

# **DRAFT FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2020



**SURREY HEATH BOROUGH COUNCIL**



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## 1. NARRATIVE STATEMENT

### 1.1. Surrey Heath as a place

Surrey Heath Borough Council is one of the eleven Local Authorities in the County of Surrey. It lies at the north-western edge of Surrey and borders Hampshire to the west and Berkshire to the north. The Borough covers 36.5 square miles and is a mix of urban and rural environments. It combines a vibrant economy with an attractive environment and is one of the safest areas in the country.

The borough consists of a mix of both urban and rural areas. Much of the rural area is within the Green Belt and includes extensive areas of heath and woodland. There are five sites of Special Scientific Interest in the Borough, four of which are part of the Thames Basin Heaths Special Protection Area of European importance as a habitat for certain endangered bird species. This issue significantly impacts upon development potential in the borough and has led to more intensive development in the urban areas.

The total population of Surrey Heath according to 2011 census is 86,144, which is a 7.3% increase since the last Census in 2001. Of these 16.72% are over 65 years of age, an increase of 31.8% since the last Census. Over 85 year-olds have also increased significantly by 38.5% to 1,800 residents. This is going to be an increasingly important factor in the delivery of services.

With London and its international airports, Heathrow and Gatwick, only an hour away by car or train, and major towns and cities in the south within easy reach, Surrey Heath is an ideal location for business. Not surprisingly, Surrey Heath is a sought after area for residential and commercial development but development has been difficult due to issues around the supply of land. Surrey Heath is rated as one of the most prosperous areas in the country with one of the best qualities of life and amongst the highest per capital incomes. These statistics mask however that the borough does have some relatively deprived wards which are amongst the most deprived in Surrey.

- Surrey Heath:
  - Collects £37m in business rates but is only guaranteed to keep 3.94% to spend on services.
  - Has borrowed £160m to invest in property to deliver regeneration as well as to generate income to fund services.
  - Generates over £28m in income from services it sells and from rents to support the Council's services.
- Central Government Revenue Support grant has fallen year on year. In the current financial year 2019/20 and since 2017/18 it was Zero, falling from £357,000 in 2016/17.
- Demographic growth and an increasingly ageing population will continue to put pressure on Council services and the budget.
- Brexit and the impact on the wider economy could lead to an impact on the Council's finances through changes to interest rates, inflation, wages and rental income.

### 1.2. Finance Service

2019/20 has brought more changes to the finance service. The benefits from the Civica financial system are continuing to be realised with a significant number of staff now being comfortable in using the system to monitor their budgets and purchase goods and services, further enhancements are planned and procedures streamlined to generate efficiencies in the service. Two new senior accountants joined the service towards the end of the financial year and their experience and knowledge will enhance the finance service in the years ahead.



The Council's investment in property coupled with Surrey Heath becoming lead authority for joint waste has meant that the service has had to deal with accounting challenges in partnership with colleagues from both waste and property development departments. The finance service has worked closely with services to assist them with their budget monitoring.

2020/21 will see further improvements and challenges for the service. This will include:

- Enhancement of the Civica financial system including the introduction of new modules and move into the cloud.
- Further property purchases will bring more accounting challenges.
- A further Finance for Non-Finance Managers course will be run for a number of the organisation's managers following the success of the first one to enhance their budgeting ability and knowledge.

### **1.3. Surrey Heath – Great Place, Great Community, Great Future**

Surrey Heath Borough Council is a small Council with big ambitions. We really want to make a difference to the residents and communities we serve however we recognise that this is difficult within the financial constraints imposed upon us by Government. For that reason we have set ourselves the task of increasing income, rather than making cuts, to deliver the resources we need to kick start regeneration and to fund services our residents value.

The Council has a 5 year strategy and it is based around 4 themes. These are Place, Prosperity, People and Performance. These themes recognise what is important to our communities and are explained in more detail below:

#### **Place**

***We want to make Surrey Heath an even better place where people are happy to live.***

Our priorities are:

- Deliver an improved Camberley Town Centre for the benefit of all residents of the Borough.
- Protect, manage and maintain our parks and public open spaces including the provision of quality leisure facilities.
- Encourage sustainable living and construction by promoting high quality building and design standards.
- To reduce waste and increase the proportion of waste recycled and recovered.
- Work with key partners to continue to keep the borough a very safe place to live.

#### **Prosperity**

***We will support and promote our local economy so that people can work and do business across Surrey Heath***

Our Priorities are:

- Strengthen the Council's financial independence by increasing our own income.
- Work with partners to support our urban and rural economy through strategic development planning and economic growth.
- Support local businesses by encouraging economic development and improvements to local transport and other infrastructure.
- Encourage inward investment by promoting Surrey Heath as a great place to live and work.
- Deliver new development within the borough to strengthen the local economy.

# INTRODUCTION



## People

***We will build and encourage communities where people can live happily and healthily***

Our Priorities are:

- Work with partners to improve the health and wellbeing of our community.
- Support older and more vulnerable people to live independently in their own homes and remain active in their local community.
- Use our green space to deliver a programme of sport and leisure activities supporting community engagement with all people.
- Address housing needs within the community.

## Performance

***We will deliver effective and efficient services better and faster***

Our Priorities are:

- Provide excellent customer service delivery.
- Improve access to services through the use of technology.
- Maximise every opportunity to improve the use of our land and buildings.
- Regularly review our services and processes to ensure that they continue to offer value for money.
- Maintain services by working collaboratively with partners in the public, private and voluntary sectors.
- Demonstrate our performance through monitoring and reporting.

## 1.4. Council Performance

### Achievements 2019/20

Over the last year the Council has made substantial progress towards achieving key objectives. These are set out in detail in the Council's annual performance report which is presented to Executive in late June. Highlights are listed below:

- Residents of the borough continue to be amongst the best recyclers in the country and the Council is keen to encourage even more recycling.
- Through sound management the Council has managed to deliver substantial saving's on interest payable on its external borrowing.
- The number of residents taking Meals at home continues to grow.
- Refurbishment of a number of play area's across the Borough including Frimley Lodge and Lightwater Country parks.
- The Council has one of the highest collection rates for council tax and business rates in the country
- The Council continues to enable less able residents to remain in their own homes and works closely with hospitals and other partners.
- 173 families were prevented from becoming homeless due to the interventions of the Council's housing team.

## 1.5. Financial Performance

### Financial context of the Council

Surrey Heath Borough Council had gross service expenditure of £45m. This is funded by income from investments, charges, grants, business rates and council tax as set out in the budget paper presented to members in February each year.

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In addition we also collect Business Rates and Council Tax on behalf of all preceptors and have also managed a short term loan portfolio in order to reduce borrowing costs.

Government funding to the Council has fallen by £2.7m in cash terms since 2010/11 and the Council has made up the gap by increasing efficiency and generating income through investment. This has meant that despite this reduction in funding, coupled with the impact of inflation, the Council has been able to maintain its services to residents.

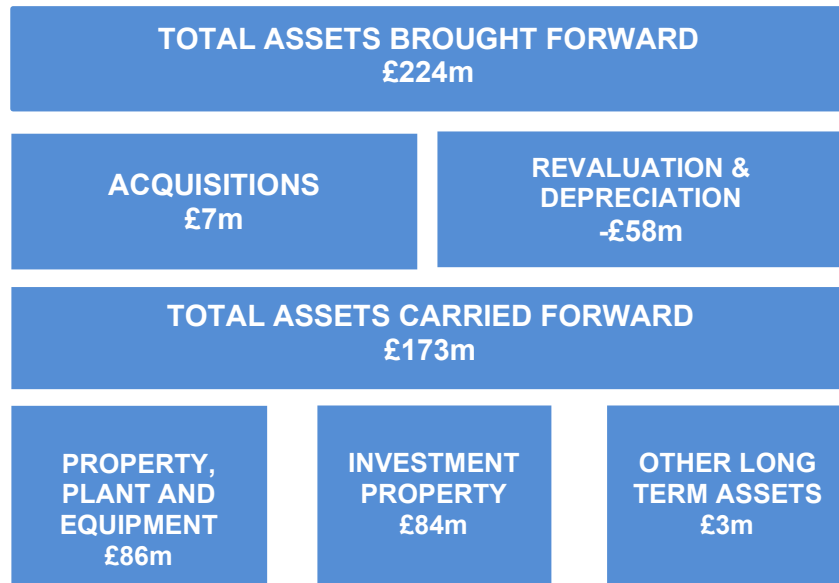
There is significant uncertainty in respect of funding going forward in that the Government has not announced the outcome of the Fair Funding Review and Business Rates reforms have been postponed.. In addition, the Spending Review, which is due later in 2020, and sets out all public expenditure, is also awaited.



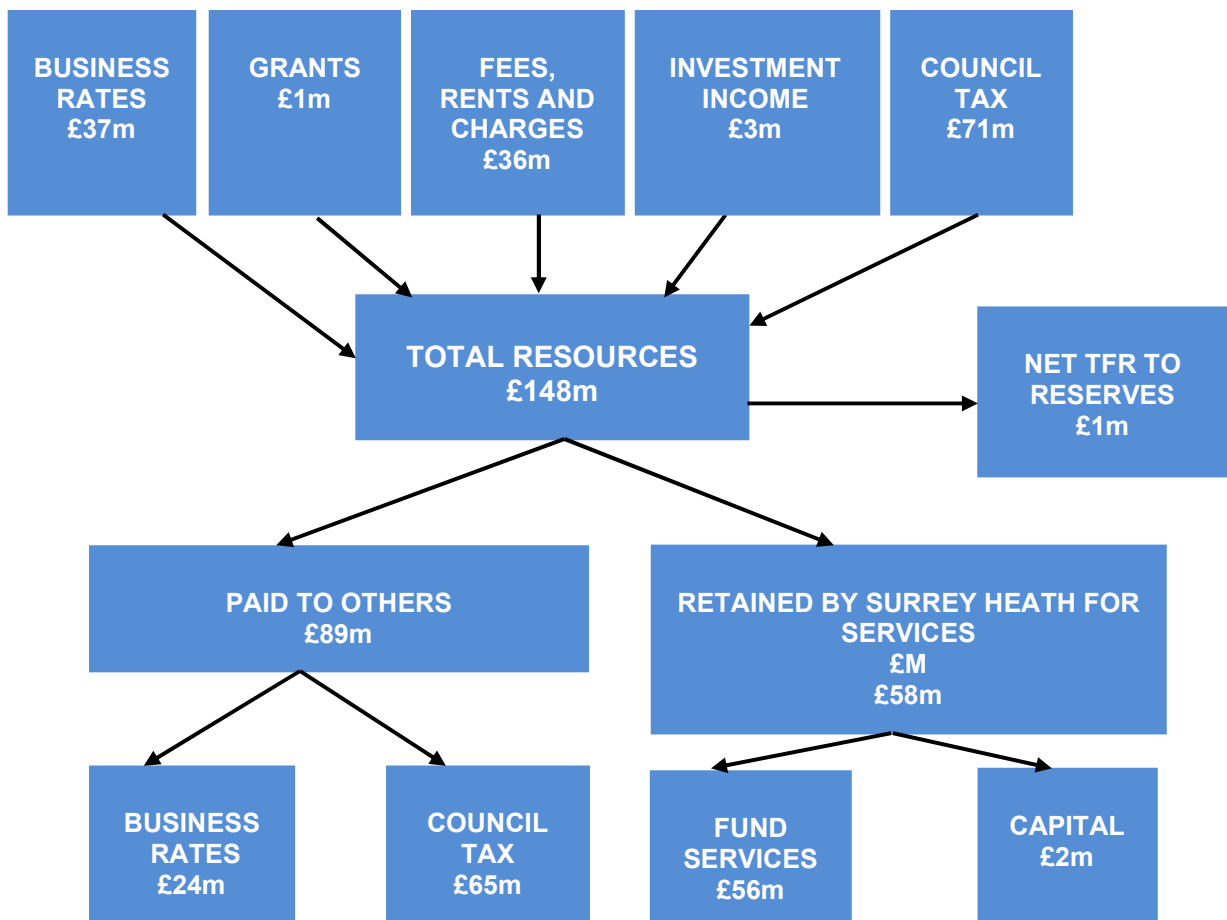
# INTRODUCTION



## Capital Cash Flows



## Revenue Cash Flows



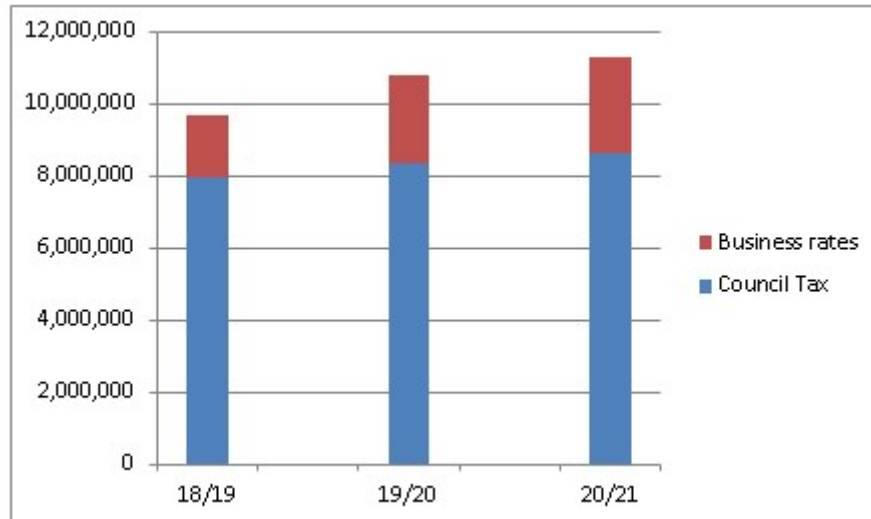
SURREY CC £63m  
DCLG £16m

SURREY POLICE £10M

# INTRODUCTION



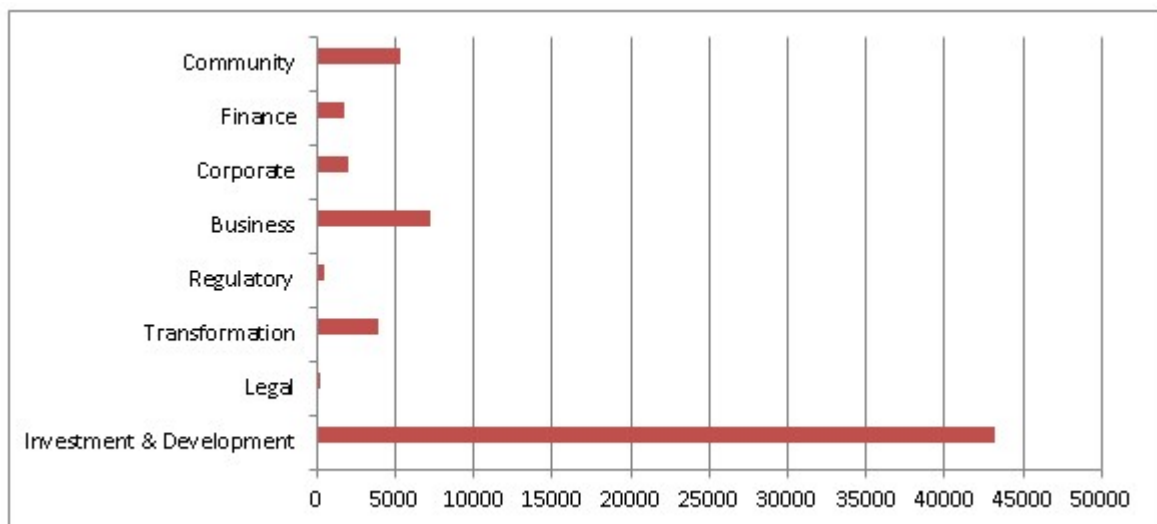
In common with the rest of Local Government, Surrey Heath has seen a steady reduction in its core funding which has had to be replaced in part by Council Tax.



Against this background, the Council has pursued a policy of increasing income both from services and investment and through improving efficiencies. This has enabled the Council to maintain service delivery in this difficult financial environment.

## Council Spending 2019/20

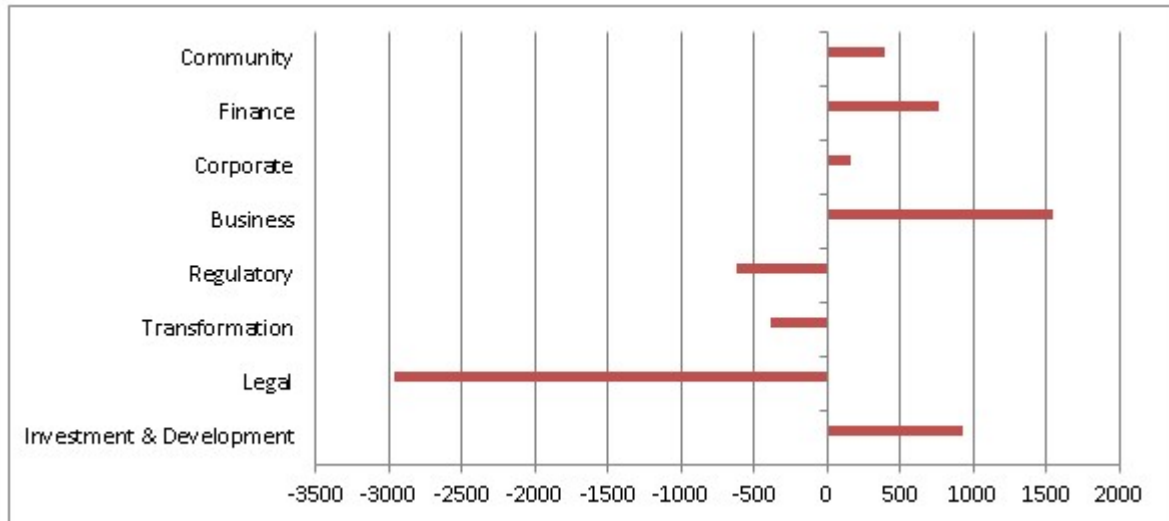
Expenditure by services was as follows (in £'000):



# INTRODUCTION



Controllable variances to budget (which excludes asset charges, severance costs and pensions) were as follows (in £'000s):



Major variances were caused by:

|                                   |  |
|-----------------------------------|--|
| <b>Regulatory</b>                 | Planning Applications £175k underspend<br>Chobham Flood alleviation scheme £41k underspend<br>Local Plan £136k underspend but some of this will be carried forward<br>Homelessness £372k underspend  |
| <b>Legal</b>                      | Corporate Land Management £264k surplus<br>Vulcan Way £97k surplus<br>Trade City £46k surplus<br>St George's £90k surplus<br>Theta £793k surplus   |
| <b>Finance</b>                    | Corporate Management £210k overspend<br>Finance/Transactions £174k overspend   |
| <b>Community</b>                  | Recycling and Waste £205k overspend<br>Community services £10k underspend  |
| <b>Investment and Development</b> | Strategic Property Development £347k underspend<br>London Road Block £264k underspend.   |
| <b>Transformation</b>             | Revenue grants £93k underspend will be carried forward.<br>Telephones £47k overspend.<br>Counter fraud £202k underspend, which will be carried forward.<br>Community Development £200k underspend.   |
| <b>Corporate</b>                  | Elections  |
| <b>Business</b>                   | Theatre £260k over budget Net revenue from shows fell short of budget and cumulative savings are in line with business plan.<br>Parking £373k over budget due to lower income as a result of a reduction in town centre footfall and a reduced number of car parking spaces available.<br>Parks and Open Spaces £63k overspend. Increased maintenance costs due to vandalism and landfill costs. |

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## Council Tax and Business Rates

The Council achieved a deficit on Council Tax during the year of £107k and a deficit on Business Rates of £983k. The Council Tax deficit was due to a previous over estimation of the predicted surplus, whilst the Business Rates deficit was related to issues around moving out of a 100% pilot area.

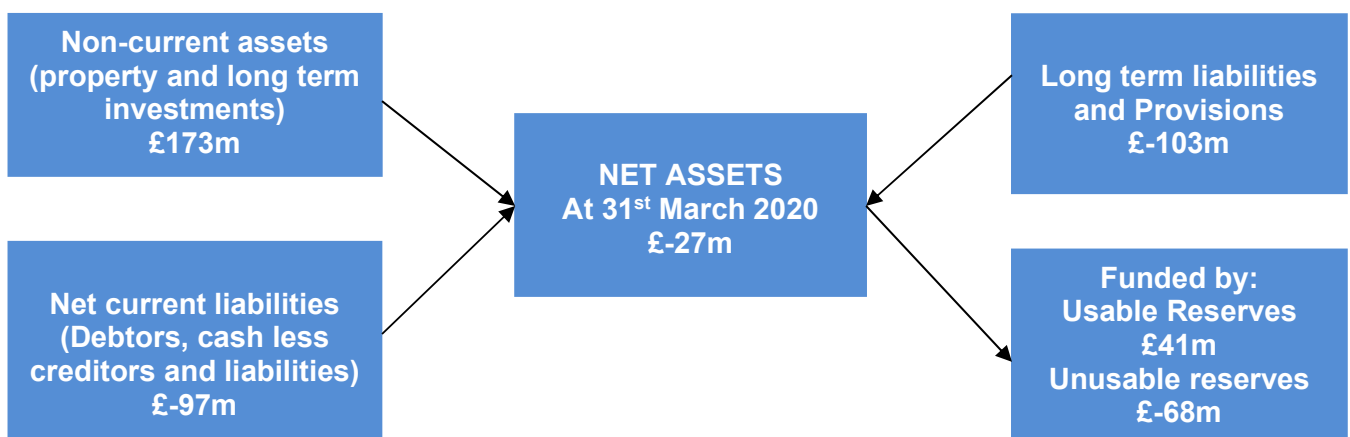
## Pension Liability

The Pension Liability, calculated in accordance with accounting standards, is currently £45m as at 31<sup>st</sup> March 2020. This is due to continuing low gilt rates which increase the cost of future liabilities.

The Council's share of the deficit on the Surrey Pension Fund continues to reduce the Council's net asset position. The current actuarial valuation, based on forecast yields rather than corporate bond yields as required by accounting standards, shows that the fund is actually very close to being fully funded as at 31<sup>st</sup> March 2020.

## Financial Position

The Council's Balance Sheet:



The Net Assets of the Council have decreased over the year, however the level of cash-backed reserves has risen reflecting the Council making prudent provision for future financial obligations.

## Changes to Accounting Policies

There were no significant changes to accounting policies during the year.

## Current Borrowing Facilities and Capital Borrowing

The Council has external borrowings which total £161m. Of this - £53m is long-term and £108m short-term. The Council entered an arrangement to forward fix £50m of debt within the 2020/21 and 2021/22 financial years to minimise the risk of interest rate increases. During the year, £2.3m was charged for interest and a further £2.2m expensed in respect of debt repayments, all of which was covered by additional income generated from the assets acquired.



## **Internal and External sources of funds available for the Capital Programme**

The Council has £41m in usable reserves, of which £11m could be used to support the Capital Programme. The Council could also borrow up to its Capital Funding requirement of £195m if the need arose.

## **Details of material events since the Balance Sheet date**

At the time of writing, there are no events which would impact upon these financial statements.

## **Impact of the current economic climate upon the Authority**

The medium-term financial forecast produced in February 2020 showed that there was likely to be a funding gap of £2m by the year 2023/24. This was based on a number of assumptions surrounding Government Funding and Business Rates as no actual data has been provided by Central Government beyond the current year. The Council has a good track record of meeting these financial challenges and indeed has a strategy of further efficiency coupled with income generation to meet this challenge. However, if this strategy was to be unsuccessful, it may be that funding cuts to services would be required. That said, this is a challenge faced by most Councils, and indeed Surrey Heath's position is in fact one of the better placed within Surrey. Ultimately, the long-term sustainability of a 2 tier system of Local Government in Surrey will need to be addressed if funding Central Government continues to reduce.

Following recent events, the Council's response to the Coronavirus pandemic will be a key priority in the short and longer term. The Council's Covid-19 Hub has been set up to support vulnerable residents who have been affected by the pandemic. The hub has been reaching out and ensuring that any urgent needs are met, including delivering food packages to those who don't have someone who can obtain shopping or medical supplies for them.

The Council has been on the front line in the fight against the virus, delivering Government backed support as well as developing and delivering locally funded support for residents. The Council is working with the voluntary and community sectors to support even more vulnerable residents, including those who are not part of the NHS list but who do not have families or friends to support them. The Council has made a local Hardship Fund available and is supporting those who need emergency financial support due to Covid-19.

Meanwhile, the Council has strived to continue to deliver core services where possible and all staff have been involved in enabling vital service delivery in this difficult period. It is also a priority for the Council to support businesses and the self-employed through the pandemic, delivering grants to eligible businesses and applying the 2020/21 business rates holiday as promised by the Government. The Council worked with local businesses in Council-owned commercial property to aid in the payment of rents, offering flexible payment schemes to help them manage their cash flows.

Due to the timing of the crisis which started to impact in March 2020 the impact on these 2019/20 accounts is minimal but the crisis will have huge financial implications for the Council going forward, with increased costs in demand for certain services as well as reduced income likely through lower collection rates of council tax, business rates and fees and charges contingent on the easing of lockdown and economic recovery nationally and locally.

In 2018/19 Surrey Heath was a member of the Surrey wide Business rates pilot which meant that all Business Rates growth achieved within the county was retained within Surrey rather than being redistributed. This has achieved the extra £1m target put in place when the pilot was discussed and this is included within these accounts. In 2019/20 we have reverted back to the 50% scheme and it had been proposed that in 2020/21 a new 75% scheme will be introduced however this has now been deferred to 2021/22 by the Government.

# INTRODUCTION



Looking forward the Council wishes to continue to deliver on its key priority to develop Camberley Town Centre. This project in particular will depend on the strength of the wider UK economy in particular the housing and retail markets. Although there has been a national fall in the value of the retail assets which has impacted the Council this is not necessarily an issue since there is no intention to sell these assets in the near future. What is more important is that the income is maintained in order to cover the loans taken out to fund the purchase of these assets. This goal has been met in 2019/20.

The Council is doing a good job on its own trying to address the financial challenges it faces and preserving services. It is continuing to pursue key priority 2 in delivering income and reducing costs. This is being achieved through more partnership working and new technology. That said the greatest level of efficiency savings would be achieved from some sort of local Government reorganisation across Surrey which may come about if the County Council does not meet its savings targets.

## **1.6. Who Works for the Council**

Surrey Heath employs approximately 282 staff in full-time and part-time positions. Our workforce seeks to reflect the diversity of our community. The Council employs a number of apprentices in a wide variety of roles and has recently started an internship program.

This has enabled the Council to focus on areas of skill shortage and future skills growth areas, as well as mitigate risks in services where a number of specialists may soon be reaching retirement age. Despite economies in other areas Surrey Heath sees the development of its employees as integral to providing quality services and so funding has been maintained in the training budget. In support of this the Council has made significant investments towards the learning and development of its people across the Council who have obtained a whole range of professional qualifications thereby not only improving their skills but also the service they are able to offer to our residents.

## **1.7. Corporate Risks**

The Council has a Corporate Risk Group which assesses corporate risks to the Council services and the achievement of its objectives. The Corporate Risk Register outlines these risks and is presented to Members on an annual basis.

Key corporate risks are considered in the Annual Governance Statement. They include:

- Information security and compliance with data protection legislation;
- Business Continuity Systems and processes;
- Failure of a major contractor or supplier;
- Major Incident
- Contaminated Land
- Resourcing of key services
- Treasury & Property investment , and
- Loss of funding from Government and partners.

## **Summary Position**

The Council's financial and non-financial performance in 2019/20 has been strong. The Council has taken the bold step of investing in property to further its priorities, both in terms of regeneration and generating income. In addition, several services have come in under budget due to their prudent fund management. Whilst there are still financial challenges ahead the Council is taking the right steps to deal with them.

## **Receipt of Further Information**

If you would like to receive further information about these Accounts, please do not hesitate to contact me at the Finance Department, Surrey Heath Borough Council, Knoll Road, Camberley, Surrey GU15 3HD.



## **Acknowledgements**

The production of the Statement of Accounts would not have been possible without the exceptionally hard work and dedication of staff across the Council. I would like to express my gratitude to all colleagues, particularly from the Finance team, who have worked hard on the preparation of these financial statements and to thank them for all their support and assistance during the year.

**Bob Watson**  
**Strategic Director Finance and Customer Service**



## Explanation of the Financial Statements

The Statement of Accounts sets out the Council's income and expenditure for 2019/20, its financial position at 31 March 2020, and cash flows for the year. It comprises core and supplementary statements, together with disclosure notes. The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, which in turn is underpinned by International Financial Reporting Standards;

The **Core Statements** are:

- The **Comprehensive Income and Expenditure Statement** – this records all of the Council's income and expenditure for the year. The top half of the statement provides an analysis by service area. The bottom half of the statement deals with corporate transactions and funding. Expenditure represents a combination of:
  - services and activities that the Council is required to carry out by law (statutory duties) such as street cleaning, planning and licensing; and,
  - discretionary expenditure focussed on local priorities and needs.
- The **Movement in Reserves Statement** is a summary of the changes in the Council's reserves during the year. Reserves are divided into "usable", which can be invested in capital projects or service improvements, and "unusable" which cannot be used in the provision of services.
- The **Balance Sheet** is a "snapshot" of the Council's assets, liabilities, cash balances and reserves at the year-end date.
- The **Cash Flow Statement** shows the reason for changes in the Council's cash and cash equivalents during the year, and whether changes are due to operating activities, new investment, or financing activities (such as repayment of borrowing and other long-term liabilities).

The **Supplementary Financial Statements** are:

- The **Expenditure and Funding Analysis** shows how funding available to the Council (government grants, council tax and business rates) has been used in the provision of services in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices.
- The **Annual Governance Statement** which sets out the governance structures of the Council and its key internal controls.
- The **Collection Fund** summarises the collection of Council tax and business rates, and the redistribution of some of that money to Surrey County Council, the Police and Crime Commissioner and central government.
- The **Notes** to these financial statements contain information in addition to that presented in the comprehensive income and expenditure statement, movement in reserves statement, balance sheet and cash flow statement, providing more detail about the Council's accounting policies and individual transactions.





## Statement of Responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has responsibility for the administration of those affairs. In this Council, that officer is the Strategic Director – Finance and Customer Service;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts.

## Assigned Responsibilities

The Strategic Director – Finance and Customer Service is responsible for the preparation of the Statement of Accounts (which includes the financial statements) in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Strategic Director – Finance and Customer Service has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Local Authority Code.
- kept proper accounting records which are up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- assessed the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- used the going concern basis of accounting on the assumption that the functions of the authority will continue in operational existence for the foreseeable future; and
- maintained such internal controls as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Authority as at 31<sup>st</sup> March 2020 and of its income and expenditure for the year then ended.

**Bob Watson**  
**Strategic Director - Finance and Customer Service**  
XX October 2023

In accordance with the Accounts and Audit Regulations 2015, I certify that the Statement of Accounts was approved by the Committee on XX October 2023.

**Cliff Betton**  
**Chairman of the Audit and Standards Committee**  
XX October 2023

# ANNUAL GOVERNANCE STATEMENT

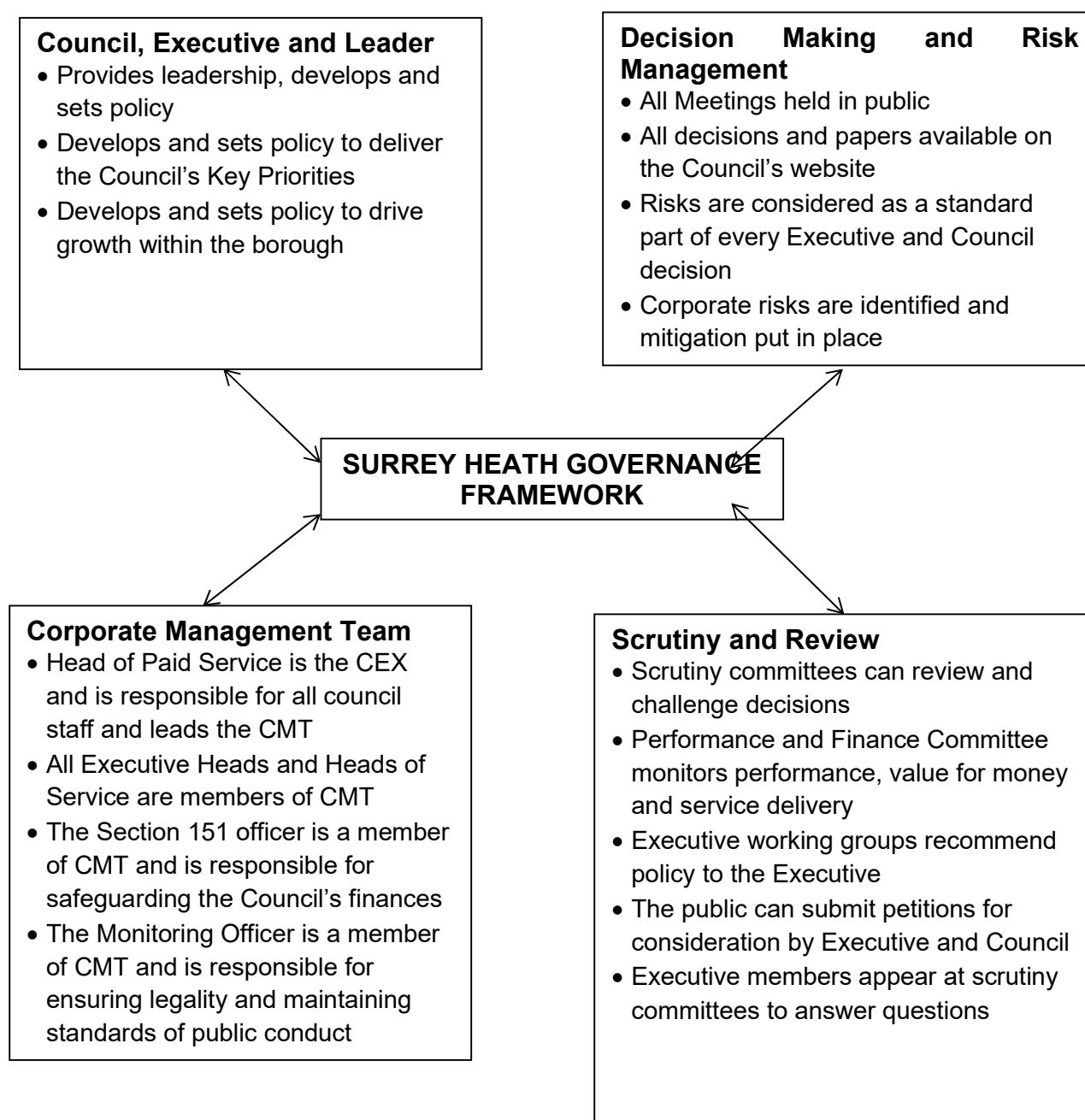


## 2. ANNUAL GOVERNANCE STATEMENT 2019/20

### INTRODUCTION

Local authorities are statutorily required to review their governance arrangements at least once a year. Preparation and publication of an Annual Governance Statement in accordance with the CIPFA/SoLACE Delivering Good Governance in Local Government Framework (2016) (the Framework) fulfils this requirement. The Framework requires local authorities to be responsible for ensuring that: their business is conducted in accordance with all relevant laws and regulations; public money is safeguarded and properly accounted for; and resources are used economically, efficiently and effectively to achieve agreed priorities which benefit local people. The Framework also expects that local authorities will put in place proper arrangements for the governance of their affairs which facilitate the effective exercise of functions and ensure that the responsibilities set out above are being met.

### KEY ELEMENTS OF THE COUNCIL'S GOVERNANCE FRAMEWORK



# ANNUAL GOVERNANCE STATEMENT



## HOW WE COMPLY WITH THE CIPFA/SOLACE FRAMEWORK

The Council has approved and adopted a Code of Corporate Governance together with a number of other strategies and processes, such as financial regulations, codes of conduct etc. which strengthen corporate governance.

The Coronavirus pandemic has had a significant impact on both the Council's finances as well as on how it delivers its services. The Council has had to develop Covid-19 support services to support the national response and be able to continue to deliver existing services to residents. This has required the Council to change the way services are delivered and at the same time develop and maintain new services to those residents affected by the pandemic.

The Council has set up a series of emergency governance measures to monitor and respond to the pandemic. In line with national Emergency Management protocol Surrey Heath has established a 'gold-silver-bronze' command structure and set up new roles and responsibilities. A welfare cell was established at short notice to support health and welfare needs of its residents, including its vulnerable residents as well as its shielding residents, with over 80% of staff having to be re deployed into alternative roles.

Covid-19 has also affected the timing of the review and publication of the draft set of accounts, being pushed back to 31 August with final publications now deferred to 30 November. The amended dates will ease pressure on existing resources due to staff absenteeism through self-isolation, as well as staff working from home or being re deployed to help support the national welfare response work.

Set out below is how the Council has complied with the seven principles set out in the CIPFA/SoLACE Framework during 2019/20.

### PRINCIPLE A

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

The Council has a Code of Conduct for elected Members, and a Code of Corporate Governance which provides guidance for officers and Members on expected standards of behaviours to ensure integrity. Members and officers receive training in Code of Conduct and behaviour issues. The Audit and Standards Committee and Monitoring Officer ensure that the Code of Conduct is up to date and investigate any suspected breaches.

All officers and Members must also sign up to the Council's Anti- Fraud and Corruption Policy and declare any interests they may have or gifts they have received which are then recorded in a register. The Whistleblowing Policy (to be replaced with the new 'Speak Up Policy') provides protection for individuals to raise concerns in confidence about suspect behaviour and ensures that any concerns raised are properly investigated. The policy is available on the website and forms part of the Council's induction process. A Bribery Policy has also been established and adopted. The Council has an internal corporate enforcement team which investigates any suspected fraud or corruption and reports its findings directly to the Monitoring Officer for action to be taken if required.

# ANNUAL GOVERNANCE STATEMENT



All Council decisions have to consider legal implications which are included as a standard paragraph in the report being considered. Senior officers and other key post holders receive support from Legal Services in this regard and if specialist legal advice is required then the Council will engage external advisers. The Section 151 and Monitoring Officers have specific responsibility for ensuring legality, for investigating any suspected instances of failure to comply with legal requirements, and for reporting any such instances to members.

The Council has a strong internal audit function that undertakes audit reviews of the Council's functions on a periodic and cyclical basis. It reports its findings to the Corporate Management Team and to the Audit and Standards Committee on a periodic basis. It also has a direct reporting line to the Chief Executive as well as the Audit & Standards Chair on matters that may require immediate action.

The Council has an Equality Strategy as well as a staff Equality Action Group which champions equalities throughout the organisation. There is also a Member Equality Working Group looking at ways to engage the community.

On 21st July 2020 the Monitoring Officer reported to the Council's Executive that it appears the removal of a local land charge in 2018 did not follow the correct procedures. In particular, the Monitoring Officer considered that the decision appeared to be ultra vires. The Monitoring Officer made several recommendations to assist with preventing any future recurrence which the Executive accepted. The Council's Governance Working Group will proceed with implementing the Executive's decision.

## **PRINCIPLE B**

### **Ensuring openness and comprehensive stakeholder engagement**

All meetings are open to the public and all agenda papers, reports and decisions made by the Council are published on the Council's website together with details of forthcoming consultation exercises, surveys and public meetings, except those determined as exempt from publication. Regulations regarding Covid 19 have enabled Councils to hold remote meetings however the Council needs to keep under review the restrictions on holding hybrid meetings and in particular any proposals to extend remote meetings beyond May 2021.

The Council's Constitution sets out how it engages with stakeholders and has representation on the governing bodies of external organisations including the local housing association, CCG, and other joint bodies.

The Council holds two business breakfasts during the year to present the work of the Council and to discuss matters of common interest to local businesses. The Council sends every household a copy of its residents' magazine, Heathscene, three times per year, which includes articles of interest affecting local residents. The Council also utilises various online communication channels including Twitter, Instagram, Facebook, LinkedIn and YouTube. More specific e-bulletins and publications are created for various communities of interest, such as businesses, theatre users etc as well as for changes in services. The Council has set up a specific website called Camberley Be Inspired that deals with the town centre regeneration.

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## PRINCIPLES C AND D

### Defining, optimising and achieving outcomes

The Council has in place a five-year strategy covering 2017 to 2022 based around 4 themes. These are People, Place, Prosperity and Performance. For each of these themes there are high level objectives and underneath are the priorities. A new Annual Plan is approved by Members each year which sets out the key targets which will be delivered for the year to further the priorities. These targets feed through to project plans and individual staff and team objectives. This is to ensure that specific outcomes in relation to the five-year strategy are defined for key service areas, can be delivered and monitored.

Each service also plans out how it will deliver the outcomes relevant to its area of work in the context of the agreed budget for the year ahead. Services challenge each other through the Corporate Management Team to ensure their budgets deliver value for money.

To ensure that the Council continues to deliver sustainable social and environmental benefits, there is an Economic Development Plan, as well as a series of more specific strategies. These include the Health and Well Being Strategy, Housing Strategy, Drainage Strategy and the Air Quality Strategy.

All decisions, unless delegated, are made by Executive which include reviews of options and risks by officers and Members. Key performance indicators are in place for all services and these are reported biannually, together with performance against the Annual Plan, to Members for discussion and potential intervention where expected performance is not being achieved.

The Council has been through a programme of rapid technology change and significant transformation and continues to review ways of working in order to increase efficiency, reduce costs, adapt to changing legislative requirements, and simplify its IT estate. It has invested in some of the latest technology and innovation enabling services to move to cloud-based computing to support agile and mobile working. The Council has invested in a new cloud-based telephony solution now implemented for all staff. The old hardware was decommissioned in November 2019. The new system allows staff to access work calls on their personal or work mobiles. Spider (or teleconferencing) technology has also been introduced at a number of sites across Surrey Heath House, which enables teleconferencing meetings to be held.

In 2019 the majority of staff were migrated to Windows 10 from the now deprecating support for Windows 7, which along with phasing out the oldest computer stock and the rolling out of over 30 new machines, has resulted in more efficiencies and more stable infrastructure. The Council's ageing network switch infrastructure has been re designed improving resilience and connection speeds for staff and equipment.

The Box cloud content platform has continued to be successfully rolled out in 2019, with over 270 user accounts with 3.6 terabytes data stored on Box, with staff able to upload, download, preview, edit, share and create content. Also, in 2019 the Uniflow system was upgraded, which controls the Council's printer and copier devices. The new technology enables staff to print remotely from smart phones and iPads through wireless technology, and visitors can also print from these machines.



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A number of computer applications have moved to Box and are no longer stored on the Council's server network. Acolaid is being replaced with Idox Uniform, the CRM system is being replaced, and the finance system Civica financials is planned to move to Box in 2020. Elsewhere, IoT technology has been implemented at Surrey Heath House which allows legionella compliance to be tested automatically.

## PRINCIPLE E

### Developing capacity and capability

A key element of the Council's service planning is to maximise the investment in staff through training to enhance the qualifications and skills to enable them to fulfil their roles and potentially progress within the organisation. Several staff have obtained qualifications through this route and have progressed as a result. The Council has maintained its training budget despite reductions in other areas to ensure that it can develop staff for the future and deal with shortages in key areas such as planning. Training Requirements are reviewed for all staff as part of their annual appraisal which highlights areas of development required to enable them to fulfil their objectives for that year. The Council provides mandatory training for all staff where appropriate, examples include information governance training, cyber security, and safeguarding. The Council is also a member of the Surrey Learn Partnership which offers cost effective personal skills training in areas such as management skills, communication skills and personal effectiveness on a Surrey wide basis. The Council has a full induction programme for staff and Members.

Following the local elections in 2019, a number of training and development arrangements were made for Members. A new Councillor welcome pack was provided to all Members, as well as a quick start guide for IT guidance. An external firm of solicitors were commissioned to train Members on the Licensing Act 2003, South East Employers provided two training sessions on Chaining Skills as well as on Effective Ward Work. Several Members also attended a South East Employers new Councillor event with other new Councillors from other authorities in Newbury. A comprehensive training timetable was also rolled out covering sessions on equalities, cyber security, data protection and planning.

During the year a number of staff were supported through training and experience to gain professional qualifications. This is seen as a major incentive to attract staff to the Council and enable it to address skill shortages and competencies in the future. Elsewhere, the Council operates a flexible working policy for its staff to enable them to achieve a more positive work life balance.

The Council works across a broad set of partnerships and collaborative arrangements and uses commissioning and procurement processes to maximise capacity by delivering services in the most effective and efficient way. Under the Joint Waste Partnership Surrey Heath is the lead authority of four authorities to deliver a waste and recycling operation under a single contract. The Council has also extended its joint arrangements with other Councils in areas such as Environmental Health and Community Services.

The Covid-19 pandemic has resulted in new collaborative working arrangements with some of our partners to help support the welfare work, including new working arrangements with the voluntary sector such as Surrey Heath Prepared, and Age UK, as well as with the National Shielding Service and Surrey County Council to deliver a welfare response. New governance



arrangements as well as data sharing protocols have inevitably needed to be established at short notice.

## **PRINCIPLE F**

### **Managing risks and performance**

The Risk Management Strategy sets out the Council's approach to identifying and controlling risk. A Corporate Risk Register is maintained at a corporate level with significant risks reported to CMT and to the Performance and Finance Committee each year. Progress against the Annual Plan objectives and KPI's are reported bi-annually to Members. The Council has adopted a suite of Financial Regulations together with Contract Standing Orders, which set out expected financial and spending processes and internal controls, which are monitored on a periodic basis.

The Corporate Risk Management group have continued to review existing as well as emerging new risks associated with the Covid-19 pandemic, especially in terms of the effects on current and medium to long term Council finances and financial planning. The main risks associated with the pandemic were identified at the onset of Covid-19 and continue to be monitored by CMT.

The internal audit team provide regular reports on the effective operation of these controls together with an annual assessment of the overall control environment. The Council's Information Governance Manager is responsible for information governance, security and records management. The annually reviewed Information Security Policy governs how information should be securely handled, transmitted, stored, and maintained. The roll out of the GDPR regulations and associated DPA has resulted in the corporate Privacy Notices being updated on the Council website and new ones for different departments are being added. All staff have completed security and GDPR training. One of the main risks to information management comes from cyber-attack.

The Council has taken out insurance policies to help manage its risk exposure and has commissioned the services of services providers at the London borough of Sutton, and commercial insurers Zurich and Allianz.

The Council recognises that it does not have the expertise internally in all matters and engages external advisors when required for example in relation to the town centre regeneration, the public realm works, and Council development projects including Ashwood House and the London Road Block.

The Council submits reports on its performance in complaints, planning, environmental protection and a number of other areas to Members each year for discussion and comment.

The Council purchased the town centre back in 2016 in order to regenerate the SQ and the London Road Development site. The Council recognises that this carries a significant level of commercial and financial risk, and it has appointed professional agents and legal advisers to manage and advise on these areas so as to minimise these risks.

The risk of climate change has been discussed at Executive and full Council in 2019 and several actions have been agreed. A corporate strategy is to be developed involving setting up a Member and Officer Task Group which will be charged with outlining how the Council plans to deliver the carbon reduction target; to declare a Climate Emergency, and develop actions to support

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businesses and all relevant bodies in their work to tackle climate change; and develop a policy for the use of renewable materials and energy across the Council's estate; agree to make Surrey Heath Borough Council and its contractors carbon neutral by 2030, or earlier if possible, taking into account both production and consumption emissions.

The Council has also managed the risks from a number of unauthorised activities that had been taking place at a traveller site located at Swift Lane, Bagshot over a number of years, including a car dealership and static caravan site neither of which had planning permission. Enforcement action was successfully carried out by the Council using an external enforcement company.

Direct action was organized in October 2019 by the enforcement company and SHBC Corporate Enforcement Officers, supported by Surrey Police. Its purpose was to remove the unauthorized elements of the site and secure the land against future unauthorised activity. The remaining occupiers were instructed to leave and the site was secured. Where possible, the officers and Members worked with displaced residents to provide housing advice and interim accommodation.

Covid 19 has necessarily resulted in complex and unprecedented negotiations between the Council and tenants regarding rent deferrals and concessions. Due to the urgency, these negotiations have been accelerated and therefore potentially there may be some risk in terms of the overall benefit of the negotiated outcomes. This would be a particular concern if there is a second wave of the pandemic.

Covid-19 has had a significant effect on both the Council's short-term cash flow and financial situation, but equally on the long-term effect on the level of resources available, together with the uncertainty over its medium-term financial planning. Council fees and charges have fallen dramatically during the lockdown particularly with the temporary closures to both the Council's car parks and the theatre, both of which form a significant source of income for the Council. The Council's property portfolio has also been affected, in terms of offering rent deferrals and tenants not being able to meet their rent due. Council investments will also be affected in terms of interest and dividends expected from money market investments.

Although now of low value and in the process of being phased out the Council will also not be able to rely upon income from New Homes Bonus as property construction has been paused or suspended. The retention of business rates is likely to be affected as the impact of the recession is felt by more businesses, although this is limited to only £1.1m at which point the Council will hit the safety net.

With the ongoing reduction in funding the Council will need to utilise some of its reserves in the immediate term to help balance its budget and maintain cash flow. Such reserves once spent cannot be recovered and so represents a significant risk in the long-term.

The government has announced a new comprehensive package of support to help address spending pressures and to cover lost income during the pandemic, the major new support package to help councils respond to the pandemic will assist as part of a comprehensive plan to ensure the Council's financial sustainability for the future. The new scheme will reimburse the Council for lost income and allow council and council tax and business rates tax deficits to be repaid over 3 years instead of one. Where losses are more than 5% of planned income from sales, and fees and charges, the government will cover them for 75p in every pound lost. In the



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next Spending Review the government will agree an apportionment of irrecoverable council tax and business rates losses between central and local government for 2020 to 2021.

The government has also announced financial support for small businesses, retail, hospitality, and leisure sectors. The Council is receiving support in the form of three grant “funding schemes- the Small Businesses Grant Fund”, Retail, Hospitality and Leisure Grant Fund and Discretionary Fund Grant. Grant applications have undergone a verification process to ensure they are genuine and valid.

Covid-19 will also have a significant impact on the Council’s capital programme. Several build projects have necessarily been delayed or put on hold due to social distancing measures, and new timeframes have had to be developed.

The Covid-19 pandemic has also resulted in a rise in unforeseen and unbudgeted Council expenditure on such items as health and safety equipment such as PPE, office screens and signage, in addition to extra spend on office cleaning, cleaning products and hand sanitizers, to protect both the workforce and residents visiting the Council.

## **PRINCIPLE G**

### **Implementing good practices in transparency, reporting and accountability**

All Council agendas and supporting information, unless exempt, set out the reasons for the decisions made. The Council works to provide clear and accurate information and has developed both its website and the format of Council reports to improve transparency and accessibility. The Council reports performance against targets, its Annual Plan objectives and financial budgets on a regular basis. All overdue essential audit recommendations are reported to CMT and the Audit and Standards Committee, to ensure that officers undertake any follow up actions as appropriate.

The Local Government Transparency Code 2015 requires local authorities in England to publish information related to spend including expenditure over £500, government procurement card information and senior salaries. Surrey Heath is committed to providing residents with information that explains how we spend their money. The Government has set down guidelines as to the format of this information to enable residents to compare the performance of one authority against another.

Surrey Heath, as a public body, is also covered by the Freedom of Information Act. This Act gives a general right of access to all types of recorded information held.

## **REVIEW OF EFFECTIVENESS**

The Council uses a number of ways to review and assess the effectiveness of its governance arrangements. These are set out below:

### **Assurance from Internal and External Audit**

One of the key assurance statements the Council receives each year is the annual report from Internal Audit and the opinion of the Section 151 Officer. In the financial year 2019/20 the internal audit team undertook 20 audits from the Annual Plan, with a further 4 audits still in progress. In addition, a further 5 audit reviews that were not scheduled have been carried out. Audits

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completed for the year include community transport, procurement and property, investment and development. No 'limited assurance' reports were issued for 19/20. The audit team have raised 90 audit recommendations, 8 essential ones, and 82 desirable ones. No best practice recommendations were issued. Outstanding recommendations are periodically monitored and those that have not been actioned are reported to CMT and Members as appropriate.

The internal auditors' opinion for 2019/20 is that the Council's internal control environment and systems of internal control in the areas audited were adequate and effective.

A peer-to-peer review between three authorities internal audit functions, Surrey Heath, Elmbridge and Spelthorne was carried out in 2018 and an action plan was agreed in 2019. Some of the actions have already begun to be addressed, whilst others will be the result of the senior management organisational review.

| <b>Selected Essential audit recommendations reported in 2019/20</b>   | <b>Agreed action</b>  |
|---|---|
| Joint waste - JWS staff should continue to work with Amey to enable Core invoices Part B payments to be agreed and settled.   | JWS have now actioned this. Both parties have agreed on the correct figures and current and previous core invoices have since been paid and some credit notes have been applied to the account to account for overstated amounts in previous contract months. |
| Joint waste - JWS should continue to work with Amey and ensure that Amey provide accurate and reliable back up data that can be used to support garden waste income and expenditure figures.  | JWS has worked with the service provider and this is now being actioned.  |
| Cash & Bank - A senior officer should be assigned ownership and responsibility for PCI DSS and the requirements of the role should be formally documented.  | This is currently being addressed by senior management.   |
| Democratic Services - The section within the Constitution covering Member training should be enforced to ensure that all Members who require specific training have received it. Members should not be able to vote and make decisions in meetings until they have been through the necessary training. Non-attendances should be followed up periodically. | Measures were put in place to ensure all Members were provided with a comprehensive suite of training following the May local elections.  |

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The Council's External Auditor provides assurance on the accuracy of the year end statement of Accounts and the overall adequacy of securing and improving value for money. The Council had a new External Auditor, BDO, in 2018 for a period of 5 years. At the time of writing this report the Council was undergoing its annual audit of accounts with final accounts expected to be published by July 2020.

## Self-assessment and review of key outcome indicators

Internal Audit has undertaken a review to confirm that the arrangements described above have been in place throughout the year.

The key outcome indicators below have been used to assess the quality of governance arrangements in 2019/20:

| Issues Identified  | Performance for 2019/20    |
|--|----------------------------|
| Formal reports by Section 151 or Monitoring Officer                    | None issued                |
| Outcomes from Standards Committee of Monitoring Officer investigations | None                       |
| Proven Frauds carried out by members or officers                       | None identified in 2019/20 |
| Objections received from local electors                                | None                       |
| Local Government Ombudsman referrals upheld exceed national average    | Not applicable             |
| Unsatisfactory/limited internal audit reports                          | None issued in 2019/20     |

## Follow up of issues identified in 2019/20

The 2018-19 Annual Governance Statement highlighted 5 areas for improvement. The table below sets out the action has been taken to address these issues in the current year:

| Issues identified for 2019/20 | Action Taken  |
|-------------------------------|---|
| Brexit Arrangements           | Participation in Surrey-wide Brexit update. Advice from Council's advisors including Applied Resilience, and treasury/finance Arlingclose.  |
| London Road Development       | Work is continuing to acquire properties within the London Road Block and to make arrangements for developing the site.   |
| IT and Business Continuity    | The Council has been through a programme of rapid technology change and significant transformation and continues to review ways of working in order to increase efficiency, reduce costs, |

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|                    |  |
|--------------------|--|
|                    | adapt to changing legislative requirements, and simplify its IT estate.  |
| New Leisure Centre | Contract has been agreed with new leisure provider. Old site has been demolished and work has begun to build new leisure centre at similar location. Extensive work has been done to retain existing customer base, including moving fitness classes to the theatre. |
| Joint Waste        | JWS continue to work with the service provider to deliver the joint waste service in line with the contract. The Council has arranged to go through arbitration negotiations, with covenants/contingencies put in place.   |

## Issues for 2020/21

Apart from the issues outlined above the Council has identified the following areas to be addressed during the coming year and any action planned.

| Issues for 2020/21                | Action already taken or to be taken   |
|-----------------------------------|---|
| Organisational restructure        | A senior management re structure is planned for 2020, together with a reapportionment of services.  |
| London Road Development           | Council continues to work with its professional advisors, e.g. planners and architects to develop the LRB.  |
| Property Portfolio and Valuations | Council will need to continue to manage its property portfolio and new acquisitions to ensure income is maximised and new income streams are identified and generated. The Council needs to work with Wilkes Head and Eve to ensure required assets are correctly valued with external audit. |
| Joint Waste Service               | Council should continue to work with the service provider to deliver the joint waste service in line with the contract. The Council has made arrangements to  |

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|                                   |  |
|-----------------------------------|--|
|                                   | go through arbitration negotiations, and covenants/contingencies put in place.   |
| Response to the Covid-19 pandemic | New policies and processes introduced. Setting up emergency procedures including gold command chain. Additional spend on health and safety, cleaning contract. Re deployment of staff to work on the national emergency response and the welfare cell. Close monitoring of Council lost income. Small business grant processing and payments. Increased remote working, increased use of virtual communication platforms such as Zoom. Remote council meetings with Members. |

## CONCLUSION

The Council is satisfied that appropriate governance arrangements are in place however it remains committed to maintaining and where possible improving these arrangements. The significant changes as a result of the Covid-19 pandemic, in particular to the Council's funding and income receipts and use of reserves, will need to continue to be monitored, especially if there are any further waves or local lockdowns.

Damian Roberts  
Chief Executive

Cllr Shaun Macdonald  
Leader

# INDEPENDENT AUDITOR'S REPORT



## **3. INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SURREY HEATH BOROUGH COUNCIL**



## 4. ACCOUNTING POLICIES

### 4.1. General

The Statement of Accounts has been prepared in accordance with the 2019/20 Code of Practice on Local Authority Accounting in the United Kingdom, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Code is based on International Financial Accounting Standards (IFRS).

The financial information within the statements follows the accounting principles of accruals, going concern and primacy of legislative requirements. Information is included with the statements having regard to the concepts of relevance, reliability, comparability and understandability together with a consideration of materiality.

### 4.2. Non-current assets

Expenditure on the acquisition, creation or enhancement of property, plant and equipment has been capitalised on an accruals basis in the financial statements.

Assets are initially measured at cost and then are valued, as far as practicable, on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS). Property, plant and equipment are classified into the groupings required by the Code. The following basis has been used:

- Land, operational properties and other operational assets are included in the balance sheet at current value, determined as the amount that would be paid for the asset in existing use where there is an active market of the asset. Where there is no active market then depreciated replacement cost is used
- Non-operational assets, including investment properties and assets that are surplus to requirements, are included in the balance sheet at fair value based on highest and best used from a market participant's perspective. Investment property is property held solely to earn rentals or for capital appreciation or both
- Infrastructure and community assets are included in the balance sheet at depreciated historical cost
- Heritage assets are assets with historical, artistic, scientific, technological or environmental qualities held and maintained for their contribution to knowledge or culture. From 2011/12 heritage assets have been separately disclosed in the financial statements using their insurance valuation where available. Where no such valuation is available then the historic cost is used in the first instance otherwise an estimate of the asset value is used
- Where non property assets have short useful lives or low values, depreciated historical cost is used as a proxy for current value

Revaluations of fixed assets are carried out on a rolling programme although material changes in asset valuation will be adjusted when necessary. Valuations are carried out by external RICS qualified valuers in accordance with RICS guidelines. For valuations after 1st April 2010 components parts of assets over £1m have to be depreciated separately to the rest of the asset. This will only be considered for assets valued over £1m with components greater than £200k.

At 31 March 2020 there have been no material components recognised that have a significantly different useful life from that of the asset.





The Revaluation Reserve contains revaluation gains, since recognised, since the 1st April 2007 only, the date of its formal implementation. Gains arising before that date are consolidated into the Capital Adjustment Account.

Where valuations of fixed assets have fallen at the balance sheet date the value of the impairment is first taken from the Revaluation Reserve, if a balance for that individual asset exists, with any remaining impairment being charged to the Income and expenditure account.

## **4.3. Depreciation**

Depreciation is provided for on all property, plant and equipment where a finite useful life has been determined.

Depreciation is charged on operational buildings. There is no requirement to depreciate the land element of operational property, community assets or investment property.

For newly acquired assets depreciation is not provided in the year of acquisition. In addition, assets in the course of construction are not depreciated until they are brought into use. When identified separately in accordance with the fixed asset policy components are depreciated over the component's useful life.

Depreciation is calculated on the following basis:

- buildings – straight-line method over the useful life of the property as estimated by the valuer
- plant and equipment, other than vehicles – straight-line method over the useful life of the item
- vehicles – reducing balance method over the useful life of the asset
- infrastructure – straight line method over useful life of the item

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.

## **4.4. Charges to Revenue for Non-current Assets**

In addition to depreciation, amounts set aside from revenue for the repayment of external loans, to finance capital expenditure or for transfers to earmarked reserves are disclosed separately in the Movement in Reserves Statement.

## **4.5. Revenue Expenditure Funded from Capital under Statute**

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

## **4.6. Debtors and Creditors**

The revenue accounts of the Council are maintained on an accruals basis in accordance with the Code of Practice. This means that sums due to or from the Council during the year are included in the accounts where they are significant whether or not the cash has been actually received or paid in the year.





## 4.7. Employee Benefits

Where employees have holiday entitlement which has not been used at the balance sheet date the value of the outstanding days are accrued in the Comprehensive Income and Expenditure Statement. A provision is made for the value of the holiday due and is included within current liabilities on the Balance Sheet. The movement in the employee benefit accrual is transferred between the accumulate absences account reserve and the General Fund Balance.

## 4.8. Reserves

Capital accounting provisions require the maintenance of two reserve accounts in the Balance sheet as follows:

- The Revaluation Reserve, which represents the balance of the surpluses or deficits arising on the revaluation of fixed assets since 1st April 2007.
- The Capital Adjustment Account, which represents amounts set aside from revenue resources or capital receipts to finance expenditure on non-current assets or for the repayment of external loans and other capital financing transactions.

The Council sets aside reserves to meet general, rather than specific future revenue or capital expenditure. Any use or contribution to these reserves is shown in the Movement in Reserves Statement.

The Council also sets aside provisions for specific future expenses which are likely or certain to be incurred but by their inherent nature the amount or timing cannot be determined.

Details of the Council's reserves are provided in the notes to the balance sheet and Movements in Reserves Statement.

## 4.9. Leases

Leases are classified as either finance or operating leases in accordance with IAS 17.

Finance leases are where substantially all the risks and rewards are transferred to the Council. Assets acquired under finance leases are capitalised and shown on the balance sheet at current value. The in-year payments are apportioned between the liability in the Balance Sheet, and interest which is charged to the Comprehensive Income and Expenditure Statement.

Operating leases are leases which are not finance leases. Payments due under these leases are charged directly to the service revenue expenditure within the Comprehensive Income and Expenditure Statement.

## 4.10. Pensions

The accounting policies of IAS 19 can be summarised as follows:

- The attributable assets of each scheme are measured at fair value
- The attributable liabilities of each scheme are measured on an actuarial basis using the projected unit method
- Scheme liabilities are discounted at a rate that reflects the time value of money and the characteristics of the liability
- The surplus/deficit in each scheme is the excess/shortfall of the value of assets on the scheme over/below the present value of the scheme liabilities
- The current service costs are based on the most recent actuarial valuation at the beginning of the period, with the financial assumptions updated to reflect conditions at that date



- The interest cost is based on the discount rate and the present value of the scheme liabilities at the beginning of the period
- The expected return on assets is based on long term expectations at the beginning of the period and is expected to be reasonably stable
- Actuarial gains and losses may arise from any new revaluation and from updating the latest actuarial valuation to reflect conditions at the balance sheet date
- IAS service costs are disclosed on a straight line basis over the period in which the increases in benefits vests
- Losses arising on settlement or curtailment not allowed for in the actuarial assumptions are measured on the date the employer becomes demonstrably committed to the transactions and disclosed in notes to the account covering that date. Gains arising from settlements/curtailments not allowed for in the actuarial assumptions are measured at the date all parties whose consent is required are irrevocable committed to the transaction
- The LGPS is accounted for as a defined benefit scheme.

## 4.11. Grants

Grants for revenue expenditure are accounted for in the same period as the expenditure to which they relate.

Where a grant of contributions is received to fund capital expenditure and any conditions have not been met the grant is credited to capital grants received in advance.

When conditions have been met or if there are no conditions the grant is recognised in the Comprehensive Income and Expenditure Statement. The grant is held in the capital grants unapplied reserve until the expenditure is incurred when it is transferred to the Capital Adjustment Account.

## 4.12. Financial Instruments

### Amortised Cost

Most financial instruments (whether financial assets or financial liabilities) are valued on an amortised costs basis using the effective interest rate (EIR) method. Interest costs recognised in the comprehensive Income and Expenditure account are the effective interest rate and not the actual interest rate being applied in during the year. For most of the borrowings that the Authority has however this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

### Fair Value

In the notes to the accounts financial instruments are shown at fair value through profit and loss. Fair value is defined as the amount for which an asset could be exchanged or a liability settled, assuming the transaction was negotiated between parties who are knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiation other than to secure a fair price. The fair values are based on comparable new borrowing/deposit rate for the same financial instrument from a comparable lender. A consistent approach has been applied to both assets and liabilities.

## 4.13. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in a period of no more



than 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the cash flow statement, cash and cash equivalents are shown net of bank overdrafts that are payable on demand and form an integral part of the Council's cash management.

## **4.14. Business Improvement Districts**

A Business Improvement District (BID) Scheme operates in Camberley Town Centre. Collectively Camberley is made up of all the businesses in the Town Centre and aims to encourage people to visit the Town Centre and use the fantastic range of shops, entertainment and business services that it has to offer.

The scheme is funded by a BID levy paid by the Town Centre non-domestic ratepayers. The Council acts as the principal responsible for the collection of the BID levy and accounts for income received and expenditure incurred (including contribution to the BID project) with the relevant services within the Comprehensive Income and Expenditure Statement.

## **4.15. Community Infrastructure Levy**

The Council has elected to charge Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the Authority) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of 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 and then transferred to the Capital Grants Unapplied Account in accordance with the accounting policy for government grant and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a small proportion of the charges may be used to fund revenue expenditure.

## **4.16. Contingent Assets and Liabilities**

### **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 Liabilities**

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

Both contingent assets and liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

## **4.17. Impact of Accounting Standards Issued but not yet adopted**

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) the Council is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the code.

# ACCOUNTING POLICIES



- There are no changes in accounting requirements for 2020/21 that are anticipated to have a material impact on the Council's financial performance or financial position.

# CORE FINANCIAL STATEMENTS



## 5. COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The Comprehensive Income and Expenditure Statement discloses the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amounts to be funded from taxation (or rents). Authorities raise taxation (and rents) to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

| 2019/20           |                 |                 |   | 2018/19           |                 |                 |
|-------------------|-----------------|-----------------|---|-------------------|-----------------|-----------------|
| Gross Expenditure | Gross Income    | Net Expenditure |   | Gross Expenditure | Gross Income    | Net Expenditure |
| £'000             | £'000           | £'000           |   | £'000             | £'000           | £'000           |
| 10,713            | (3,451)         | 7,262           | Business  | 4,071             | (4,353)         | (282)           |
| 7,252             | (1,914)         | 5,338           | Community   | 7,452             | (2,623)         | 4,829           |
| 2,294             | (251)           | 2,043           | Corporate   | 1,818             | (67)            | 1,751           |
| 16,278            | (14,508)        | 1,770           | Finance   | 19,095            | (16,699)        | 2,396           |
| 2,422             | (1,071)         | 1,351           | Legal   | 21,471            | (962)           | 20,509          |
| 40,467            | (4,586)         | 35,881          | Investment and Development  | 7,055             | (7,296)         | (241)           |
| 4,462             | (3,992)         | 470             | Regulatory  | 3,727             | (5,316)         | (1,589)         |
| 4,182             | (257)           | 3,925           | Transformation  | 3,838             | (82)            | 3,756           |
| <b>88,070</b>     | <b>(30,030)</b> | <b>58,040</b>   | <b>Cost of Services</b>   | <b>68,527</b>     | <b>(37,398)</b> | <b>31,129</b>   |
| 598               | 0               | 598             | Other operating expenditure   | (792)             | 0               | (792)           |
| 5,715             | (5,842)         | (127)           | Financing and investment income and expenditure (note 19)                 | 2,985             | (3,203)         | (218)           |
| 0                 | (13,493)        | (13,493)        | Taxation and non-specific grant income and expenditure (note 20)          | 0                 | (15,192)        | (15,192)        |
| <b>94,383</b>     | <b>(49,365)</b> | <b>45,018</b>   | <b>(Surplus)/Deficit on Provision of Services</b>                         |                   |                 | <b>14,927</b>   |
| 0                 | 0               | 7,546           | Surplus or deficit on revaluation of property, plant and equipment assets | 0                 | 0               | 758             |
| 0                 | 0               | 0               | Surplus or deficit on revaluation of available for sale financial assets  | 0                 | 0               | (34)            |
| 0                 | 0               | (3,885)         | Remeasurement of the net defined benefit liability (note 39)              | 0                 | 0               | 3,974           |
|                   |                 | <b>3,661</b>    | <b>Other Comprehensive Income and Expenditure</b>                         |                   |                 | <b>4,698</b>    |
|                   |                 | <b>48,679</b>   | <b>Total Comprehensive Income and Expenditure</b>                         |                   |                 | <b>19,625</b>   |

# CORE FINANCIAL STATEMENTS



## 6. MOVEMENT IN RESERVES STATEMENT

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

|  | General fund balance | Capital receipts reserves | Capital grants unapplied | JPUT reserve | Total Usable reserves | Unusable reserves | Total Authority reserves |
|--|----------------------|---------------------------|--------------------------|--------------|-----------------------|-------------------|--------------------------|
|  | £'000                | £'000                     | £'000                    | £'000        | £'000                 | £'000             | £'000                    |
| <b>Balance 31st March 2019</b>   | <b>(33,634)</b>      | <b>(3,930)</b>            | <b>(3,746)</b>           | <b>0</b>     | <b>(41,310)</b>       | <b>17,267</b>     | <b>(24,043)</b>          |
| <b>Movement in Reserves during 2019/2020</b>                                       |                      |                           |                          |              |                       |                   |                          |
| (Surplus)/Deficit on Provision of Services   | 45,018               | 0                         | 0                        | 0            | 45,018                | 0                 | 45,018                   |
| Other comprehensive income and expenditure   | (2,422)              | 0                         | 0                        | 2,631        | 209                   | 3,661             | 3,870                    |
| Adjustments between accounting basis and funding basis under regulations (note 18) | (46,304)             | 159                       | (571)                    | 0            | (46,716)              | 49,922            | 3,206                    |
| <b>Increase or Decrease in 2019/2020</b>   | <b>(3,708)</b>       | <b>159</b>                | <b>(571)</b>             | <b>2,631</b> | <b>(1,489)</b>        | <b>53,583</b>     | <b>52,094</b>            |
| <b>Balance at 31st March 2020 carried forward</b>                                  | <b>(37,342)</b>      | <b>(3,771)</b>            | <b>(4,317)</b>           | <b>2,631</b> | <b>(42,799)</b>       | <b>70,850</b>     | <b>28,051</b>            |
| <b>Balance 31st March 2018</b>   | <b>(29,033)</b>      | <b>0</b>                  | <b>(2,221)</b>           | <b>0</b>     | <b>(31,254)</b>       | <b>(9,135)</b>    | <b>(40,389)</b>          |
| <b>Prior year adjustment</b>   | <b>152</b>           | <b>0</b>                  | <b>0</b>                 | <b>0</b>     | <b>152</b>            | <b>(1,980)</b>    | <b>(1,828)</b>           |
| <b>Balance at 31st March 2018</b>  | <b>(28,881)</b>      | <b>0</b>                  | <b>(2,221)</b>           | <b>0</b>     | <b>(31,102)</b>       | <b>(11,115)</b>   | <b>(42,217)</b>          |
| <b>Movement in Reserves during 2018/2019</b>                                       |                      |                           |                          |              |                       |                   |                          |
| (Surplus)/Deficit on Provision of Services   | 14,927               | 0                         | 0                        | 0            | 14,927                | 0                 | 14,927                   |
| Other comprehensive income and expenditure   | (392)                | 0                         | (1,059)                  | 0            | (1,451)               | 4,698             | 3,247                    |
| Adjustments between accounting basis and funding basis under regulations (note 18) | (19,288)             | (3,930)                   | (466)                    | 0            | (23,684)              | 23,684            | 0                        |
| <b>Increase or Decrease in 2018/2019</b>   | <b>(4,753)</b>       | <b>(3,930)</b>            | <b>(1,525)</b>           | <b>0</b>     | <b>(10,208)</b>       | <b>28,382</b>     | <b>18,174</b>            |
| <b>Balance at 31st March 2019 carried forward</b>                                  | <b>(33,634)</b>      | <b>(3,930)</b>            | <b>(3,746)</b>           | <b>0</b>     | <b>(41,310)</b>       | <b>17,267</b>     | <b>(24,043)</b>          |

# CORE FINANCIAL STATEMENTS



## 7. BALANCE SHEET

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

|                                     | Note | 31st March 2020 | 31st March 2019 |
|-------------------------------------|------|-----------------|-----------------|
|                                     |      | £'000           | £'000           |
| Property, plant and equipment       |      |                 |                 |
| Other land and buildings            | 21   | 70,778          | 127,996         |
| Vehicles, plant and equipment       | 21   | 3,596           | 4,005           |
| Infrastructure assets               | 21   | 19              | 24              |
| Community assets                    | 21   | 3,193           | 3,285           |
| Surplus assets not held for sale    | 21   | 961             | 998             |
| Assets under construction           | 21   | 7,311           | 1,148           |
| Total property, plant and equipment |      | 85,858          | 137,456         |
| Heritage Assets                     | 22   | 334             | 334             |
| Investment property                 | 24   | 84,171          | 82,724          |
| Long-term investments               | 42   | 2,106           | 2,185           |
| Long-term debtors                   | 29   | 414             | 1,312           |
| Long term assets                    |      | 172,883         | 224,011         |
| Short-term investments              |      | 0               | 0               |
| Inventories                         |      | 18              | 28              |
| Short-term debtors                  | 29   | 19,076          | 16,699          |
| Cash and cash equivalents           | 30   | 13,314          | 30,165          |
| Current assets                      |      | 32,408          | 46,892          |
| Short-term borrowings               | 42   | (107,893)       | (119,512)       |
| Short-term creditors                | 31.1 | (22,174)        | (20,208)        |
| Current liabilities                 |      | (130,067)       | (139,720)       |
| Long term creditors                 | 31.1 | (4,547)         | (4,383)         |
| Provisions                          | 31.2 | (1,116)         | (534)           |
| Long-term borrowings                | 42   | (52,808)        | (56,155)        |
| Other long-term liabilities         | 39.3 | (44,804)        | (46,069)        |
| Long term liabilities               |      | (103,275)       | (107,141)       |
| Net (liabilities)/assets            |      | (28,051)        | 24,043          |
| Usable reserves                     |      | (42,799)        | (41,310)        |
| Unusable reserves                   | 27   | 70,850          | 17,267          |
| Total reserves                      |      | 28,051          | (24,043)        |

**Bob Watson**  
**Strategic Director Finance and Customer Service**  
**XX October 2023**



# CORE FINANCIAL STATEMENTS



## 8. CASH FLOW STATEMENT

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

|  | Note | 2019/20         | 2018/19       |
|--|------|-----------------|---------------|
|  |      | £'000           | £'000         |
| Net surplus or (deficit) on the provision of services              |      | (45,018)        | (14,927)      |
| Adjustments for non-cash movements                                 | 32   | 50,276          | 26,965        |
| Adjustments for items that are investing and financing activities  |      | 2,414           | 1,753         |
| <b>Net cash inflows/(outflows) from operating activities</b>       |      | <b>7,672</b>    | <b>13,791</b> |
| Investing activities   | 33   | (5,280)         | (47,196)      |
| Financing activities   | 34   | (19,243)        | 51,908        |
| <b>Net increase/(decrease) in cash and cash equivalents</b>        |      | <b>(16,851)</b> | <b>18,503</b> |
| Cash and cash equivalents at the beginning of the reporting period |      | 30,165          | 11,662        |
| Cash and cash equivalents at the end of the reporting period       |      | 13,314          | 30,165        |
| <b>Movement in cash</b>  |      | <b>(16,851)</b> | <b>18,503</b> |





## **9. BASIS OF PREPARATION**

The Notes to the Core Financial statements are intended to aid the understanding of the key drivers of the financial position of the Council. Each year the Statement of Accounts document is reviewed to ensure that the notes are presented in an order most likely to be of importance to the reader.

## **10. ACCOUNTING POLICIES**

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

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.

Details of the significant Accounting Policies can be found in Note 4 to these Accounts.

## **11. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

In applying the accounting policies set out in Note 4, the Council has had to form certain judgments in relation to complex transactions or those involving uncertainty regarding future events. The critical judgments made in the Statement of Accounts are:

In the case of the Joint waste service (JWS) all parties share in the overall costs and the Council is acting as an agent so just shows its own share of costs in the CEIS but accounts for amounts due to / from other parties as debtors / creditors in the Balance Sheet.

The Main Square Camberley Jersey Property Unit Trust - the Council directly exercises control over activities of the JPUT and it is not a separate legal entity. This entity has been accounted for as an overseas branch in the Statement of Accounts as the legal form of the trust does not confer separation from the Council and is therefore treated in the same way as a joint operation.

## **12. ASSUMPTIONS MADE REGARDING THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY**

The Statement of Accounts contains estimated figures that are based on assumptions which take into account historical experience, current trends, professional knowledge and other various 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 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

# NOTES TO THE ACCOUNTS



| Item  | Uncertainties  | Effect if actual results differ from assumptions  |
|---|--|---|
| <b>Pension Liability</b>                      | 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 on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. | The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the real discount rate assumption would result in an increase in the pension liability of £10.154m. However, the assumptions interact in complex ways. During 2019/20, the Council's actuaries advised that the net pension liability has decreased by £1m. |
| <b>Investment Property and PPE Valuations</b> | Investment property and PPE is valued by professional valuers on the basis of available market yields and other market information   | If the market assumptions vary then this will impact on the valuation included within the financial statements.   |
| <b>NNDR Appeals Provision</b>                 | The accounts include an estimate as to the level of future appeals in respect of Business Rates appeals outstanding at the balance sheet date.   | If the assumptions vary then this would have an impact on the Income for Business Rates included within the CIES and the level of provision in the Balance Sheet.   |

This list does not include assets and liabilities that have been carried at fair value based on a recently observed market price.

## 13. EVENTS AFTER THE REPORTING PERIOD

There were no events after the reporting period which have had an impact on the Financial Statements.

# NOTES TO THE ACCOUNTS



## 14. EXPENDITURE AND FUNDING ANALYSIS

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

| 2019/20  |  |   |  | 2018/19  |  |   |
|--|--|---|--|--|--|---|
| 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   |
| 1,298  | (5,964)  | 7,262   | Business   | 632  | 914  | (282)   |
| 4,575  | (763)  | 5,338   | Community  | 4,100  | (729)  | 4,829   |
| 1,747  | (296)  | 2,043   | Corporate  | 1,536  | (215)  | 1,751   |
| 1,441  | (329)  | 1,770   | Finance  | 1,569  | (827)  | 2,396   |
| 2,608  | 1,257  | 1,351   | Legal  | 924  | (19,585)   | 20,509  |
| (7,532)  | (43,413)   | 35,881  | Investment and Development                             | (3,119)  | (2,878)  | (241)   |
| (840)  | (1,310)  | 470   | Regulatory   | (2,653)  | (1,064)  | (1,589)   |
| 3,419  | (506)  | 3,925   | Transformation   | 3,369  | (387)  | 3,756   |
| <b>6,716</b>                                   | <b>(51,324)</b>                                      | <b>58,040</b>   | <b>Net Cost of Services</b>                            | <b>6,358</b>                                   | <b>(24,771)</b>                                      | <b>31,129</b>   |
| 598  | 0  | 598   | Other Operating Expenditure                            | (792)  | 0  | (792)   |
| 1,712  | 1,839  | (127)   | Financing and Investment Income                        | (1,877)  | (1,659)  | (218)   |
| 720  | 720  | 0   | Adjustments between Funding and Accounting Basis       | 6,762  | 6,762  | 0   |
| (14,238)                                       | (745)  | (13,493)  | Taxation and non-specific grant income                 | (14,812)                                       | 380  | (15,192)  |
| <b>(4,492)</b>                                 | <b>(49,510)</b>                                      | <b>45,018</b>   | <b>(Surplus)/Deficit</b>                               | <b>(4,361)</b>                                 | <b>(19,288)</b>                                      | <b>14,927</b>   |
| (33,634)                                       |  |   | Opening General Fund                                   | (28,881)                                       |  |   |
| (3,708)  |  |   | Less/Plus Surplus or (Deficit) on General Fund in Year | (4,753)  |  |   |
| (37,342)                                       |  |   | Closing General Fund at 31st March                     | (33,634)                                       |  |   |

# NOTES TO THE ACCOUNTS



## Adjustments between Funding and Accounting Basis - 2019/20

| Adjustments from General Fund to reconcile to Comprehensive Income and Expenditure Statement   | Adjustments for Capital Purposes | Net change for Pension Adjustment | Other Differences | Total Adjustments |
|--|----------------------------------|-----------------------------------|-------------------|-------------------|
|  | £'000                            | £'000                             | £'000             | £'000             |
| Business   | (5,663)                          | (301)                             | 0                 | (5,964)           |
| Community  | (471)                            | (293)                             | 0                 | (764)             |
| Corporate  | (14)                             | (282)                             | 0                 | (296)             |
| Finance  | 0                                | (329)                             | 0                 | (329)             |
| Investment and Development   | (43,978)                         | (85)                              | 0                 | (44,063)          |
| Legal  | 1,075                            | (218)                             | 0                 | 857               |
| Regulatory   | (818)                            | (491)                             | 0                 | (1,309)           |
| Transformation   | (96)                             | (410)                             | 0                 | (506)             |
| <b>Net Cost of Services</b>  | <b>(49,965)</b>                  | <b>(2,409)</b>                    | <b>0</b>          | <b>(52,374)</b>   |
| Other Operating Expenditure  | 0                                | 0                                 | 0                 | 0                 |
| Financing and Investment Income  | 1,377                            | 0                                 | 1,512             | 2,889             |
| Adjustments Between Funding and Accounting Basis   | 720                              | 0                                 | 0                 | 720               |
| Taxation and non-specific grant income   | 0                                | 0                                 | (745)             | (745)             |
| <b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b> | <b>(47,868)</b>                  | <b>(2,409)</b>                    | <b>767</b>        | <b>(49,510)</b>   |

## Adjustments between Funding and Accounting Basis - 2018/19

| Adjustments from General Fund to reconcile to Comprehensive Income and Expenditure Statement   | Adjustments for Capital Purposes | Net change for Pension Adjustment | Other Differences | Total Adjustments |
|--|----------------------------------|-----------------------------------|-------------------|-------------------|
|  | £'000                            | £'000                             | £'000             | £'000             |
| Business   | 1,146                            | (232)                             | 0                 | 914               |
| Community  | (471)                            | (258)                             | 0                 | (729)             |
| Corporate  | (10)                             | (205)                             | 0                 | (215)             |
| Finance  | 0                                | (827)                             | 0                 | (827)             |
| Investment & Development   | (19,510)                         | (75)                              | 0                 | (19,585)          |
| Legal  | (2,696)                          | (182)                             | 0                 | (2,878)           |
| Regulatory   | (718)                            | (346)                             | 0                 | (1,064)           |
| Transformation   | (76)                             | (311)                             | 0                 | (387)             |
| <b>Net Cost of Services</b>  | <b>(22,335)</b>                  | <b>(2,436)</b>                    | <b>0</b>          | <b>(24,771)</b>   |
| Other Operating Expenditure  |                                  |                                   |                   | 0                 |
| Financing and Investment Income  | (2,646)                          | 0                                 | 987               | (1,659)           |
| Adjustments Between Funding and Accounting Basis   | 6,762                            | 0                                 | 0                 | 6,762             |
| Taxation and non-specific grant income   | 0                                | 0                                 | 380               | 380               |
| <b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b> | <b>(18,219)</b>                  | <b>(2,436)</b>                    | <b>1,367</b>      | <b>(19,288)</b>   |



## Adjustments for Capital Purposes

- 1) Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:
  - **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
  - **Financing and investment income and expenditure** – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
  - **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

## Net Change for the Pension Adjustment

- 2) Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:
  - **For services** - this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
  - **For Financing and investment income and expenditure** – the net interest on the defined benefit liability is charged to the CIES.

## Other Differences

- 3) Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:
  - **For Financing and investment income and expenditure** the other differences column recognises adjustments to the General Fund for timing differences.
  - The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for Council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

# NOTES TO THE ACCOUNTS



## 15. EXPENDITURE AND INCOME ANALYSIS BY NATURE

| Expenditure/Income  | 2019/20         | 2018/19         |
|---|-----------------|-----------------|
|   | £'000           | £'000           |
| <b>Expenditure</b>  |                 |                 |
| Employee benefits expenses  | 10,765          | 10,937          |
| Other services expenses   | 30,154          | 33,798          |
| Depreciation, amortisation, impairment                            | 49,645          | 22,335          |
| Interest payments   | 2,364           | 1,939           |
| Precept & Levies  | 598             | 582             |
| <b>Total Expenditure</b>  | <b>93,526</b>   | <b>69,591</b>   |
| <b>Income</b>   |                 |                 |
| Fees, charges and other service income                            | (30,844)        | (36,270)        |
| Interest and investment income                                    | (4,171)         | (3,203)         |
| Income from Council tax, non-domestic rates, district rate income | (12,925)        | (14,138)        |
| Government grants and contributions                               | (568)           | (1,053)         |
| <b>Total Income</b>   | <b>(48,508)</b> | <b>(54,664)</b> |
| <b>(Surplus)/Deficit on the Provision of Services</b>             | <b>45,018</b>   | <b>14,927</b>   |

## 16. MEMBERS' ALLOWANCES

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

|                             | 2019/20    | 2018/19    |
|-----------------------------|------------|------------|
|                             | £'000      | £'000      |
| Allowances                  | 264        | 291        |
| Travel and other allowances | 2          | 3          |
| Mayor                       | 5          | 5          |
| <b>Total allowances</b>     | <b>271</b> | <b>299</b> |

Local Authorities are required to disclose the amounts paid to each member; these are published annually on the Surrey Heath Borough Council website.

# NOTES TO THE ACCOUNTS



## 17. OFFICERS' REMUNERATION

The remuneration paid to the Council's senior employees is provided below:

| Post-holder Information          | Financial Year | Salary | Allowances | Expenses | Benefits in kind | Employers Pension Contributions | Sub Total | Returning Officer Amount | Total | Notes  |
|----------------------------------|----------------|--------|------------|----------|------------------|---------------------------------|-----------|--------------------------|-------|--|
|                                  |                | £'000  | £'000      | £'000    | £'000            | £'000                           | £'000     | £'000                    | £'000 |  |
| Chief Executive<br>Karen Whelan  | 2019/20        | 124    | 15         | 7        | 0                | 22                              | 168       | 6                        | 174   | Additional Duties Allowance for 2019/20.   |
|                                  | 2018/19        | 121    | 37         | 7        | 8                | 24                              | 197       | 0                        | 197   |  |
| Executive Head of Finance        | 2019/20        | 84     | 3          | 2        | 0                | 13                              | 102       | 0                        | 102   | S151 Allowance ceased in February 2020.  |
|                                  | 2018/19        | 86     | 3          | 2        | 6                | 14                              | 111       | 0                        | 111   |  |
| Executive Head of Corporate      | 2019/20        | 88     | 5          | 2        | 0                | 15                              | 110       | 2                        | 112   | Monitoring Officer Allowance received in 2019/20.  |
|                                  | 2018/19        | 86     | 0          | 1        | 6                | 13                              | 106       | 0                        | 106   |  |
| Executive Head of Transformation | 2019/20        | 88     | 0          | 2        | 0                | 13                              | 103       | 0                        | 103   |  |
|                                  | 2018/19        | 86     | 0          | 2        | 0                | 13                              | 101       | 0                        | 101   |  |
| Executive Head of Community      | 2019/20        | 87     | 6          | 2        | 0                | 14                              | 109       | 0                        | 109   | Additional Duties Allowance as Interim Chief Executive   |
|                                  | 2018/19        | 86     | 5          | 2        | 6                | 14                              | 113       | 0                        | 113   |  |
| Executive Head of Business       | 2019/20        | 91     | 0          | 2        | 0                | 14                              | 107       | 0                        | 107   |  |
|                                  | 2018/19        | 80     | 0          | 2        | 0                | 12                              | 94        | 0                        | 94    |  |
| Executive Head of Regulatory     | 2019/20        | 88     | 0          | 2        | 0                | 13                              | 103       | 0                        | 103   |  |
|                                  | 2018/19        | 89     | 0          | 2        | 0                | 14                              | 105       | 0                        | 105   |  |
| Head of Legal                    | 2019/20*       | 19     | 2          | 0        | 0                | 3                               | 24        | 0                        | 24    | For Period April 2019 to July 2019   |
|                                  | 2018/19        | 70     | 8          | 0        | 0                | 12                              | 90        | 0                        | 90    |  |
| Head of Legal (Interim)          | 2019/20**      | 39     | 7          | 0        | 0                | 7                               | 53        | 0                        | 53    | Principal Solicitor covered the period July 19 to March 20 as Interim Head of Legal and received an acting up allowance. |



# NOTES TO THE ACCOUNTS



## Remuneration Bands

Council employees (including senior officers included in the table above) receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

| Remuneration band   | 2019/20             | 2018/19             |
|---------------------|---------------------|---------------------|
|                     | Number of employees | Number of employees |
| £50,000 - £54,999   | 10                  | 11                  |
| £55,000 - £59,999   | 12                  | 7                   |
| £60,000 - £64,999   | 4                   | 3                   |
| £65,000 - £69,999   | 1                   | 0                   |
| £70,000 - £74,999   | 1                   | 0                   |
| £75,000 - £79,999   | 0                   | 2                   |
| £80,000 - £84,999   | 0                   | 1                   |
| £85,000 - £89,999   | 2                   | 1                   |
| £90,000 - £94,999   | 3                   | 2                   |
| £95,000 - £99,999   | 2                   | 2                   |
| £100,000 - £104,999 | 0                   | 0                   |
| £105,000 - £109,999 | 0                   | 0                   |
| £110,000 - £114,999 | 0                   | 0                   |
| £115,000 - £119,999 | 0                   | 0                   |
| £120,000 - £124,999 | 0                   | 0                   |
| £125,000 - £129,999 | 0                   | 0                   |
| £130,000 - £134,999 | 0                   | 0                   |
| £135,000 - £139,999 | 0                   | 0                   |
| £140,000 - £144,999 | 0                   | 0                   |
| £145,000 - £149,999 | 0                   | 0                   |
| £150,000 - £154,999 | 1                   | 0                   |
| £155,000 - £159,999 | 0                   | 0                   |
| £160,000 - £164,999 | 0                   | 0                   |
| £165,000 - £169,999 | 0                   | 0                   |
| £170,000 - £174,999 | 0                   | 1                   |
|                     | <b>36</b>           | <b>30</b>           |

# NOTES TO THE ACCOUNTS



## Exit packages

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies for 2019/20 are set out in the table below:

| Exit package cost band<br>(including special payments) | Number of compulsory redundancies |          | Number of other departures agreed |          | Total number of exit packages by cost band |          | Total cost of exit packages in each band |               |
|--|-----------------------------------|----------|-----------------------------------|----------|--|----------|--|---------------|
|  | 2019/20                           | 2018/19  | 2019/20                           | 2018/19  | 2019/20                                    | 2018/19  | 2019/20<br>£                             | 2018/19<br>£  |
| £0 - £20,000   | 0                                 | 0        | 0                                 | 4        | 0  | 4        | 0  | 48,402        |
| £20,001 - £40,000                                      | 0                                 | 0        | 2                                 | 1        | 2  | 1        | 45,300                                   | 30,755        |
| £40,001 - £60,000                                      | 0                                 | 0        | 2                                 | 0        | 2  | 0        | 99,267                                   | 0             |
| <b>Total</b>   | <b>0</b>                          | <b>0</b> | <b>4</b>                          | <b>5</b> | <b>4</b>                                   | <b>5</b> | <b>144,567</b>                           | <b>79,157</b> |

The Council terminated the contracts of four employees in 2019/20, 2 in Finance and 2 from Community incurring liabilities of £144,567 (£79,157 in 2018/19) as set out above.

## 18. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

The following sets out a description of the reserves that the adjustments are made against.

### General Fund Balance

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

### Capital Receipts Reserve

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

### Capital Grants Unapplied

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

# NOTES TO THE ACCOUNTS



| 2019/20   | Usable Reserves       |                          |                          |                               |
|---|-----------------------|--------------------------|--------------------------|-------------------------------|
|   | General Fund balances | Capital Receipts Reserve | Capital Grants Unapplied | Movement in Unusable Reserves |
|   | £'000                 | £'000                    | £'000                    | £'000                         |
| <b>Adjustments to the Revenue Resources</b>   |                       |                          |                          |                               |
| Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements | (47,556)              | 0                        | 14                       | 47,542                        |
| Pension costs (transferred to (or from) the Pension Reserve   | (2,620)               | 0                        | 0                        | 2,620                         |
| Use of Capital Receipts reserve to finance new capital expenditure  | (818)                 | 0                        | 0                        | 818                           |
| Council tax and NDR (transfers to or from Collection Fund Adjustment Account)   | (746)                 | 0                        | 0                        | 746                           |
| <b>Total Adjustments to Revenue Resources</b>   | <b>(51,740)</b>       | <b>0</b>                 | <b>14</b>                | <b>51,726</b>                 |
| <b>Adjustments between Revenue and Capital Resources</b>  |                       |                          |                          |                               |
| Contribution from the capital receipts reserve towards the administration costs of non-current asset disposals  | 0                     | 0                        | 0                        | 0                             |
| Use of Capital Receipts reserve to finance new capital expenditure  | (817)                 | 0                        | 0                        | 817                           |
| Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)  | 2,158                 | 0                        | 0                        | (2,158)                       |
| Capital expenditure financed from revenue balances (transfers to the Capital Adjustment Account)  | 0                     | 0                        | 0                        | 0                             |
| <b>Total Adjustments between Revenue and Capital Resources</b>  | <b>1,341</b>          | <b>0</b>                 | <b>0</b>                 | <b>(1,341)</b>                |
| <b>Application of capital grants to finance capital expenditure</b>   |                       |                          |                          |                               |
| Application of capital grants to finance capital expenditure  | 889                   | 159                      | (585)                    | (463)                         |
| Cash payments in relation to deferred capital receipts  | 0                     | 0                        | 0                        | 0                             |
| <b>Total Adjustments to Capital Resources</b>   | <b>889</b>            | <b>159</b>               | <b>(585)</b>             | <b>(463)</b>                  |
| <b>Total Adjustments</b>  | <b>(49,510)</b>       | <b>159</b>               | <b>(571)</b>             | <b>49,922</b>                 |

# NOTES TO THE ACCOUNTS



| 2018/19   | Usable Reserves       |                          |                          |                               |
|---|-----------------------|--------------------------|--------------------------|-------------------------------|
|   | General Fund balances | Capital Receipts Reserve | Capital Grants Unapplied | Movement in Unusable Reserves |
|   | £'000                 | £'000                    | £'000                    | £'000                         |
| <b>Adjustments to the Revenue Resources</b>   |                       |                          |                          |                               |
| Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements | (19,978)              | (4,955)                  | 0                        | 24,933                        |
| Pension costs transferred to (or from) the Pension Reserve  | (2,568)               | 0                        | 0                        | 2,568                         |
| Use of Capital Receipts reserve to finance new capital expenditure  | 0                     | 827                      | 0                        | (827)                         |
| Council tax and NDR (transfers to or from Collection Fund Adjustment Account)   | 380                   | 0                        | 0                        | (380)                         |
| <b>Total Adjustments to Revenue Resources</b>   | <b>(22,166)</b>       | <b>(4,128)</b>           | <b>0</b>                 | <b>26,294</b>                 |
| <b>Adjustments between Revenue and Capital Resources</b>  |                       |                          |                          |                               |
| Contribution from the capital receipts reserve towards the administration costs of non-current asset disposals  | (198)                 | 198                      | 0                        | 0                             |
| Statutory provision for the repayment of debt, (transfer from the Capital Adjustment Account)   | 1,400                 | 0                        | 0                        | (1,400)                       |
| Capital expenditure financed from revenue balances (transfers to the Capital Adjustment Account)  | 94                    | 0                        | 0                        | (94)                          |
| <b>Total Adjustments between Revenue and Capital Resources</b>  | <b>1,296</b>          | <b>198</b>               | <b>0</b>                 | <b>(1,494)</b>                |
| <b>Application of capital grants to finance capital expenditure</b>   |                       |                          |                          |                               |
| Application of capital grants to finance capital expenditure  | 0                     | 0                        | 1,116                    | (1,116)                       |
| Cash payments in relation to deferred capital receipts  | 1,582                 | 0                        | (1,582)                  | 0                             |
| <b>Total Adjustments to Capital Resources</b>   | <b>1,582</b>          | <b>0</b>                 | <b>(466)</b>             | <b>(1,116)</b>                |
| <b>Total Adjustments</b>  | <b>(19,288)</b>       | <b>(3,930)</b>           | <b>(466)</b>             | <b>23,684</b>                 |

## 19. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

| Financing and Investment Income and Expenditure             | 2019/20      | 2018/19      |
|---|--------------|--------------|
|   | £'000        | £'000        |
| Interest payable and similar charges                        | 2,889        | 1,939        |
| Net interest on defined benefit liability                   | 1,126        | 1,046        |
| Interest receivable and similar income                      | (206)        | (212)        |
| Income and expenditure in relation to investment properties | (2,559)      | (2,991)      |
| (Gains)/losses on the revaluation of investment properties  | (1,377)      | 0            |
| <b>Total</b>  | <b>(127)</b> | <b>(218)</b> |

# NOTES TO THE ACCOUNTS



## 20. TAXATION AND NON-SPECIFIC GRANT INCOME AND EXPENDITURE

| Taxation and Non-specific Grant Income and Expenditure | 2019/20         | 2018/19         |
|--|-----------------|-----------------|
|  | £'000           | £'000           |
| Council tax income                                     | (8,223)         | (9,105)         |
| Non-domestic rates income and expenditure              | (4,702)         | (5,033)         |
| <b>Non-ringfenced government grants</b>                |                 |                 |
| New Homes Bonus  | (522)           | (865)           |
| New Burdens  | (45)            | (60)            |
| Transition Grant                                       | (1)             | (129)           |
| <b>Total</b>   | <b>(13,493)</b> | <b>(15,192)</b> |
| <b>Grant income credited to services</b>               |                 |                 |
| Rent Allowance subsidy                                 | (13,256)        | (15,292)        |
| Housing Benefit administration grant                   | (153)           | (175)           |
| Family Support   | (225)           | (222)           |
| Other grants   | (1,022)         | (1,464)         |
| <b>Total</b>   | <b>(14,656)</b> | <b>(17,153)</b> |

## 21. PROPERTY, PLANT AND EQUIPMENT

### 21.1. Depreciation

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

| Class type          | Useful life range               |
|---------------------|---------------------------------|
| Other Buildings     | 10 to 60 years                  |
| Plant and Equipment | 2 to 10 years                   |
| Vehicles            | 20% Reducing Balance            |
| Intangible          | Written off in year of purchase |
| Infrastructure      | 10 to 60 years                  |

### 21.2. Capital Commitments

At 31<sup>st</sup> March 2020 the authority has entered into a number of contracts for the construction or enhancement of property and plant in 2021/22 and future years budgeted to cost £22.6m.

The major commitments are:

- Replacement of the Arena Leisure Centre £19.1m
- London Road Block £3.5m

The spend will be supported by significant grant contributions and will provide additional income streams for both revenue and capital spend and service expenditure savings.

# NOTES TO THE ACCOUNTS



## 21.3. Revaluations

The Council carries out a rolling programme that ensures that all material property required to be measured at current value is revalued at a minimum of every five years. All valuations for the current financial year were carried out by Wilks Head and Eve LLP. Valuations of land and buildings are carried out in accordance with the methodologies and basis for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

|                                   | Other Land & Buildings | Surplus Assets | Total         |
|-----------------------------------|------------------------|----------------|---------------|
|                                   | £'000                  | £'000          | £'000         |
| <b>Value at fair value as at:</b> |                        |                |               |
| 30-Mar-20                         | 54,824                 | 961            | <b>55,785</b> |
| 30-Mar-19                         | 4,719                  | 0              | <b>4,719</b>  |
| 31-Mar-18                         | 7,714                  | 0              | <b>7,714</b>  |
| 31-Mar-17                         | 3,521                  | 0              | <b>3,521</b>  |
| <b>Total Cost or Valuation</b>    | <b>70,778</b>          | <b>961</b>     | <b>71,739</b> |

| 2019/20  | Other land & buildings | Vehicles, plant & equipment | Infrastructure | Community Assets | Surplus Assets | Assets under construction | Total PP&E      |
|--|------------------------|-----------------------------|----------------|------------------|----------------|---------------------------|-----------------|
|  | £'000                  | £'000                       | £'000          | £'000            | £'000          | £'000                     | £'000           |
| <b>Valuation at 1st April 2019</b>   | <b>165,700</b>         | <b>7,207</b>                | <b>129</b>     | <b>3,285</b>     | <b>998</b>     | <b>1,148</b>              | <b>178,467</b>  |
| Additions /Transfers   | 344                    | 462                         | 0              | 46               | 0              | 6,163                     | <b>7,015</b>    |
| Revaluation Increases/(decreases) recognised in the revaluation reserve                      | (7,371)                | 0                           | 0              | (138)            | (37)           | 0                         | <b>(7,546)</b>  |
| Disposals  | (2,800)                | 0                           | 0              | 0                | 0              | 0                         | <b>(2,800)</b>  |
| <b>At 31st March 2020</b>  | <b>155,873</b>         | <b>7,669</b>                | <b>129</b>     | <b>3,193</b>     | <b>961</b>     | <b>7,311</b>              | <b>175,136</b>  |
| <b>Accumulated depreciation and Impairment at 1st April 2019</b>                             | <b>(37,703)</b>        | <b>(3,201)</b>              | <b>(105)</b>   | <b>0</b>         | <b>0</b>       | <b>0</b>                  | <b>(41,009)</b> |
| Depreciation Charge  | (357)                  | (872)                       | (5)            | 0                | 0              | 0                         | <b>(1,234)</b>  |
| Depreciation written out to the revaluation reserve  | 728                    | 0                           | 0              | 0                | 0              | 0                         | <b>728</b>      |
| Impairment losses/reversals recognised in the surplus / deficit on the provision of services | (47,763)               | 0                           | 0              | 0                | 0              | 0                         | <b>(47,763)</b> |
| <b>At 31st March 2020</b>  | <b>(85,095)</b>        | <b>(4,073)</b>              | <b>(110)</b>   | <b>0</b>         | <b>0</b>       | <b>0</b>                  | <b>(89,278)</b> |
| <b>Net Book Value</b>  |                        |                             |                |                  |                |                           |                 |
| <b>At 31st March 2020</b>  | <b>70,778</b>          | <b>3,596</b>                | <b>19</b>      | <b>3,193</b>     | <b>961</b>     | <b>7,311</b>              | <b>85,858</b>   |
| <b>At 31st March 2019</b>  | <b>127,997</b>         | <b>4,006</b>                | <b>24</b>      | <b>3,285</b>     | <b>998</b>     | <b>1,148</b>              | <b>137,458</b>  |

# NOTES TO THE ACCOUNTS



| 2018/19  | Other land & buildings | Vehicles, plant & equipment | Infrastructure | Community Assets | Surplus Assets | Assets under construction | Total PP&E      |
|--|------------------------|-----------------------------|----------------|------------------|----------------|---------------------------|-----------------|
|  | £'000                  | £'000                       | £'000          | £'000            | £'000          | £'000                     | £'000           |
| <b>Restated Cost or Valuation at 1st April 2018</b>  | <b>159,119</b>         | <b>4,475</b>                | <b>129</b>     | <b>1,960</b>     | <b>961</b>     | <b>1,034</b>              | <b>167,678</b>  |
| Additions /Transfers   | 7,571                  | 2,732                       | 0              | 1,130            | 0              | 957                       | 12,390          |
| Revaluation Increases/(decreases) recognised in the revaluation reserve                      | (990)                  | 0                           | 0              | 195              | 37             | 0                         | (758)           |
| Disposals  | 0                      | 0                           | 0              | 0                | 0              | (843)                     | (843)           |
| <b>At 31st March 2019</b>  | <b>165,700</b>         | <b>7,207</b>                | <b>129</b>     | <b>3,285</b>     | <b>998</b>     | <b>1,148</b>              | <b>178,467</b>  |
| <b>Accumulated depreciation and Impairment at 1st April 2018</b>                             | <b>(19,793)</b>        | <b>(2,405)</b>              | <b>(95)</b>    | <b>0</b>         | <b>0</b>       | <b>0</b>                  | <b>(22,293)</b> |
| Depreciation Charge  | (559)                  | (796)                       | (10)           | 0                | 0              | 0                         | (1,365)         |
| Depreciation written out to the revaluation reserve  | 1,919                  | 0                           | 0              | 0                | 0              | 0                         | 1,919           |
| Impairment losses/reversals recognised in the surplus / deficit on the provision of services | (19,270)               | 0                           | 0              | 0                | 0              | 0                         | (19,270)        |
| <b>At 31st March 2019</b>  | <b>(37,703)</b>        | <b>(3,201)</b>              | <b>(105)</b>   | <b>0</b>         | <b>0</b>       | <b>0</b>                  | <b>(41,009)</b> |
| <b>Net Book Value</b>  |                        |                             |                |                  |                |                           |                 |
| <b>At 31st March 2019</b>  | <b>127,997</b>         | <b>4,006</b>                | <b>24</b>      | <b>3,285</b>     | <b>998</b>     | <b>1,148</b>              | <b>137,458</b>  |
| <b>At 31st March 2018</b>  | <b>139,326</b>         | <b>2,070</b>                | <b>34</b>      | <b>1,960</b>     | <b>961</b>     | <b>1,034</b>              | <b>145,385</b>  |

## 22. HERITAGE ASSETS

A reconciliation of the carrying value of heritage assets held by the Council is shown in the table below:

|   | Museum     | Civic Regalia | Other     | Total      |
|---|------------|---------------|-----------|------------|
|   | £'000      | £'000         | £'000     | £'000      |
| <b>Cost or Valuation 1st April 2019</b> | 175        | 111           | 48        | 334        |
| <b>31st March 2020</b>                  | <b>175</b> | <b>111</b>    | <b>48</b> | <b>334</b> |
| <b>Cost or Valuation 1st April 2018</b> | 175        | 111           | 48        | 334        |
| <b>31st March 2019</b>                  | <b>175</b> | <b>111</b>    | <b>48</b> | <b>334</b> |

### 22.1. Museum

Surrey Heath Museum is a small museum with displays of local history and the environment of Surrey Heath, including archaeology, natural history, local social history and the effect of the army. It also regularly holds temporary exhibitions and provides additional services for schools.



# NOTES TO THE ACCOUNTS



## 22.2. Other

A modern piece of artwork is displayed outside the Atrium. The value of this asset is separately identifiable at £48k.

## 22.3. Three Year Summary of Transactions

|  | 2019/20    | 2018/19    |
|--|------------|------------|
|  | £'000      | £'000      |
| <b>Cost of Acquisitions of Heritage Assets</b>       |            |            |
| Museum Artwork                                       | 166        | 166        |
| Civic Regalia  | 111        | 111        |
| Other  | 48         | 48         |
| <b>Total Cost of Purchases</b>                       | <b>325</b> | <b>325</b> |
| <b>Value of Heritage Assets Acquired by Donation</b> |            |            |
| Museum Artwork                                       | 9          | 9          |
| <b>Total Donations</b>                               | <b>9</b>   | <b>9</b>   |

## 23. REVENUE FROM CONTRACTS WITH SERVICE RECIPIENTS

The standard IFRS 15 Revenue from Contracts with Service Recipients did not have any impact upon the financial statements.

## 24. INVESTMENT PROPERTIES

The following items of income and expense have been accounted for in the Comprehensive Income and Expenditure Statement:

|  | 2019/20        | 2018/19        |
|--|----------------|----------------|
|  | £'000          | £'000          |
| Rental income from investment property                     | (5,067)        | (3,823)        |
| Direct operating expenses arising from investment property | 283            | 832            |
| Profit on sale of assets                                   | 0              | (1,157)        |
| Revaluations (gains)/losses on revaluations                | (1,377)        | 2,646          |
| <b>Net (income)/expenditure on investment properties</b>   | <b>(6,161)</b> | <b>(1,502)</b> |

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or towards repairs, maintenance or enhancement.

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

Investment property has been valued using a combination of yield and comparative market prices. Hence under the requirements of IFRS 13 they are all considered to be Level 3 investments.

# NOTES TO THE ACCOUNTS



|  | 2019/20       | 2018/19       |
|--|---------------|---------------|
|  | £'000         | £'000         |
| <b>Balance at the beginning of the year</b>    | 82,724        | 46,551        |
| Purchases                                      | 70            | 41,780        |
| Disposals                                      | 0             | (3,106)       |
| Transfers                                      | 0             | 146           |
| Net gains/(losses) from fair value adjustments | 1,377         | (2,647)       |
| <b>Balance at the end of the year</b>          | <b>84,171</b> | <b>82,724</b> |

## 25. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

|   | 2019/20        | 2018/19        |
|---|----------------|----------------|
|   | £'000          | £'000          |
| <b>Opening capital financing requirement</b>                      | <b>192,104</b> | <b>141,855</b> |
| <b>Capital investment</b>   |                |                |
| Other Land and Buildings  | 344            | 7,571          |
| Community assets  | 46             | 1,130          |
| Investment assets   | 70             | 41,780         |
| Vehicles, Plant and Equipment                                     | 462            | 2,732          |
| Assets under construction   | 6,163          | 957            |
| Revenue expenditure funded from capital under statute             | 818            | 717            |
| <b>Sources of finance</b>   |                |                |
| Capital receipts  | (183)          | (827)          |
| Government grants and other contributions                         | (1,692)        | (2,317)        |
| Sums set aside from revenue                                       | 0              | (94)           |
| <b>Unfinanced Capital Expenditure in year</b>                     | <b>6,028</b>   | <b>51,649</b>  |
| Less: Statutory provision for the financing of Capital Investment | (2,159)        | (1,400)        |
| <b>Closing capital financing requirement</b>                      | <b>195,973</b> | <b>192,104</b> |

| <b>Explanation for Movement in year</b> |       |        |
|---|-------|--------|
| Increase in underlying need to borrow   | 3,869 | 50,249 |

## 26. TRANSFERS (TO)/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund Balance to specific Earmarked Reserves to provide financing for future expenditure plans and the amounts posted back from Earmarked Reserves to meet General Fund expenditure in 2019/20.

# NOTES TO THE ACCOUNTS



| Earmarked Reserve                               | Balance<br>31st March<br>2018 | Transfers<br>in<br>2018/19 | Transfers<br>out<br>2018/19 | Balance<br>31st March<br>2019 | Transfers<br>in<br>2019/20 | Transfers<br>out<br>2019/20 | Balance<br>31st March<br>2020 |
|---|-------------------------------|----------------------------|-----------------------------|-------------------------------|----------------------------|-----------------------------|-------------------------------|
|   | £'000                         | £'000                      | £'000                       | £'000                         | £'000                      | £'000                       | £'000                         |
| Capital Fund                                    | 10,422                        | 864                        | (278)                       | 11,008                        | 522                        | (384)                       | 11,146                        |
| <b>Earmarked Revenue purposes</b>               |                               |                            |                             |                               |                            |                             |                               |
| Affordable Housing                              | 1,534                         | 122                        | 0                           | 1,656                         | 240                        | 0                           | 1,896                         |
| Atrium public art                               | 13                            | 0                          | (13)                        | 0                             | 0                          | 0                           | 0                             |
| Atrium S106 Agreement                           | 317                           | 1                          | 0                           | 318                           | 0                          | 0                           | 318                           |
| Blackwater Valley developers contributions      | 88                            | 0                          | (1)                         | 87                            | 0                          | (2)                         | 85                            |
| Business Rate Equalisation Fund                 | 0                             | 4,700                      | 0                           | 4,700                         | 0                          | 0                           | 4,700                         |
| Chobham and Town Team Partnership               | 5                             | 0                          | 0                           | 5                             | 0                          | 0                           | 5                             |
| Community fund 2002                             | 242                           | 0                          | (32)                        | 210                           | 0                          | (43)                        | 167                           |
| C.I.L. Admin and Monitoring                     | 104                           | 209                        | 0                           | 313                           | 170                        | 0                           | 483                           |
| Commutated sums                                 | 493                           | 11                         | (32)                        | 472                           | 1                          | (51)                        | 422                           |
| Covid19   | 0                             | 0                          | 0                           | 0                             | 18                         | 0                           | 18                            |
| Crime and disorder partnership                  | 68                            | 0                          | (3)                         | 65                            | 3                          | (14)                        | 54                            |
| Custom Build                                    | 42                            | 30                         | 0                           | 72                            | 0                          | 0                           | 72                            |
| Deepcut Village Centre: Alma Dettingen          | 283                           | 1                          | 0                           | 284                           | 1                          | 0                           | 285                           |
| Frimley Lodge Park 3G Pitch                     | 67                            | 21                         | 0                           | 88                            | 21                         | 0                           | 109                           |
| Heatherside: multi-use games area               | 29                            | 0                          | 0                           | 29                            | 0                          | (22)                        | 7                             |
| Insurance reserve fund                          | 195                           | 0                          | (2)                         | 193                           | 0                          | 0                           | 193                           |
| Interest Equalisation                           | 2,491                         | 1,526                      | 0                           | 4,017                         | 1,271                      | 0                           | 5,288                         |
| Land drainage                                   | 384                           | 0                          | 0                           | 384                           | 0                          | 0                           | 384                           |
| LLC Personal Search Revocation                  | 23                            | 0                          | (23)                        | 0                             | 0                          | 0                           | 0                             |
| New Burdens Fund                                | 100                           | 45                         | (8)                         | 137                           | 45                         | 0                           | 182                           |
| Nottcutts (Bagshot project)                     | 0                             | 0                          | 0                           | 0                             | 185                        | 0                           | 185                           |
| Old Dean toddlers playground                    | 17                            | 0                          | 0                           | 17                            | 0                          | 0                           | 17                            |
| One Public Estate                               | 491                           | 0                          | (145)                       | 346                           | 119                        | 0                           | 465                           |
| Personalisation and Prevention Partnership Fund | 25                            | 0                          | (4)                         | 21                            | 0                          | (21)                        | 0                             |
| Planning S106 Agreements                        | 225                           | 1                          | (27)                        | 199                           | 8                          | (33)                        | 174                           |
| Property Maintenance                            | 2,019                         | 0                          | (34)                        | 1,985                         | 0                          | (42)                        | 1,943                         |
| Recycling/Refuse Equalisation                   | 180                           | 0                          | (180)                       | 0                             | 0                          | 0                           | 0                             |
| Remediation fund                                | 45                            | 0                          | 0                           | 45                            | 0                          | 0                           | 45                            |
| Rental Equalisation                             | 970                           | 0                          | (863)                       | 107                           | 0                          | 0                           | 107                           |
| SAMM  | 39                            | 17                         | 0                           | 56                            | 0                          | 0                           | 56                            |
| SANGS   | 4,130                         | 1,375                      | (1,427)                     | 4,078                         | 1,017                      | (412)                       | 4,683                         |
| Surrey Family Support Programme                 | 242                           | 0                          | (163)                       | 79                            | 0                          | (79)                        | 0                             |
| <b>Total Revenue Purposes</b>                   | <b>14,861</b>                 | <b>8,059</b>               | <b>(2,957)</b>              | <b>19,963</b>                 | <b>3,099</b>               | <b>(719)</b>                | <b>22,343</b>                 |
| <b>TOTAL</b>                                    | <b>25,283</b>                 | <b>8,923</b>               | <b>(3,235)</b>              | <b>30,971</b>                 | <b>3,621</b>               | <b>(1,103)</b>              | <b>33,489</b>                 |

\* Earmarked Reserves are included in the General Fund balance within the Movement in Reserves Statement.

# NOTES TO THE ACCOUNTS



## 27. UNUSABLE RESERVES

| Unusable Reserves                         | 31st March 2020 | 31st March 2019 |
|---|-----------------|-----------------|
|   | £'000           | £'000           |
| Revaluation Reserve                       | (14,964)        | (22,710)        |
| Capital Adjustment Account                | 40,876          | (5,401)         |
| Pension Reserve                           | 44,804          | 46,069          |
| Collection Fund Adjustment Account        | 146             | (600)           |
| Accumulated Absences Account              | 93              | 93              |
| Financial Instruments Revaluation Reserve | (105)           | (184)           |
| <b>Total Unusable Reserves</b>            | <b>70,850</b>   | <b>17,267</b>   |

### 27.1. Revaluation Reserve

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

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

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

| Revaluation Reserve   | 2019/20         | 2018/19         |
|---|-----------------|-----------------|
|   | £'000           | £'000           |
| <b>Balance at 1st April</b>   | <b>(22,710)</b> | <b>(23,833)</b> |
| Upward revaluation of assets  | (926)           | (1,053)         |
| Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services            | 8,472           | 1,811           |
| <b>(Surplus)/deficit on revaluation of non-current assets not posted to the surplus or deficit on the provision of services</b> | <b>7,546</b>    | <b>758</b>      |
| Difference between fair value depreciation and historical cost depreciation   | 200             | 365             |
| <b>Amount written off to the Capital Adjustment Account</b>   | <b>200</b>      | <b>365</b>      |
| <b>Balance at 31st March</b>  | <b>(14,964)</b> | <b>(22,710)</b> |

### 27.2. Capital Adjustment Account

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

# NOTES TO THE ACCOUNTS



enhancement. The account contains accumulated gains and losses on investment properties and gains recognised on donated assets that have yet to be consumed by the Council.

The account also contains revaluation gains accumulated on property, plant and equipment before 1st April 2007, the date that the Revaluation Reserve was created to hold such gains.

| Capital Adjustment Account   | 2019/20        | 2018/19         |
|--|----------------|-----------------|
|  | £'000          | £'000           |
| <b>Balance at 1st April</b>  | <b>(5,401)</b> | <b>(26,532)</b> |
| <b><i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</i></b>                 |                |                 |
| Charges for depreciation and impairment of non-current assets  | 555            | (554)           |
| Revaluation losses/(gains) on property, plant and equipment  | 50,514         | 19,525          |
| Revenue expenditure funded from capital under statute  | 817            | 718             |
| Amounts of non-current assets written off on disposal or sale as part of the (gain)/loss on disposal to the Comprehensive Income and Expenditure Statement | 0              | 3,798           |
|  | <b>51,886</b>  | <b>23,487</b>   |
| Adjusting amounts written out of the Revaluation Reserve   | (200)          | (365)           |
| <b>Net written out amount of the non-current assets consumed in the year</b>   | <b>51,686</b>  | <b>23,122</b>   |
| <b><i>Capital financing applied in the year:</i></b>   |                |                 |
| Use of the capital receipts reserve to finance new capital expenditure   | (183)          | (827)           |
| Capital grants and contributions credited to Comprehensive Income and Expenditure Statement that have been applied to capital financing                    | (1,425)        | (1,116)         |
| Capital Expenditure funded from Reserves   | (266)          | (1,201)         |
| Capital Expenditure funded from Revenue  | 0              | (93)            |
| Statutory provision for the financing of capital investment charged against the General Fund Balance   | (2,158)        | (1,400)         |
| Capital expenditure charged against the General Fund Balance   | 0              | 0               |
|  | <b>(4,032)</b> | <b>(4,637)</b>  |
| Movements in the market value of investment properties debited or (credited) in the Comprehensive Income and Expenditure Statement                         | (1,377)        | 2,646           |
| <b>Balance at 31st March</b>   | <b>40,876</b>  | <b>(5,401)</b>  |

## 27.3. Pension Reserve

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

# NOTES TO THE ACCOUNTS



The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

| Pension Reserve  | 2019/20       | 2018/19       |
|--|---------------|---------------|
|  | £'000         | £'000         |
| <b>Balance at 1st April</b>  | <b>46,069</b> | <b>39,527</b> |
| Actuarial (gains) and losses on pensions assets and liabilities  | (3,885)       | 3,974         |
| Reversal of items relating to retirement benefits debited or (credited) to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement | 5,177         | 4,974         |
| Employer's pensions contributions and direct payments to pensioners payable in the year  | (2,557)       | (2,406)       |
| <b>Balance at 31st March</b>   | <b>44,804</b> | <b>46,069</b> |

## 27.4. Collection Fund Adjustment Account

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

| Collection Fund Adjustment Account  | 2019/20      | 2018/19      |
|---|--------------|--------------|
|   | £'000        | £'000        |
| <b>Balance at 1st April</b>   | <b>(600)</b> | <b>(219)</b> |
| Amount by which Council tax income and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from Council tax and non-domestic rates income calculated for the year in accordance with statutory requirements | 746          | (381)        |
| <b>Balance at 31st March</b>  | <b>146</b>   | <b>(600)</b> |

## 27.5. Accumulated Absences Account

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

| Accumulated Absences Account | 2019/20   | 2018/19   |
|------------------------------|-----------|-----------|
|                              | £'000     | £'000     |
| <b>Balance at 1st April</b>  | <b>93</b> | <b>93</b> |
| <b>Balance at 31st March</b> | <b>93</b> | <b>93</b> |

## 27.6. Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains made by the Council arising from the increases in the value of its investments that are measured at fair value through Other Comprehensive Income. The balance is reduced when investments with accumulated gains are revalued downwards and the gains are lost, or the associated investments are disposed of and the gains are realised.

# NOTES TO THE ACCOUNTS



| Financial Instruments Revaluation Reserve  | 2019/20 | 2018/19 |
|--|---------|---------|
|  | £'000   | £'000   |
| Balance at 1st April   | (184)   | 0       |
| Transfer of Available for Sale Reserve opening balance to Financial Instrument Revaluation Reserve | 0       | (151)   |
| Loss/(Gain) on revaluation of Long-Term Investments  | 79      | (33)    |
| Balance at 31st March  | (105)   | (184)   |

## 28. LEASES

### 28.1. Finance Leases

The Council has no finance leases.

### 28.2. Council as Lessee – Operating Leases

The Council leases four vans from Apetito to assist in providing the Meals on Wheels service to residents and some leased cars.

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

| Council as Lessee - Operating Leases              | 2019/20   | 2018/19    |
|---|-----------|------------|
|   | £'000     | £'000      |
| Not later than one year                           | 34        | 32         |
| Later than one year and not later than five years | 60        | 100        |
| Later than five years                             | 0         | 2          |
| <b>Total</b>                                      | <b>94</b> | <b>134</b> |

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

| Operating lease expenditure charged | 2019/20   | 2018/19   |
|-------------------------------------|-----------|-----------|
|                                     | £'000     | £'000     |
| Adult Social Care                   | 22        | 22        |
| Other Services                      | 17        | 12        |
| <b>Total</b>                        | <b>39</b> | <b>34</b> |

### 28.3. Council as Lessor – Operating Leases

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

- for the provision of community services, such as sports facilities, tourism services and community centres; and
- for economic development purposes to provide suitable affordable accommodation for local businesses.



# NOTES TO THE ACCOUNTS



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

| Council as Lessor - Operating Leases              | 2019/20       | 2018/19       |
|---|---------------|---------------|
|   | £'000         | £'000         |
| Not later than one year                           | 4,234         | 4,831         |
| Later than one year and not later than five years | 13,919        | 15,658        |
| Later than five years                             | 33,913        | 38,053        |
| <b>Total</b>                                      | <b>52,066</b> | <b>58,542</b> |

The Council is also Lessor of the Atrium shopping centre in Camberley for which it receives a fixed percentage of net rent collected. In 2019/20 the income was £200,000, and in 2018/19 £200,000. The lease is expected to continue into the foreseeable future. However, on the grounds of materiality this has not been separated into the component parts within this note.

## 29. DEBTORS

Details of the Council's short-term debtors are shown below:

| Short-Term Debtors      | 2019/20       | 2018/19       |
|-------------------------|---------------|---------------|
|                         | £'000         | £'000         |
| Trade receivables       | 14,259        | 12,033        |
| Other receivables       | 5,723         | 6,210         |
|                         | <b>19,982</b> | <b>18,243</b> |
| Allowance for bad debts | (906)         | (1,544)       |
| <b>Total</b>            | <b>19,076</b> | <b>16,699</b> |
| Long-Term Debtors       | 2019/20       | 2018/19       |
|                         | £'000         | £'000         |
| Charges on properties   | 160           | 161           |
| Other debtors           | 254           | 1,151         |
| <b>Total</b>            | <b>414</b>    | <b>1,312</b>  |

## 30. CASH AND CASH EQUIVALENTS

Details of the Council's cash and cash equivalents are shown below:

| Cash and Cash Equivalents              | 2019/20       | 2018/19       |
|--|---------------|---------------|
|  | £'000         | £'000         |
| Cash held by the Council               | 7             | 11            |
| Bank current accounts                  | 2,268         | 641           |
| Short term deposits                    | 11,039        | 29,513        |
| <b>Total Cash and Cash Equivalents</b> | <b>13,314</b> | <b>30,165</b> |

# NOTES TO THE ACCOUNTS



## 31. CREDITORS AND PROVISIONS

### 31.1. Creditors

Details of the Council's short-term creditors are shown below:

| Short-Term Creditors           | 2019/20         | 2018/19         |
|--------------------------------|-----------------|-----------------|
|                                | £'000           | £'000           |
| Trade payables                 | (15,977)        | (10,698)        |
| Other payables                 | (6,197)         | (9,510)         |
| <b>Total</b>                   | <b>(22,174)</b> | <b>(20,208)</b> |
| Long-Term Creditors            | 2019/20         | 2018/19         |
|                                | £'000           | £'000           |
| Other entities and individuals | (4,547)         | (4,383)         |
| <b>Total</b>                   | <b>(4,547)</b>  | <b>(4,383)</b>  |

### 31.2. Provisions

The NNDR provision relates to the estimated value of successful appeals that were probable at the Balance Sheet date but where the timing and amount were uncertain:

| NNDR Provision               | 2019/20        | 2018/19        |
|------------------------------|----------------|----------------|
|                              | £'000          | £'000          |
| <b>Balance 1 April 2019</b>  | <b>(534)</b>   | <b>(2,712)</b> |
| Additional provisions        | (582)          | 0              |
| Amount used in year          | 0              | 87             |
| Amount reversed unused       | 0              | 2,091          |
| <b>Balance 31 March 2020</b> | <b>(1,116)</b> | <b>(534)</b>   |

## 32. CASH FLOW STATEMENT – OPERATING ACTIVITIES

| 2019/2020 |                   | 2018/2019 |
|-----------|-------------------|-----------|
| £'000     |                   | £'000     |
| (206)     | Interest received | (212)     |
| 2,889     | Interest paid     | 1,965     |

# NOTES TO THE ACCOUNTS



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

| 2019/2020     |   | 2018/2019     |
|---------------|---|---------------|
| £'000         |   | £'000         |
| 2,052         | Depreciation  | 1,365         |
| 48,327        | Impairment and downward valuations  | 19,998        |
| (638)         | Increase/(decrease) in impairment for bad debts   | 637           |
| 2,130         | Increase/(decrease) in creditors  | 9,535         |
| (1,479)       | (Increase)/decrease in debtors  | (5,275)       |
| 10            | (Increase)/decrease in inventories  | 26            |
| (2,620)       | Movement in pension liability   | 2,568         |
| 582           | Increase/(decrease) in provisions   | (2,178)       |
| 0             | Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised | 3,106         |
| 1,912         | Other non-cash items charged to the net surplus or deficit on the provision of services           | (2,817)       |
| <b>50,276</b> |   | <b>26,965</b> |

## 33. CASH FLOW STATEMENT – INVESTING ACTIVITIES

The cash flows for investing activities include the following items:

| Cash Flow Statement - investing activities   | 2019/20        | 2018/19         |
|--|----------------|-----------------|
|  | £'000          | £'000           |
| Purchase of property, plant and equipment, investment property and intangible assets | (7,085)        | (54,169)        |
| Proceeds of sale of investments  | 0              | 2,018           |
| Proceeds from the sale of property, plant and equipment and investment property      | 1,805          | 4,955           |
| <b>Net cash flows from investing activities</b>                                      | <b>(5,280)</b> | <b>(47,196)</b> |

## 34. CASH FLOW STATEMENT – FINANCING ACTIVITIES

The cash flows for financing activities include the following items:

| Cash Flow Statement - financing activities           | 2019/20         | 2018/19       |
|--|-----------------|---------------|
|  | £'000           | £'000         |
| Cash receipts of short-term and long-term borrowings | (14,966)        | 55,959        |
| Other receipts from financing activities             | (4,277)         | (4,051)       |
| <b>Net cash flows from financing activities</b>      | <b>(19,243)</b> | <b>51,908</b> |

# NOTES TO THE ACCOUNTS



## 35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

| Reconciliation of liabilities arising from financing activities | 1st April 2019 | Financing cash flows | 31st March 2020 |
|---|----------------|----------------------|-----------------|
|   | £'000          | £'000                | £'000           |
| Long-term borrowings  | 56,155         | (3,347)              | 52,808          |
| Short-term borrowings   | 119,512        | (11,619)             | 107,893         |
| <b>Total liabilities from financing activities</b>              | <b>175,667</b> | <b>(14,966)</b>      | <b>160,701</b>  |

| Reconciliation of liabilities arising from financing activities | 1st April 2018 | Financing cash flows | 31st March 2019 |
|---|----------------|----------------------|-----------------|
|   | £'000          | £'000                | £'000           |
| Long-term borrowings  | 16,493         | 39,662               | 56,155          |
| Short-term borrowings   | 103,215        | 16,297               | 119,512         |
| <b>Total liabilities from financing activities</b>              | <b>119,708</b> | <b>55,959</b>        | <b>175,667</b>  |

## 36. AGENCY SERVICES

The Council provides the following services on behalf of Hampshire County Council through Agency Agreements:

- Suitable Alternative Natural Green Space (SANGS) agreements in relation to Swan Lakes, Hawley Meadows, Shepherds Meadows and Strategic Access Management & Monitoring (SAMM).

The Council provided services on behalf of Surrey County Council through Agency Agreements for civil parking enforcement and controlled parking zones until 5 November 2018. At this point, responsibility for On-Street Parking management was transferred to Woking Borough Council.

|   | 2019/20    | 2018/19      |
|---|------------|--------------|
|   | £'000      | £'000        |
| <b>Suitable Alternative Natural Green Space (SANGS)</b> |            |              |
| Income  | (659)      | (1,091)      |
| Expenditure   | 867        | 494          |
| <b>(Surplus)/deficit on the agency arrangement</b>      | <b>208</b> | <b>(597)</b> |
| <b>Parking Services</b>                                 |            |              |
| Income  | (6)        | (188)        |
| Expenditure   | 6          | 219          |
| <b>(Surplus)/deficit on the agency arrangement</b>      | <b>0</b>   | <b>31</b>    |

## 37. EXTERNAL AUDIT COSTS

The Council has incurred the following costs in relation to the audit of the Statement of Accounts and the certification of grant claims provided by the Council's external auditor:

|   | 2019/20 | 2018/19 |
|---|---------|---------|
|   | £'000   | £'000   |
| Fees payable with regard to external audit services carried out by the appointed auditor for the year | 88      | 32      |

# NOTES TO THE ACCOUNTS



|   |            |           |
|---|------------|-----------|
| Fees payable for the certification of grant claims and returns for the year | 13         | 10        |
|   | <b>101</b> | <b>42</b> |

## 38. RELATED PARTIES

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

- Central Government;
- Elected Members of the Council;
- Officers of the Council; and
- Other Public Bodies.

### Central Government

Central Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council tax bills, housing benefits). Grants receivable from government departments are set out in Note 20.

### Members

Members of the Council have direct control over the Council's financial and operating policies. Five members are also members of Surrey County Council but have no personal interest in any transactions. Payments totalling £290,293 were paid to two organisations in which three members had an interest. The relevant members did not take part in any discussion or decision relating to the payments. Payments totalling £20,351 were received from seven organisations in which eight members had an interest.

The total of Members' allowances paid in 2019/20 is shown in Note 16.

### Officers

Chief Officers have the ability to influence the Council. For 2019/20, one outside interest was declared and payment of £764 was received from Camberley Judo Club and a payment made to the Judo Club of £1,315.

### Other Public Bodies (subject to common control by Central Government)

The Council had significant financial transactions with both Surrey County Council and Surrey Police Authority, details of which are shown in the Collection Fund Statement for 2019/20.

## 39. DEFINED BENEFIT PENSION SCHEMES

### 39.1. Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council pays contribution amounts towards the cost of post-employment benefits. Although these benefits will not actually be payable until

# NOTES TO THE ACCOUNTS



employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Council participates in two post-employment schemes:

The Local Government Pension Scheme, administered locally by Surrey County Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

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

The Local Government Pension Scheme operates under the regulatory framework for this scheme, and the governance of the local scheme is the responsibility of the Pensions Committee of Surrey County Council. Policy is determined in accordance with the Pensions Fund Regulations. The investment managers of the fund are appointed by the pensions committee, consisting of the Head of Finance for Surrey County Council, the Pension Fund Manager, four county Councillors, two district Council representatives, an employee representative and two professional investment advisors.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note (see Note 4).

## 39.2. Transactions relating to Post-Employment Benefits

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

|  | Local Government Pension Scheme |              |
|--|---------------------------------|--------------|
|  | 2019/20                         | 2018/19      |
|  | £'000                           | £'000        |
| <b>Comprehensive Income and Expenditure Statement</b>  |                                 |              |
| Service costs included in Cost of Services   |                                 |              |
| - current service cost   | 4,051                           | 3,928        |
| Included in Financing and Investment Income and Expenditure  |                                 |              |
| - net interest expense   | 1,126                           | 1,046        |
| <b>Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services</b> | <b>5,177</b>                    | <b>4,974</b> |
| <b>Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>  |                                 |              |
| <b>Remeasurement of the net defined benefit liability comprising:</b>                                |                                 |              |
| - Return on plan assets (excluding the amount included in the net interest expense)                  | (8,856)                         | 2,569        |
| - Actuarial gains and losses arising on changes in financial assumptions                             | 9,114                           | (6,454)      |
| - Changes in demographic assumptions   | 2,894                           | 0            |
| - Other experience   | 733                             | (89)         |

# NOTES TO THE ACCOUNTS



|   |              |                |
|---|--------------|----------------|
| <b>Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b> | <b>3,885</b> | <b>(3,974)</b> |
|---|--------------|----------------|

## 39.3. Assets and liabilities in relation to post-employment benefits

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

|  | <b>Local Government Pension Scheme</b> |                 |
|--|--|-----------------|
|  | <b>2019/20</b>                         | <b>2018/19</b>  |
|  | <b>£'000</b>                           | <b>£'000</b>    |
| Present value of the defined benefit obligation              | (118,067)                              | (126,985)       |
| Fair value of plan assets                                    | 73,263                                 | 80,916          |
| <b>Net liability arising from defined benefit obligation</b> | <b>(44,804)</b>                        | <b>(46,069)</b> |

## 39.4. Reconciliation of fair value of the scheme assets

|  | <b>Funded Assets: Local Government Pension Scheme</b> |                          | <b>Unfunded assets: discretionary benefits arrangements</b> |                          |
|--|---|--------------------------|---|--------------------------|
|  | <b>2019/20<br/>£'000</b>                              | <b>2018/19<br/>£'000</b> | <b>2019/20<br/>£'000</b>                                    | <b>2018/19<br/>£'000</b> |
| <b>Opening fair value of scheme assets</b>   | <b>80,916</b>   | <b>76,941</b>            | <b>0</b>  | <b>0</b>                 |
| Interest Income  | 1,937   | 1,992                    | 0   | 0                        |
| Remeasurement gain/(loss):   |   |                          |   |                          |
| - the return on plan assets, excluding the amount included in the net interest expense | (8,856)   | 2,569                    | 0   | 0                        |
| The effect of changes in foreign exchange rates  |   |                          |   |                          |
| Contributions from employer  | 2,354   | 2,202                    | 203   | 204                      |
| Contributions from employees in the scheme   | 644   | 590                      | 0   | 0                        |
| Benefits paid  | (3,732)   | (3,378)                  | (203)   | (204)                    |
| <b>Closing fair value of scheme assets</b>   | <b>73,263</b>   | <b>80,916</b>            | <b>0</b>  | <b>0</b>                 |

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.



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## 39.5. Reconciliation of present value of the scheme liabilities

|  | Funded Liabilities: Local Government Pension Scheme |                  | Unfunded liabilities: discretionary benefits arrangements |                  |
|--|---|------------------|---|------------------|
|  | 2019/20<br>£'000                                    | 2018/19<br>£'000 | 2019/20<br>£'000  | 2018/19<br>£'000 |
| <b>Opening balance at 1 April</b>                                      | <b>(126,985)</b>                                    | <b>(116,468)</b> | <b>0</b>  | <b>0</b>         |
| Current service cost   | (4,021)   | (3,300)          | 0   | 0                |
| Interest cost  | (3,063)   | (3,038)          | 0   | 0                |
| Contributions from scheme participants                                 | (644)   | (590)            | 0   | 0                |
| <b>Remeasurement (gains) and losses:</b>                               |   |                  |   |                  |
| - Actuarial gains/losses arising from changes in financial assumptions | 9,114   | (6,454)          | 0   | 0                |
| - Changes in demographic assumptions                                   | 2,894   | 0                | 0   | 0                |
| - Other experience   | 733   | (89)             | 0   | 0                |
| Past service cost  | (30)  | (628)            | 0   | 0                |
| <b>Liabilities assumed on entity combinations:</b>                     |   |                  |   |                  |
| Unfunded benefits paid   | 0   | 0                | 203   | 204              |
| Benefits paid  | 3,732   | 3,378            | 0   | 0                |
| <b>Closing balance at 31 March</b>                                     | <b>(118,270)</b>                                    | <b>(127,189)</b> | <b>203</b>  | <b>204</b>       |

## 39.6. Local Government Pension Scheme assets

The fair values of the Local Government Pension Scheme assets are shown in the table below:

| Asset category            | Percentage of total assets | 31st March 2020                 |                                     |       | 31st March 2019                 |                                     |       |
|---------------------------|----------------------------|---------------------------------|-------------------------------------|-------|---------------------------------|-------------------------------------|-------|
|                           |                            | Quoted prices in active markets | Quoted prices not in active markets | Total | Quoted prices in active markets | Quoted prices not in active markets | Total |
|                           |                            | £'000                           | £'000                               | £'000 | £'000                           | £'000                               | £'000 |
| Cash and cash equivalents |                            |                                 |                                     |       |                                 |                                     |       |
| All                       | 3%                         | 2,495                           | 0                                   | 2,495 | 2,755                           | 0                                   | 2,755 |
| Equity Securities         |                            |                                 |                                     |       |                                 |                                     |       |
| Consumer                  | 3%                         | 2,090                           | 0                                   | 2,090 | 2,191                           | 0                                   | 2,191 |
| Manufacturing             | 2%                         | 1,560                           | 0                                   | 1,560 | 1,406                           | 0                                   | 1,406 |
| Energy and Utilities      | 1%                         | 567                             | 0                                   | 567   | 1,247                           | 0                                   | 1,247 |
| Financial Institutions    | 2%                         | 1,234                           | 0                                   | 1,234 | 1,255                           | 0                                   | 1,255 |
| Health and Care           | 2%                         | 1,262                           | 0                                   | 1,262 | 1,072                           | 0                                   | 1,072 |
| Information Technology    | 3%                         | 2,391                           | 0                                   | 2,391 | 2,396                           | 0                                   | 2,396 |
| Other                     | 0%                         | 42                              | 0                                   | 42    | 214                             | 0                                   | 214   |
| Debt Securities           |                            |                                 |                                     |       |                                 |                                     |       |

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|   |             |               |               |               |               |               |               |
|---|-------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Corporate Bonds (investment grade)      | 0%          | 0             | 0             | 0             | 0             | 0             | 0             |
| Corporate bonds (non-investment grade)  | 0%          | 0             | 0             | 0             | 0             | 0             | 0             |
| UK Government                           | 6%          | 0             | 4,142         | 4,142         | 0             | 0             | 0             |
| Other                                   | 0%          | 0             | 0             | 0             | 0             | 0             | 0             |
| <b>Private Equity</b>                   |             |               |               |               |               |               |               |
| All                                     | 8%          | 0             | 5,861         | 5,861         | 0             | 4,796         | 4,796         |
| <b>Real Estate</b>                      |             |               |               |               |               |               |               |
| UK Property                             | 5%          | 1,268         | 2,399         | 3,667         | 1,461         | 2,377         | 3,838         |
| Overseas Property                       | 2%          | 0             | 1,610         | 1,610         | 0             | 1,404         | 1,404         |
| <b>Investment Funds and Unit Trusts</b> |             |               |               |               |               |               |               |
| Equities                                | 52%         | 38,551        | 0             | 38,551        | 38,787        | 5,567         | 44,354        |
| Bonds                                   | 12%         | 8,527         | 0             | 8,527         | 9,699         | 3,817         | 13,516        |
| Other                                   | 0%          | 0             | 0             | 0             | 0             | 0             | 0             |
| <b>Derivatives:</b>                     |             |               |               |               |               |               |               |
| Interest Rate                           | 0%          | 0             | 0             | 0             | 0             | 0             | 0             |
| Foreign Exchange                        | -1%         | (736)         | 0             | (736)         | 472           | 0             | 472           |
|   | <b>100%</b> | <b>59,251</b> | <b>14,012</b> | <b>73,263</b> | <b>62,955</b> | <b>17,961</b> | <b>80,916</b> |

## 39.7. 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 including mortality rates and salary levels as examples. Both the Local Government Pension Scheme and discretionary benefits liabilities have been assessed by Hymans Robertson LLP, an independent actuary, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 1st April 2019.

The principal assumptions used by the actuary are shown in the table below:

|  | Local Government Pension Scheme |              |
|--|---------------------------------|--------------|
|  | 2019/20                         | 2018/19      |
| <b>Mortality assumptions:</b>                  | <b>Years</b>                    | <b>Years</b> |
| <b>Longevity at 65 for current pensioners:</b> |                                 |              |
| Men  | 22.1                            | 22.5         |
| Women  | 24.3                            | 24.6         |
| <b>Longevity at 45 for future pensioners:</b>  |                                 |              |
| Men  | 22.9                            | 24.1         |
| Women  | 25.7                            | 26.4         |
| Rate of inflation                              | 2.60%                           | 2.40%        |
| Rate of increase in salaries                   | 2.80%                           | 2.80%        |
| Rate of increase in pensions                   | 1.90%                           | 2.50%        |
| Rate for discounting scheme liabilities        | 2.30%                           | 2.40%        |

The estimation of the defined benefit obligations is sensitive to the actuary's assumptions set out in the above table. The sensitivity analysis in the table below has been determined based on reasonable possible

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changes of the assumptions occurring at the end of the reporting period and assumes for each change, that the assumption analysed, changes whilst all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases and decreases for men and women. In practice, this is unlikely to occur, and changes in some assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme i.e. on an actuarial basis using the projected unit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

|   | Approximate %<br>increase to<br>employer liability | Approximate<br>monetary amount<br>£'000 |
|---|--|---|
| <b>Change in assumptions at 31st March 2020</b> |  |   |
| 0.5% decrease in Real Discount Rate             | 9%   | 10,154                                  |
| 0.5% increase in the Salary Increase Rate       | 1%   | 832                                     |
| 0.5% increase in the Pension Increase Rate      | 8%   | 9,246                                   |

## 39.8. Impact on Council's cash flows

The objectives of the scheme are to retain employer contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. The latest triennial valuation of 31 March 2019 recommends no increase in contributions.

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

The liabilities show the underlying long-term commitment that the Council has to pay post-employment (retirement) benefits. The net liability of £44.8m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.

The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary; and finance is only required to be raised to cover discretionary benefits when the pension sums fall due as payable.

The Council anticipates paying £2.5m contributions to the scheme in 2020/21.

## 40. CONTINGENT LIABILITIES

The Council has identified the following contingent liability:

- The Council was a member of Municipal Mutual Insurance Limited. The Council is party to a reserve scheme of arrangement with the company, which was entered into in October 1993 after the company ceased trading in September 1992. Following unfavourable litigation in the Supreme Court, the directors have triggered a contingent scheme of arrangement under Section 425 of the Companies Act 1985 as a solvent run-off could not be foreseen. The Council's total exposure under the scheme of arrangement is £172k, against which a total levy of 25% has been raised; £21k in 2014/15, £14k in

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2015/16 and £9k in 2017/18. These amounts have been charged to the Comprehensive Income and Expenditure Statement in the respective financial years. The Council's remaining potential liability from unpaid claims at 31 March 2020 was £75k, which the Council holds as part of the earmarked Insurance Reserve Fund. Given the nature of these claims, projections remain uncertain and therefore no provision has been made and the Council is maintaining an earmarked reserve to fully cover its exposure.

- The Council also received notification of several potential legal claims. One such claim related to an employment issue (£50k), a personal injury claim of £25k and a vehicle claim for £2k. As of 31 March 2020, the Council has admitted no liability in respect of these claims.

## 41. CONTINGENT ASSETS

The Council has no contingent assets.

## 42. FINANCIAL INSTRUMENTS

Financial instruments are contractual arrangements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

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

| Financial Assets                                  | Long-Term    |              | Current       |               |
|---|--------------|--------------|---------------|---------------|
|   | 2019/20      | 2018/19      | 2019/20       | 2018/19       |
|   | £'000        | £'000        | £'000         | £'000         |
| <b>Investments</b>                                |              |              |               |               |
| <b>At amortised cost:</b>                         |              |              |               |               |
| Principal   | 0            | 0            | 0             | 0             |
| Accrued interest                                  | 0            | 0            | 0             | 0             |
| At fair value through other comprehensive income: |              |              |               |               |
| Equity investments elected FVOCI                  | 2,106        | 2,185        | 0             | 0             |
| <b>Total Investments</b>                          | <b>2,106</b> | <b>2,185</b> | <b>0</b>      | <b>0</b>      |
| <b>At amortised cost:</b>                         |              |              |               |               |
| Principal   | 0            | 0            | 13,286        | 30,159        |
| Accrued interest                                  | 0            | 0            | 28            | 6             |
| <b>Total Cash and Cash Equivalents</b>            | <b>0</b>     | <b>0</b>     | <b>13,314</b> | <b>30,165</b> |
| <b>Debtors</b>                                    |              |              |               |               |
| <b>At amortised cost:</b>                         |              |              |               |               |
| Financial Assets carried at contract amount       | 414          | 1,312        | 19,076        | 12,816        |
| <b>Total Financial Assets</b>                     | <b>2,520</b> | <b>3,497</b> | <b>32,390</b> | <b>42,981</b> |

| Financial Liabilities           | Long-Term |         | Current |         |
|---------------------------------|-----------|---------|---------|---------|
|                                 | 2019/20   | 2018/19 | 2019/20 | 2018/19 |
|                                 | £'000     | £'000   | £'000   | £'000   |
| <b>Borrowings</b>               |           |         |         |         |
| <b>Loans at amortised cost:</b> |           |         |         |         |

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|                                       |                 |                 |                  |                  |
|---------------------------------------|-----------------|-----------------|------------------|------------------|
| Principal sums borrowed               | (52,808)        | (56,155)        | (107,350)        | (118,845)        |
| Accrued interest                      | 0               | 0               | (543)            | (667)            |
| <b>Total Borrowings</b>               | <b>(52,808)</b> | <b>(56,155)</b> | <b>(107,893)</b> | <b>(119,512)</b> |
| <b>Liabilities at amortised cost:</b> |                 |                 |                  |                  |
| Creditors                             | (4,547)         | (4,383)         | (22,174)         | (10,698)         |
| <b>Total Financial Liabilities</b>    | <b>(57,355)</b> | <b>(60,538)</b> | <b>(130,067)</b> | <b>(130,210)</b> |

## 42.2. Income, expenses, gains and losses

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

| 2019/20  |                                     |  |  |              |   | 2018/19  |                                     |  |  |              |
|--|-------------------------------------|--|--|--------------|---|--|-------------------------------------|--|--|--------------|
| Financial liabilities measured at amortised cost | Financial assets: at amortised cost | Financial assets: Fair Value through OCI | Assets and liabilities elected to Fair Value through OCI | Total        |   | Financial liabilities measured at amortised cost | Financial assets: at amortised cost | Financial assets: Fair Value through OCI | Assets and liabilities elected to Fair Value through OCI | Total        |
| £'000  | £'000                               | £'000                                    | £'000  | £'000        |   | £'000  | £'000                               | £'000                                    | £'000  | £'000        |
| 2,279  | 0                                   | 0  | 0  | 2,279        | Interest expense  | 1,819  | 0                                   | 0  | 0  | 1,819        |
| 75   | 0                                   | 0  | 10   | 85           | Fee expenses  | 89   | 0                                   | 0  | 31   | 120          |
| <b>2,354</b>                                     | <b>0</b>                            | <b>0</b>                                 | <b>10</b>  | <b>2,364</b> | <b>Total expense in surplus or deficit on the provision of services</b>   | <b>1,908</b>                                     | <b>0</b>                            | <b>0</b>                                 | <b>31</b>  | <b>1,939</b> |
| 0  | (101)                               | 0  | 0  | (101)        | Interest income   | 0  | (101)                               | 0  | 0  | (101)        |
| 0  | 0                                   | 0  | 0  | 0            | Increase in fair value  | 0  | 0                                   | 0  | 0  | 0            |
| 0  | 0                                   | 0  | (105)  | (105)        | Dividend income   | 0  | 0                                   | 0  | (111)  | (111)        |
| <b>0</b>   | <b>(101)</b>                        | <b>0</b>                                 | <b>(105)</b>   | <b>(206)</b> | <b>Total income in surplus or deficit on the provision of services</b>  | <b>0</b>   | <b>(101)</b>                        | <b>0</b>                                 | <b>(111)</b>   | <b>(212)</b> |
| 0  | 0                                   | 0  | 0  | 0            | (Gains) on revaluation  | 0  | 0                                   | 0  | (33)   | (33)         |
| 0  | 0                                   | 0  | 79   | 79           | Losses on revaluation   | 0  | 0                                   | 0  | 0  | 0            |
| <b>0</b>   | <b>0</b>                            | <b>0</b>                                 | <b>79</b>  | <b>79</b>    | <b>(Surplus)/deficit arising on revaluation of financial assets in other comprehensive income and expenditure</b> | <b>0</b>   | <b>0</b>                            | <b>0</b>                                 | <b>(33)</b>  | <b>(33)</b>  |
| <b>2,354</b>                                     | <b>(101)</b>                        | <b>0</b>                                 | <b>(16)</b>  | <b>2,237</b> | <b>Net (gain)/loss for the year</b>   | <b>1,908</b>                                     | <b>(101)</b>                        | <b>0</b>                                 | <b>(113)</b>   | <b>1,694</b> |

The Council has no soft loans.

## 42.3. Equity instruments elected to fair value through Other Comprehensive Income

The Council has elected to account for the following investments in equity instruments at fair value through Other Comprehensive Income because these are long-term strategic holdings and changes in their fair value are not considered form part of the Council's annual financial performance.

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|                    | Fair Value |         | Dividends |         |
|--------------------|------------|---------|-----------|---------|
|                    | 2019/20    | 2018/19 | 2019/20   | 2018/19 |
|                    | £'000      | £'000   | £'000     | £'000   |
| CCLA Property Fund | 2,106      | 2,185   | 105       | 111     |

## 42.4. Fair values of assets and liabilities

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value.

For most assets, including shares in money market funds and other pooled funds, the fair value is taken from the market price.

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

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31st March.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

The following are included at fair value:

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

| Recurring fair value measurements  | Input level in fair value hierarchy | Valuation technique used to measure Fair Value       | 2019/20 Fair value | 2018/19 Fair value |
|--|-------------------------------------|--|--------------------|--------------------|
|  |                                     |  | £'000              | £'000              |
| Long term investments elected to fair value through other comprehensive income | Level 2                             | Quoted prices in active markets for identical assets | 2,106              | 2,185              |

As at 31 March 2020 the Council held £2.1m (2019 - £2.2m) in Long-Term Investments which are Pooled Funds, comprised of the CCLA Property Fund.

It is the Council's stated intention that these investments are being held for a longer term to generate higher returns.

Property funds totalling £2.1m (2019 – £2.2m) have been moved from Level 1 to Level 2 of the hierarchy for 2019/20 to acknowledge that there is no longer an active market for these instruments. Fund managers

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have suspended redemptions reflecting market conditions for underlying properties caused by the economic consequences of the coronavirus pandemic.

There has been no change in valuation techniques used during the year, and as applied to these financial instruments.

The following financial instruments are not measured at fair value but their fair values are shown below:

|                                      | Fair value level | Balance Sheet<br>2019/20 | Fair value<br>2019/20* | Balance Sheet<br>2018/19 | Fair value<br>2018/19* |
|--------------------------------------|------------------|--------------------------|------------------------|--------------------------|------------------------|
|                                      |                  | £'000                    | £'000                  | £'000                    | £'000                  |
| <b>Recorded in Balance Sheet as:</b> |                  |                          |                        |                          |                        |
| Long-term debtors                    |                  | 414                      | 414                    | 1,312                    | 1,312                  |
| Short-term investments               |                  | 0                        | 0                      | 0                        | 0                      |
| Short-term debtors                   |                  | 19,076                   | 19,076                 | 12,816                   | 12,816                 |
| Cash and cash equivalents            |                  | 13,314                   | 13,314                 | 30,165                   | 30,165                 |
| <b>Total Financial Assets</b>        |                  | <b>32,804</b>            | <b>32,804</b>          | <b>44,293</b>            | <b>44,293</b>          |

\* The fair values of short-term financial assets held at amortised cost, including trade receivables, are assumed to approximate to their carrying amounts.

|                                      |                  | 2019/20        |                | 2018/19        |                |
|--------------------------------------|------------------|----------------|----------------|----------------|----------------|
|                                      | Fair value level | Balance Sheet  | Fair value     | Balance Sheet  | Fair value     |
|                                      |                  | £'000          | £'000          | £'000          | £'000          |
| <b>Recorded in Balance Sheet as:</b> |                  |                |                |                |                |
| Short-term creditors                 |                  | 22,174         | 22,174         | 20,208         | 20,208         |
| Short-term borrowings                |                  | 107,893        | 107,893        | 119,512        | 119,512        |
| Long-term creditors                  |                  | 4,547          | 4,547          | 4,383          | 4,383          |
| Long-term borrowings                 |                  | 52,808         | 61,850         | 56,155         | 60,420         |
| <b>Total Financial Liabilities</b>   |                  | <b>187,422</b> | <b>196,464</b> | <b>200,258</b> | <b>204,523</b> |

\*The fair values of short-term financial liabilities, including trade payables, are assumed to approximate to their carrying amounts.

The fair value of financial liabilities held at amortised cost is higher than the Balance Sheet carrying amount because the Authority's portfolio of loans includes a number of loans where the interest rate payable is higher than the current rates available for similar loans as at the Balance Sheet date.

## 43. NATURE AND EXTENT OF RISKS OF FINANCIAL INSTRUMENTS

### 43.1. Introduction

The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2018.

In accordance with the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the



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management of risks associated with financial instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

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

The main risks covered are:

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

## 43.2. Credit risk

### Investments

The Council manages credit risk by ensuring that investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government, other local authorities, and organisations without credit ratings upon which the Council has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap and equity prices when selecting commercial entities for investment.

The Council may invest its surplus funds with any of the counterparty types in the table below, subject to the cash limits (per counterparty) and the time limits shown.

Approved investment counterparties and limits:

| Credit Rating | Banks Unsecured      | Banks Secured    | Building Societies | Government              | Corporates       | Registered Providers |
|---------------|----------------------|------------------|--------------------|-------------------------|------------------|----------------------|
| UK Govt       | n/a                  | n/a              | n/a                | £ Unlimited<br>50 years | n/a              | n/a                  |
| AAA           | £2m<br>5 years       | £3m<br>10 years  | £2m<br>3 years     | n/a                     | £2m<br>20 years  | £2m<br>20 years      |
| AA+           | £2m<br>5 years       | £3m<br>10 years  | £2m<br>3 years     | n/a                     | £2m<br>10 years  | £2m<br>10 years      |
| AA            | £3m<br>4 years       | £3m<br>5 years   | £2m<br>3 years     | n/a                     | £2m<br>5 years   | £2m<br>10 years      |
| AA-           | £2m<br>3 years       | £3m<br>4 years   | £2m<br>3 years     | n/a                     | £2m<br>4 years   | £2m<br>10 years      |
| A+            | £2m<br>2 years       | £3m<br>3 years   | £2m<br>2 years     | n/a                     | £2m<br>3 years   | £2m<br>5 years       |
| A             | £2m<br>13 months     | £3m<br>2 years   | £2m<br>12 months   | n/a                     | £1m<br>2 years   | £2m<br>5 years       |
| A-            | £2m<br>6 months      | £3m<br>13 months | £1m<br>6 months    | n/a                     | £1m<br>13 months | £2m<br>2 years       |
| BBB+          | £3m<br>next day only | £3m<br>6 months  | £1m<br>100 days    | n/a                     | n/a              | £1m<br>2 years       |
| None          | £1m                  | n/a              | £1m                | n/a                     | n/a              | n/a                  |

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|                     |  |  |          |  |  |
|---------------------|--|--|----------|--|--|
|                     | 6 months                                     |  | 6 months |  |  |
| Pooled funds        | £2m per fund                                 |  |          |  |  |
| Supranational Banks | £3m for up to 5 years where rated A or above |  |          |  |  |
| UK Local Councils   | £2m per authority for up to 5 years          |  |          |  |  |

## Credit Risk exposure

The table below summarises the credit risk exposures of the Council's investments and cash and cash equivalents portfolio by credit rating and remaining time to maturity:

| Credit Rating              | Long-term    |              | Short-term    |               |
|----------------------------|--------------|--------------|---------------|---------------|
|                            | 2019/20      | 2018/19      | 2019/20       | 2018/19       |
|                            | £000s        | £000s        | £000s         | £000s         |
| AAA                        | 0            | 0            | 10,844        | 25            |
| AA+                        | 0            | 0            | 0             | 27,506        |
| AA                         | 0            | 0            | 0             | 0             |
| AA-                        | 0            | 0            | 2,000         | 0             |
| A+                         | 0            | 0            | 470           | 0             |
| A                          | 0            | 0            | 0             | 0             |
| A-                         | 0            | 0            | 0             | 0             |
| BBB+                       | 0            | 0            | 0             | 652           |
| Unrated local authorities  | 0            | 0            | 0             | 0             |
| Unrated banks              | 0            | 0            | 0             | 0             |
| Unrated building societies | 0            | 0            | 0             | 0             |
| Unrated pooled funds *     | 2,106        | 2,185        | 0             | 0             |
| Impaired Investments       | 0            | 0            | 0             | 0             |
| <b>Total Investments</b>   | <b>2,106</b> | <b>2,185</b> | <b>13,314</b> | <b>28,183</b> |

\* Credit risk is not applicable to pooled funds where the Council has no contractual right to receive any sum of money.

## Receivables

Customers are assessed for their ability to pay depending on the size of the debt, financial position, past experience and any other relevant factors.

The Council's credit risk on lease receivables is mitigated by its legal ownership of the assets leased, which can be repossessed if the debtor defaults on the lease contract.

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

|                               | 2019/20           |                   | 2018/19           |                   |
|-------------------------------|-------------------|-------------------|-------------------|-------------------|
|                               | Lease receivables | Trade receivables | Lease receivables | Trade receivables |
|                               | £'000             | £'000             | £'000             | £'000             |
| Neither past due nor impaired | 324               | 16,525            | 1,267             | 11,297            |

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|                        |            |               |              |               |
|------------------------|------------|---------------|--------------|---------------|
| Past due <3 months     | 38         | 1,346         | 23           | 869           |
| Past due 3 - 6 months  | 27         | 62            | 19           | 162           |
| Past due 6 - 12 months | 14         | 394           | 3            | 258           |
| Past due 12+ months    | 11         | 749           | 0            | 230           |
| <b>Total</b>           | <b>414</b> | <b>19,076</b> | <b>1,312</b> | <b>12,816</b> |

## Receivables - loss allowance

Loss allowances on trade and lease receivables and contract assets have been calculated by reference to the Council's historic experience of default, multiplied by various percentages to adjust for current and forecast economic conditions.

Receivables are collectively assessed for credit risk in the following groupings:

|                                   | 2019/20 |               |              | 2018/19 |               |              |
|-----------------------------------|---------|---------------|--------------|---------|---------------|--------------|
|                                   | %       | £000          | £000         | %       | £000          | £000         |
| Debt at 2020                      | 5%      | 17,199        | 860          | 0       | 0             | 0            |
| Debt at 2020                      | 8%      | 0             | 40           | 0       | 0             | 0            |
| Debt at 2020                      | 100%    | 286           | 286          | 0       | 0             | 0            |
| Debt at 2019                      | 21%     | 717           | 153          | 4%      | 11,540        | 461          |
| Debt at 2019                      | n/a     | 0             | 0            | 90%     | 527           | 473          |
| Debt at 2018                      | n/a     | 0             | 0            | 30%     | 199           | 60           |
| Debt older than 2 years 2018      | 100%    | 411           | 411          | 0       | 0             | 0            |
| Debt older than 2 years 2017      | n/a     | 0             | 0            | 100%    | 462           | 462          |
| Gypsy Debts less than 2 years old | 100%    | 58            | 58           | 100%    | 58            | 58           |
| Gypsy Debts more than 2 years old | 100%    | 30            | 30           | 100%    | 30            | 30           |
| <b>Total</b>                      |         | <b>18,701</b> | <b>1,838</b> |         | <b>12,816</b> | <b>1,544</b> |

## 43.3. Liquidity risk

On the advice of its treasury advisors, the Council continues to borrow over short-term periods in order to take advantage of low interest rates. Any saving in interest as compared with the PWLB rates has been placed in an interest equalisation reserve to be realised should rates rise in the short-term. In addition, the Council has access to loans at favourable rates from PWLB and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments, however in a last resort the Council could sell assets to meet these liabilities. The Council has worked with its advisors to fix £50m of fixed rate loans with forward starts in the 2020/21 and 2021/22 financial years to reduce the interest rate risk in future years.

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The maturity analysis of financial instruments is as follows:

| Period to maturity                  | 2019/20        | 2018/19        |
|-------------------------------------|----------------|----------------|
|                                     | Liabilities    | Liabilities    |
|                                     | £'000          | £'000          |
| Not over 1 year                     | 107,892        | 119,512        |
| Over 1 year but not over 2 years    | 1,090          | 3,346          |
| Over 2 years but not over 5 years   | 3,297          | 3,283          |
| Over 5 years but not over 10 years  | 5,598          | 5,571          |
| Over 10 years but not over 20 years | 12,222         | 13,103         |
| Over 20 years but not over 30 years | 8,506          | 8,410          |
| Over 30 years but not over 40 years | 11,161         | 11,027         |
| Over 40 years                       | 10,935         | 11,416         |
| <b>Total</b>                        | <b>160,701</b> | <b>175,668</b> |

## 43.4. Market Risks: Interest rate risk

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

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

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

The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates. As at 31 March 2020, £59m (2019: £29m) of net principal borrowed on long-term loans (i.e. borrowing net of investments) was exposed to fixed rates and £93m (2019: £116m) in short-term loans was exposed to variable rates.

If all interest rates had been 1% higher (with all other variables held constant) the financial effects would be as follows:

|  | 2019/20    | 2018/19      |
|--|------------|--------------|
|  | £'000      | £'000        |
| Increase in interest payable on variable rate borrowings         | 1,045      | 1,178        |
| Increase in interest receivable on variable rate investments     | (111)      | (22)         |
| <b>Impact on Surplus or Deficit on the Provision of Services</b> | <b>934</b> | <b>1,156</b> |
| Increase in fair value of investments held at FVOCI              | (45)       | 33           |
| <b>Impact on Comprehensive Income and Expenditure</b>            | <b>889</b> | <b>1,189</b> |

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|  |          |        |
|--|----------|--------|
| Increase/(Decrease) in fair value of loans and receivables *             | (25,492) | 25,417 |
| Increase/(Decrease) in fair value of fixed rate borrowings/liabilities * | 289      | 41,994 |

\* No impact on Other Comprehensive Income and Expenditure.

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

## 43.5. Offsetting financial assets and liabilities

Financial assets and liabilities are offset against each other where the Council has a legally enforceable right to set-off and it intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The table below shows those instruments that have been offset on the Balance Sheet. The Council had no other financial assets or liabilities subject to an enforceable master netting arrangement or similar agreement.

|                             | 2019/20                    |                              |                               | 2018/19                    |                              |                               |
|-----------------------------|----------------------------|------------------------------|-------------------------------|----------------------------|------------------------------|-------------------------------|
|                             | Gross assets (liabilities) | (Liabilities) assets set off | Net position on balance sheet | Gross assets (liabilities) | (Liabilities) assets set off | Net position on balance sheet |
|                             | £000s                      | £000s                        | £000s                         | £000s                      | £000s                        | £000s                         |
| Trade receivables           | 76                         | (4)                          | 72                            | 1,921                      | (226)                        | 1,695                         |
| Total financial assets      | 76                         | (4)                          | 72                            | 1,921                      | 0                            | 1,921                         |
| Trade payables              | (4)                        | 76                           | 72                            | (226)                      | 1,921                        | 1,695                         |
| Total financial liabilities | (4)                        | 76                           | 72                            | (226)                      | 1,921                        | 1,695                         |

## 43.6. Market risks: Price risk

The Council's investment in a pooled property fund is subject to the risk of falling commercial property prices.

This risk is limited by the Council's maximum exposure to property investments of £2.1m (2019 - £2.2m). A 5% fall in commercial property prices would result in a £0.1m (2019 - £0.1m) charge to Other Comprehensive Income and Expenditure.

#### 44. COLLECTION FUND

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of Council Tax and National Non-Domestic Rates.

|  | 2019/20        |               |                | 2018/19        |                |                |
|--|----------------|---------------|----------------|----------------|----------------|----------------|
|  | Business Rates | Council Tax   | Total          | Business Rates | Council Tax    | Total          |
|  | £'000          | £'000         | £'000          | £'000          | £'000          | £'000          |
| <b>INCOME</b>  |                |               |                |                |                |                |
| Council Tax receivable                                     | 0              | 75,239        | 75,239         | 0              | 71,371         | 71,371         |
| Business Rates receivable                                  | 37,317         | 0             | 37,317         | 37,182         | 0              | 37,182         |
| <b>Total Income</b>  | <b>37,317</b>  | <b>75,239</b> | <b>112,556</b> | <b>37,182</b>  | <b>71,371</b>  | <b>108,553</b> |
| <b>EXPENDITURE</b>   |                |               |                |                |                |                |
| <b>Apportionment of Previous Year Surplus/(Deficit)</b>    |                |               |                |                |                |                |
| Central Government   | (2,269)        | 0             | (2,269)        | 1,817          | 0              | 1,817          |
| Surrey Heath Borough Council                               | 0              | 124           | 124            | 1,454          | 380            | 1,834          |
| Surrey County Council                                      | 4,206          | 750           | 4,956          | 363            | 2,242          | 2,605          |
| Surrey Police Commissioner                                 | 0              | 126           | 126            | 0              | 378            | 378            |
|  | <b>1,937</b>   | <b>1,000</b>  | <b>2,937</b>   | <b>3,634</b>   | <b>3,000</b>   | <b>6,634</b>   |
| <b>Precepts, Demands and Shares</b>                        |                |               |                |                |                |                |
| Central Government   | 18,603         | 0             | 18,603         | 0              | 0              | 0              |
| Surrey Heath Borough Council                               | 14,883         | 9,092         | 23,975         | 10,846         | 8,724          | 19,570         |
| Surrey County Council                                      | 3,721          | 55,312        | 59,033         | 25,307         | 52,981         | 78,288         |
| Surrey Police Commissioner                                 | 0              | 9,916         | 9,916          | 0              | 8,881          | 8,881          |
|  | <b>37,207</b>  | <b>74,320</b> | <b>111,527</b> | <b>36,153</b>  | <b>70,586</b>  | <b>106,739</b> |
| <b>Charges to the Collection Fund</b>                      |                |               |                |                |                |                |
| Transitional Protection Payments due to Central Government | 177            | 0             | 177            | 240            | 0              | 240            |
| Less: Write off for uncollectible amounts                  | 0              | 0             | 0              | 0              | 87             | 87             |
| Less: Increase/Decrease in Bad Debt Provision              | 954            | (113)         | 841            | (210)          | 242            | 32             |
| Lees: Increase/Decrease in Provision for Appeals           | (45)           | 0             | (45)           | (5,000)        | 0              | (5,000)        |
| Lees: Cost of Collection                                   | 122            | 0             | 122            | 125            | 0              | 125            |
|  | <b>1,208</b>   | <b>(113)</b>  | <b>1,095</b>   | <b>(4,845)</b> | <b>329</b>     | <b>(4,516)</b> |
| <b>Total Expenditure</b>                                   | <b>40,352</b>  | <b>75,207</b> | <b>115,559</b> | <b>34,942</b>  | <b>73,915</b>  | <b>108,857</b> |
| <b>Surplus/(Deficit) arising during the year</b>           | <b>(3,035)</b> | <b>32</b>     | <b>(3,003)</b> | <b>2,240</b>   | <b>(2,544)</b> | <b>(304)</b>   |
| <b>Surplus/(Deficit) b/fwd 1st April</b>                   | <b>2,052</b>   | <b>(139)</b>  | <b>1,913</b>   | <b>(188)</b>   | <b>2,405</b>   | <b>2,217</b>   |
| <b>Surplus/(Deficit) c/fwd 31st March</b>                  | <b>(983)</b>   | <b>(107)</b>  | <b>(1,090)</b> | <b>2,052</b>   | <b>(139)</b>   | <b>1,913</b>   |

## Non-Domestic Rates (NDR)

NDR is organised on a national basis. The Government specifies the rate poundage, and subject to the effects of transitional arrangements, the rates payable are calculated by multiplying the rateable values by the rate poundage. As at 31st March 2020, the total non-domestic rateable value of properties owned by the Council was £1.989m. The 2019/20 national non-domestic rate multiplier was 49.1p for small businesses and 50.4p for other businesses.

### Calculation of Council Tax base

Council tax income derives from charges raised according to the capital value of residential properties which have been classified into nine valuation bands, based on market values estimated at 1991 prices. In order to calculate the total yield from Council tax in a year, it is necessary to convert the number of dwellings in each band to an equivalent number of Band D dwellings. The tax base calculation is derived by first multiplying the estimated number of domestic properties in each tax band less exemptions by a weighting factor. This result is then reduced by a percentage to allow for losses on collection and reductions through appeals.

The calculation of the 2019/20 tax base is shown below:

| 2019/20                            |  |        |                    |
|------------------------------------|--|--------|--------------------|
| Band                               | Number of chargeable homes less exemptions and discounts | Factor | Band D equivalents |
| A*                                 | 0  | 5/9    | 0                  |
| A                                  | 345  | 6/9    | 230                |
| B                                  | 1,366  | 7/9    | 1,062              |
| C                                  | 4,596  | 8/9    | 4,086              |
| D                                  | 8,354  | 9/9    | 8,355              |
| E                                  | 5,924  | 11/9   | 7,241              |
| F                                  | 5,390  | 13/9   | 7,786              |
| G                                  | 4,806  | 15/9   | 8,010              |
| H                                  | 473  | 18/9   | 946                |
| <b>Total</b>                       | <b>31,254</b>  |        | <b>37,716</b>      |
| New properties Band D equivalent   |  |        | 445                |
| MOD properties                     |  |        | 466                |
| Less: allowance for non-collection |  |        | (573)              |
| <b>Council tax base</b>            |  |        | <b>38,054</b>      |
| <b>Collection rate assumed</b>     |  |        | <b>98.50%</b>      |