a formal complaints procedure for members of the public to raise issues, e.g. where they are dissatisfied with the service they have received, and an annual report is prepared for the Audit Committee summarising these complaints and how they were resolved.
- 3.11.4 The Council has a detailed Anti-Fraud and Corruption Policy which includes Whistleblowing and sets out the roles, responsibilities of officers and Members and actions to be taken when fraud or corruption is suspected. In addition, an Anti-Bribery Policy has been approved to address the requirements of the Bribery Act 2010.
- 3.12 Training and awareness

- 3.12.1 The Democratic Services Manager is responsible for identifying and providing for Councillors' training needs. The Council has a cross-party Member and Community Development Group which is supported by officers from a range of services.
- 3.12.2 This Group has continued to work to promote an enhanced 'Community Councillor' role for Councillors that focuses on them acting as a catalyst for change to encourage communities to reach their full potential. This work has brought together the needs and expectations of our communities in order to make balanced decisions, and has ensured a culture of democratic accountability is embraced throughout the Council.
- 3.12.3 The Group assists the Council in developing a programme of Councillor training and development that is shaped by the Councillors themselves, ensuring that training and development activities offered is tailored to individual Councillor needs as well as the needs of Councillors generally, the council and communities. This work has been shared with the Councillor Commission and has become a key part of the ongoing work that supports this national project.
- 3.12.4 All new Councillors are provided with induction training to assist them with understanding and successfully carrying out their different roles, with an ongoing programme of training and development provided on specific issues where appropriate e.g. planning, and to build key skills and knowledge.
- 3.12.5 All officers also receive induction training and appropriate professional and skills training and development identified, for instance, through annual performance discussions.
- 3.12.6 An exercise was undertaken during the year to remind all officers with responsibility for procuring goods and services of the requirements of Contract Standing Orders. This has proved to be successful, with the Procurement Officer reporting an increase in requests for support in undertaking procurement exercises.
- 3.12.7 Publications such as Test Valley News are sent to all households and the Council's website is an important source of information about the Council and its services. The Council's website has been designed to make it more accessible to residents and businesses of Test Valley and to make it easier to undertake transactions online.
- 3.12.8 In addition, the council has continued to grow its email newsletter with the inclusion on specific topics that residents can subscribe to. This includes Green Test Valley, Business Matters, Events and News and Regeneration. During the last year for news and events there has been an increase of 2000 subscribers demonstrating this method of communication is becoming a key part of reaching a wider audience. A Communications Strategy has been produced to support the emerging Corporate Plan.

4 Review of effectiveness

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

- 4.2 The Council's Internal Audit team, located within the Finance & Revenues Service, carries out a continuous review of the Council's systems to provide independent assurance that the control environment is effective in achieving the Council's objectives. The team objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of the Authority's resources.
- 4.3 The performance of the Internal Audit team is monitored by the Council's Audit Committee and Section 151 Officer. The Internal Audit Manager presents the Internal Audit Charter, Strategy and Annual Audit Plan to the Audit Committee and produces an Annual Report giving an opinion of the adequacy of the Council's systems of internal control.
- 4.4 An external assessment of the internal audit function's conformance with the Public Sector Internal Audit Standards (PSIAS) was carried out in February 2024. The Public Sector Internal Audit Standards are a mandatory requirement, the objectives of which are to:
- define the nature of internal auditing within the UK public sector,
 - set basic principles for carrying out internal audit in the UK public sector,
 - establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations, and
 - establish the basis for evaluation of Internal Audit performance to drive improvement planning.
- 4.5 The external assessment concluded that the function "generally" conforms to the standards. A report of the outcomes together with a development plan is reported to the Audit Committee.
- 4.6 There is evidence that the work the Internal Audit function has delivered is effective. It is a highly respected service that is engaged with the organisation and which provides ongoing support in key areas, as well as effective assurance on controls.
- 4.7 The Internal Audit Manager has provided substantial assurance in respect of the Council's risk management, control and governance arrangements. "Substantial Assurance" means that systems in place are generally sound, but some best practice developmental areas have been identified to strengthen the Council's governance arrangements. These form the basis of the action plan appended to this Statement.
- 4.8 The Council is regularly audited by the External Auditor (Ernst and Young LLP) who independently examines the Council's accounts and financial systems and who presents an [Annual Audit Report](#) to Members, the latest available covering the financial year 2021/22. This was a positive report with an unqualified opinion on the Council's accounts, system of internal control and arrangements to achieve value for money. Due to issues at a national level with auditor capacity in the public sector it is not expected that an audit opinion will be received for the 2022/23 financial year¹.
- 4.9 EY have, however, been able to issue a value for money statement in respect of the 2022/23 financial year which identified no weaknesses in the Council's financial sustainability; governance; or efficiency & effectiveness.

5 Declaration

- 5.1 We have been advised on the implications of this review of the effectiveness of the governance framework and of any significant governance issues. A plan to address weaknesses and ensure continuous improvement of the system is in place as shown in the attached annex.
- 5.2 We propose over the coming year to take steps to address these matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed: **Signed:**

Leader of the Council Chief Executive

^{1.} *Paragraph 4.8 set out that an audit opinion on the 2022/23 accounts was not expected to be received. On 26th November 2024, Ernst & Young gave a disclaimed opinion on those accounts.*

Governance Actions for 2024-25

No significant governance issues have been identified. The following are best practice developmental areas to strengthen the Council's governance arrangements.

Issue	Action to be Taken	Timescale	Lead Officer
<p>Risk Management To develop the links between the Corporate Risk Register and Service Registers following a change to the way the Corporate Risk Register is presented.</p>	<p>For the Internal Audit team to work with all services to ensure a consistency of approach in preparing and reviewing Service Risk Registers.</p>	<p>31/03/25</p>	<p>Head of Finance & Revenues</p>
<p>Service Planning and Performance Management Embed the council's new performance management framework launched in April 2024</p>	<p>To deliver an integrated approach to performance management, the preparation and monitoring of the Corporate Action Plan, new approach to Service Planning, Performance indicators/ impact measures and risk.</p>	<p>September 2024</p>	<p>Head of Strategy and Innovation</p>
<p>Procurement, Contract Management & Monitoring To strengthen procurement, contract management and monitoring practices in light of changes required by the Procurement Act 2023.</p>	<p>Update the Contract Standing Orders section of the Constitution to ensure the Council's policies and procedures reflect changes to legislation.</p> <p>Implement training on the requirements of the Act to ensure all officers who procure goods on behalf of the Council are aware of their responsibilities.</p> <p>To introduce a more rigorous approach to contract monitoring within services.</p>	<p>31/07/24</p> <p>30/09/24</p> <p>31/03/25</p>	<p>Head of Finance & Revenues / Head of Legal & Democratic</p> <p>Head of Finance & Revenues / Head of Legal & Democratic</p> <p>Head of Finance & Revenues</p>

