

DRAFT FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021



SURREY HEATH BOROUGH COUNCIL

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1. NARRATIVE STATEMENT

1.1. Surrey Heath

Surrey Heath is a local government district with borough status in Surrey. It lies at the North-Western edge of Surrey and borders Hampshire to the West and Berkshire to the North. The Borough covers 36.7 square miles and combines urban and rural environments. Surrey Heath has a vibrant economy with an attractive environment.

The borough consists of a mixture of 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 resident population of Surrey Heath according to the 2021 Census is 90,500, which is a 5.1% increase since the last Census in 2011. A Surrey County-wide trend noted since the last Census is the continuing growth of an ageing population. The largest 5 years cohort across Surrey are those residents aged 50-54 years and the fastest growing cohort across the county are those aged 70-74 years. Other older age groups have also increased in Surrey – 75-79 years (18.2%) and over 80 years (14.5%).

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.

The financial impact of Brexit on the wider UK economy continues to affect the Council's finances through changes to interest rates, inflation, wages and rental income.

1.2. Finance Service

The organisational benefits following the successful implementation of the Civica financial accounting system continue to be realised with in that Council finance and non-finance teams are now comfortable using the system to monitor their budgets and purchase goods and services.

Continual investment in property assets and the fact that the Council continues to act as lead authority in the provision of joint waste services means that Finance is uniquely placed within the organisation to provide sound operational support to other non-finance areas on a daily basis.

1.3. Council Performance

Achievements 2020/21

During the financial year the Council made substantial progress in achieving key strategic objectives. These targets are outlined within the Council's annual performance report which is presented to Executive in late June in each year.

Highlights are as follows:

- Borough residents continue to be amongst the most effective recyclers in the United Kingdom and the Council is keen to encourage further recycling. A target achieved was that 40% of all waste was sent for reuse, recycling and composted during the financial year.



- Commencement of a major redevelopment scheme at Pembroke Broadway North (pre-2020).
- The Council achieved its CO2 emissions sustainability and climate change target for the year.
- The Council continued to report high collection rates for council tax and business rates. These results compared very favourably with other Local Authorities.

1.4. Financial Performance

Financial context

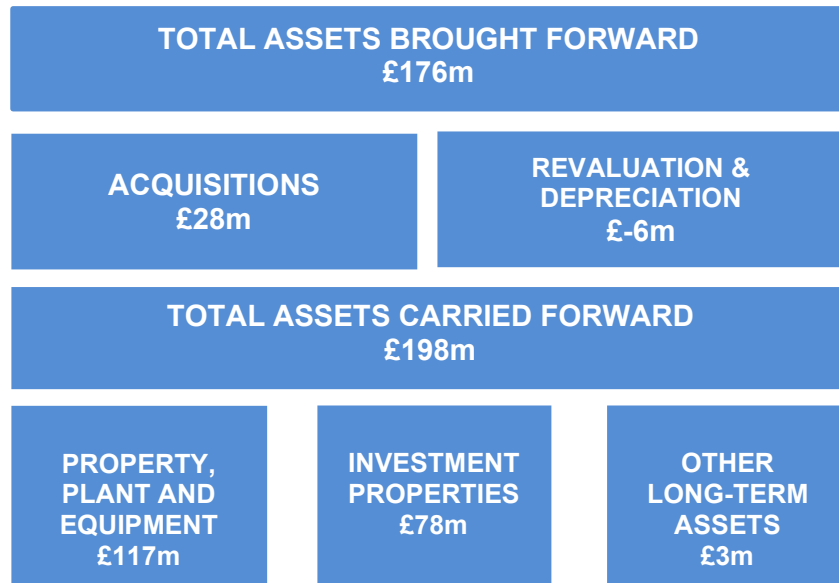
The Council's 2020/21 gross service expenditure was £55m. This expenditure is sourced from income generated from financial investments, fees and charges, grant amounts, business rates and council tax. The Council also collects business rates and council tax on behalf of precepting parties and effectively monitors and manages a portfolio of short-term loans and long-term loans as a means of reducing ongoing borrowing costs.

The Council attempts to mitigate the impact of any income shortfalls through strengthening internal efficiencies and generating alternative income via investment opportunities. This means that despite any reductions in funding, the Council is in a strong position to continue to provide core services for residents.

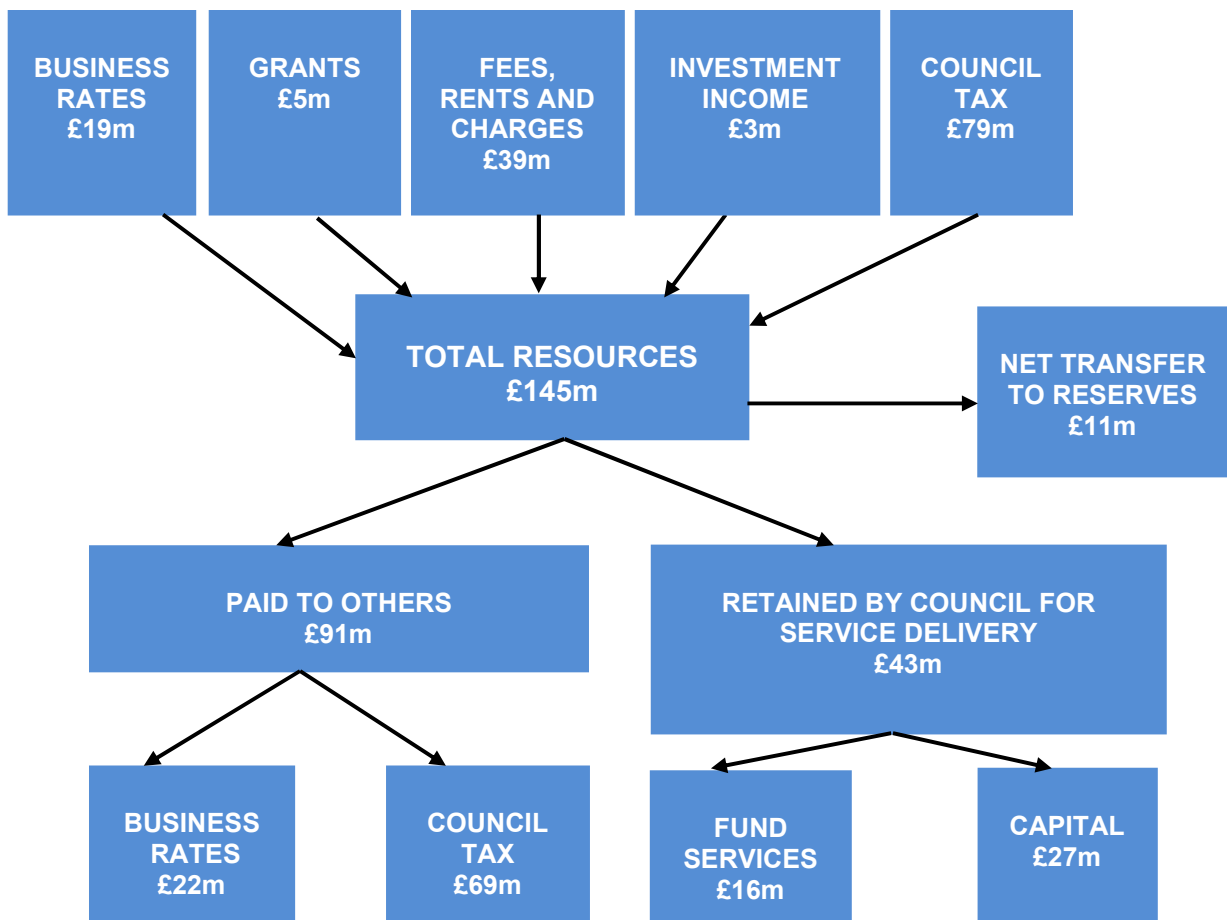
INTRODUCTION



Capital cashflows



Revenue cashflows



SURREY COUNTY COUNCIL £62m
 DLUHC £19m
 SURREY POLICE £10m
(PAID TO OTHERS-£91m)

INTRODUCTION



Consistent with other Local Authorities, the Council has experienced a steady reduction in core funding streams.

Significant 2020/21 income and expenditure items in the Council's Comprehensive Income and Expenditure Statement were:

Regulatory	Land Charges - £30k income reduction due to Covid-19 pandemic Refugees Project - £141k reduction in salary expenditure and increased grant funding
Finance	Council Tax cost of collection - decrease in legal fees of £73k Rent allowance payments - reduced rent allowance payments of £155k
Community	Meals at Home - £54k increase in income due to increase in take-up of service during Covid-19 pandemic Joint Waste Service - £30k savings in core contract due to lower contract inflation Joint Waste Service - £258k increase in income resulting from improved tonnage data and contractor settlement variations
Investment and Development	Regeneration - £61k reduction in consultant costs Strategic Property Development - reduced salary/consultant costs and carry forward amounts from 2019/20 rolled forward to 2020/21 (£506k)
Transformation	Information Technology services - reduction in supplies and services expenditure of £82k Salaries - £173k of savings across various service areas through not recruiting to vacant posts
Corporate	Contact Centre - £63k reduction in salary costs due to vacant posts Postroom and packaging cost savings of £43k Reduction in members' allowances and supplies/service expenditure (£29k)
Business	Parks and Open Spaces – decreased premises, supplies and services expenditure of £78k

Council tax and business rates

The Collection Fund Statement itemises a financial year deficit on council tax of £1,168k and a deficit on business rates of £23,926k. A contributory factor to the council tax deficit was a variation in the structure of demands and shares amounts transferred to preceptors. The business rates deficit increased due to the wider impacts of the Covid-19 pandemic in that business rates income decreased substantially during 2020/21. As one means of addressing this shortfall, the Council increased the total amount held within the earmarked Business Rates Equalisation Reserve to £12.1m as at 31 March 2021.

Pension liability

The pension liability, calculated in accordance with accounting standards, is £56m for 2020/2021 (2019/2020: £45m).

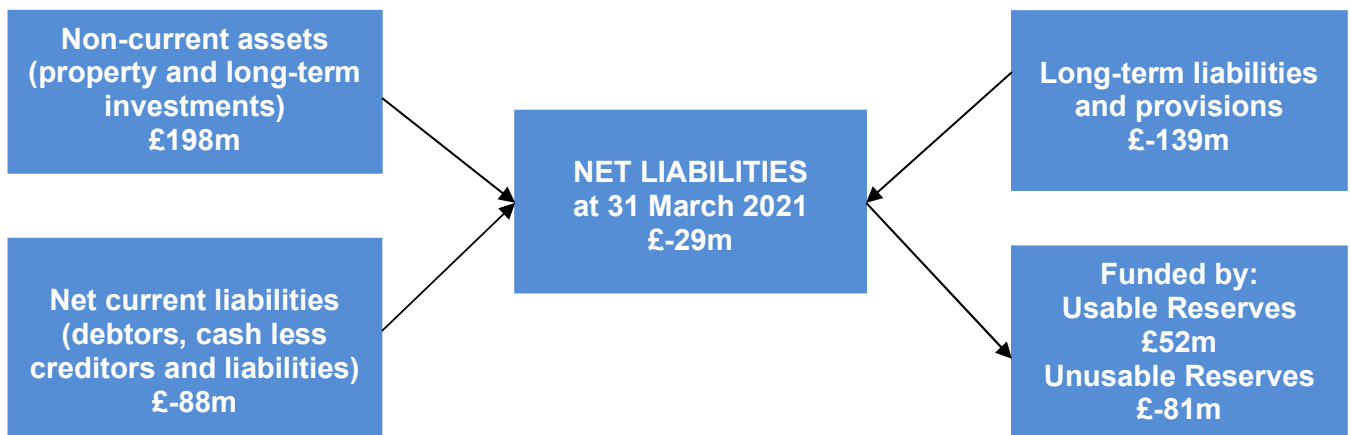
The Council's share of the deficit on the Surrey Pension Fund continues to reduce the Council's overall net assets position.

INTRODUCTION



Financial position

The Council's Balance Sheet:



The net assets of the Council have decreased during the financial year but cash-backed reserves have increased, this reflecting the Council making prudent provision for future financial obligations.

Changes to accounting policies

There were no significant changes to accounting policies during this financial year.

Current borrowing facilities and capital borrowings

The Council has external borrowings which total £180m. £76m is long-term borrowings and £104m is short-term borrowings. 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 assets acquired.

Internal and external sources of finance available to fund the Capital Programme

The Council has £52m of usable reserves, of which £10m could be used to support the Capital Programme. The Council could also borrow up to its Capital Financing Requirement of £220m if the need arose.

Impact of the economic climate upon the Council

Despite the UK's challenging economic climate, the Council has continued to demonstrate service delivery to a good standard. The 2020/21 accounts outline that the Council's financial activities continued to be affected by the Covid-19 pandemic. However, and against this backdrop, it is felt that most unachieved targets were known and understood and had been directly driven by the wider effects of the pandemic.

The Council continued to prioritise residents' needs whilst handling the operational challenges during the pandemic, delivering Government-backed financial support in addition to developing and delivering locally funded support for residents. The Council worked with the voluntary and community sectors in ensuring adequate financial support for vulnerable individuals. The Council's local hardship fund continued to provide emergency financial support to all affected residents.

During 2020-21, the Council strived to continue to deliver core services and all staff played a critical role in pursuing this key strategic objective. The Council also prioritised the need to financially support local



businesses. From the beginning of the 2020/21 financial year onwards, the Council ensured that all Covid-19 support grants received from Central Government were distributed in an accurate and timely manner to these businesses, this funding a vital safety net in ensuring that local limited companies, sole traders, and partnerships could continue trading.

The Council continues to project its finances over a medium-term to ensure that it is in a sustainable position to deliver essential public services and finance the delivery of corporate plans. Medium-term financial planning across a four-year period provides some stability in the face of an increasingly volatile financial future but is short enough to ensure that the strategy can be revised if previously unforeseen service delivery challenges are identified. The longer-term financial outlook is likely to include consideration of the UK's macroeconomic recovery from the Covid-19 pandemic and the impact that this will have on the national economy, the impact of government reform in relation to Adult Social Care, and the outcome of the Fair Funding review which should offer clarity in relation to business rates retention proposals in forthcoming financial years.

1.5. The Council's workforce

The Authority's workforce seeks to reflect the diversity of the borough's population. The Council continues to hire apprentices and interns in a wide variety of roles.

This employment policy has enabled the Council to focus on addressing skills shortage gaps and future skills growth areas, in addition to mitigating risks in services where permanently employed specialists may soon be reaching retirement age. The Council regards the development of its employees as integral to providing quality services and therefore sufficient funding has been retained in the staff training budget.

1.6. Corporate risks

The Council has a Corporate Risk Group which assesses corporate risks to the Council's ability to provide services and the achievement of wider corporate 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. These typically include:

- Information security and compliance with data protection legislation
- Business continuity systems and processes
- Failure of a major contractor or supplier
- Contaminated land
- Financial resourcing of key services
- Treasury and property investment
- Loss of funding from Central Government and other parties

Summary position

The Council's financial and non-financial performance in 2020/21 has been robust. The Council continues to treat the regeneration of the surrounding town centre as a key strategic target. Whilst there are still financial challenges ahead the Council is taking the right steps to deal with them.

Receipt of further information

If you wish to receive further information relating to these financial statements, please 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 details the Council's income and expenditure for 2020/21, its financial position at 31 March 2021 and cashflows 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 2020/21, which is underpinned by International Financial Reporting Standards.

The **Core Statements** are:

- The **Comprehensive Income and Expenditure Statement** – details all 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 to finance service delivery).
- The **Balance Sheet** is a snapshot of the Council's assets, liabilities, cash balances and reserves at the year-end date.
- The **Cashflow Statement** discloses the basis for variations in the Council's cash and cash equivalents during the year, and whether the changes are due to operating activities, new investments or financing activities (such as the repayments of borrowings and other long-term liabilities).

The **Supplementary Financial Statements** are:

- 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 Cashflow Statement, providing more detail about the Council's accounting policies and individual transactions. The Expenditure and Funding Analysis Notes detail 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.



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 and maintained such internal controls as they determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

I confirm that the Statement of Accounts presents a true and fair view of the financial position for the year to which it relates and of the income and expenditure for 2020/21.

Bob Watson
Strategic Director - Finance and Customer Service
8 March 2024

In accordance with the Accounts and Audit Regulations 2015, I certify that the Statement of Accounts was approved by the Committee on 8 March 2024.

Cliff Betton
Chairman of the Audit and Standards Committee
8 March 2024

ANNUAL GOVERNANCE STATEMENT

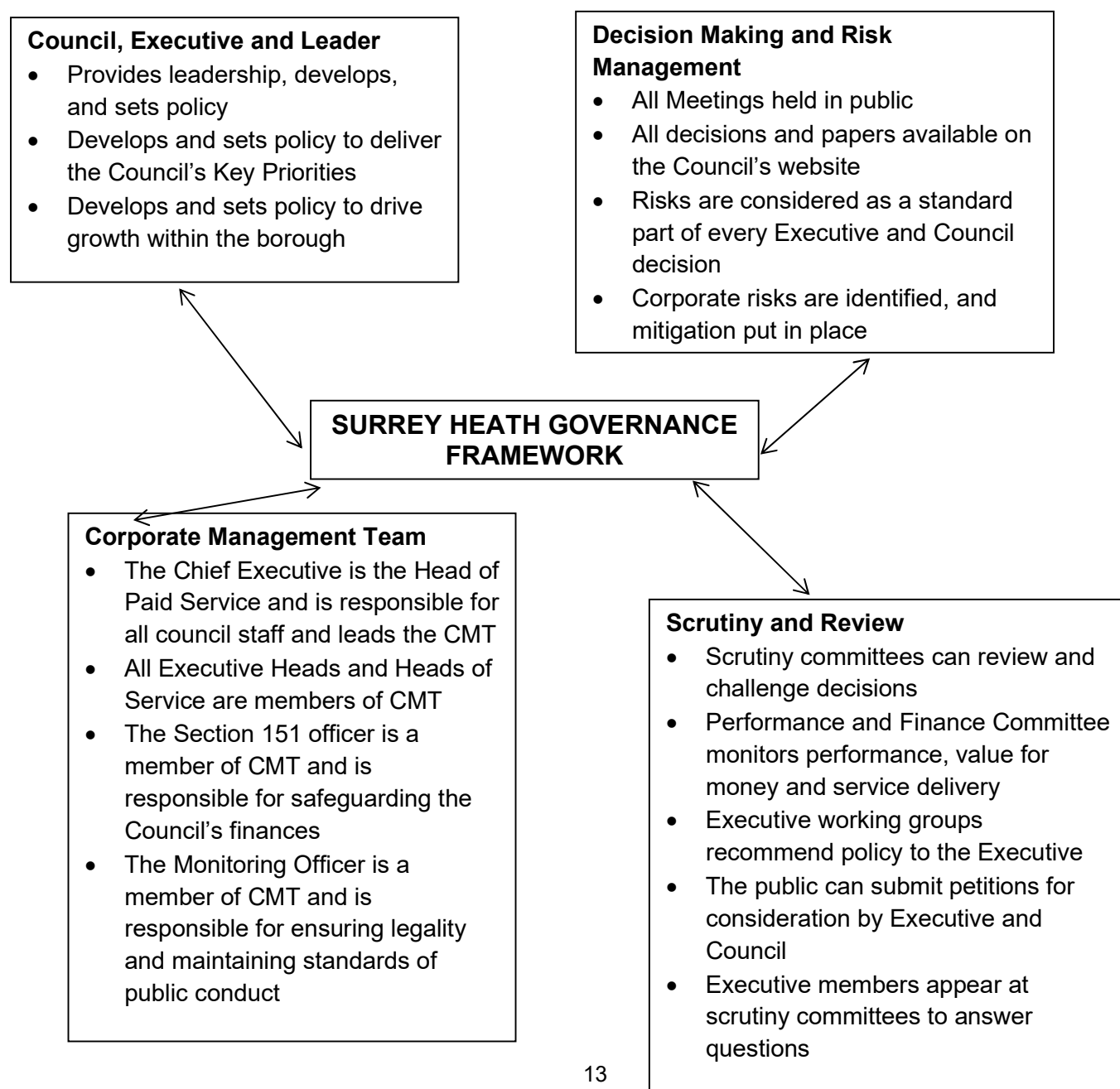


2. ANNUAL GOVERNANCE STATEMENT 2020/21

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



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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 and codes of conduct, 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 introduced Covid-safe support services to assist with the national response at government level 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 support 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 established a 'gold-silver-bronze' command structure and set up new roles and responsibilities. A welfare cell was established at short notice to support the health and welfare needs of local residents, including the vulnerable, as well as shielding residents, and at times over 80% of staff were required to be re-deployed into alternative temporary roles.

The pandemic has also had a significant effect on the timing of the review and publication of the Council's sets of accounts in that draft accounts were deferred to 31 July and the final accounts pushed back to the second quarter of 2021.

Set out below is how the Council has complied with the seven principles set out in the CIPFA/SoLACE Framework during 2020/21.

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 recorded in the Gifts and Hospitality Register. These declarations are reviewed periodically by Internal Audit. The new Speak Up Policy (formally known as the Whistleblowing Policy) provides protection for individuals to raise concerns in confidence about unusual behaviour and ensures that any concerns raised are properly investigated. The policy is available on the Council's 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 has the power to investigate any suspected fraud or corruption (both internal and external) with the support of the Police and can report such instances directly to the HR/Monitoring Officer for action to be taken if required. Several Council officers are also PACE-trained.

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All Council decisions must consider legal implications which are included as a standard paragraph in the report being considered. Senior officers and other key postholders 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 an Internal Audit team that undertakes audit reviews of the Council's principal activities on a regular basis. Findings are reported to the Corporate Management Team and to the Audit and Standards Committee periodically. Audit has a direct reporting line to the Chief Executive as well as the Audit and Standards Chair on matters that may require immediate action.

An officer Equality Action Group champions equalities throughout the organisation, monitors compliance with the Equalities Policy, and reviews service level Impact Assessments. There is also a Member Equality Working Group looking at ways to engage the community.

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 traditionally holds two business breakfasts each 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 posts on social media channels including Twitter, Instagram, Facebook, LinkedIn, and YouTube. More specific e-bulletins and publications are created for various communities of interest, such as businesses and local theatre users as well as for changes in services. The Council has created a specific website called 'Camberley Be Inspired' that provides latest news on the town centre regeneration.

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 the key priorities are outlined below. 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 into project plans and individual staff and team

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objectives to help ensure that specific outcomes in relation to the five-year strategy can be delivered and monitored.

Each service also plans 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 Wellbeing Strategy, Housing Strategy, and the Air Quality Strategy. The Council has created a new job role to help tackle climate change at a local level.

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 bi-annually, 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 to increase efficiencies, 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 previous 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 several sites across Surrey Heath House, which enables teleconferencing meetings to be held.

The Council's ageing network switch infrastructure has been redesigned, thus improving resilience and connection speeds for staff and equipment. A number of computer applications have moved to Box and are no longer stored on the Council's server network. Acolaid has been replaced with Idox Uniform, the CRM system has been replaced with a new cloud base system, a cloud-based GIS system has been implemented and the Council's finance system Civica successfully migrated to a cloud-based system to allow users to be able to access it remotely. The HR and ICT Team have jointly implemented a cloud-based HR system to further support agile working. Elsewhere, IoT technology has been implemented at Surrey Heath House which allows legionella compliance to be tested automatically. The roll out of Intune laptops has been progressing and over 100 Intune laptops have been deployed to staff.

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

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include information governance training, safeguarding and emergency centre training. 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.

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 was commissioned to train Members on the Licensing Act 2003, South-East Employers provided two training sessions on Chairing 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. The organisation has rolled out a new agile working policy for its staff to enable them to achieve a more positive work life balance and provide a basis for working remotely away from the office environment.

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 resulted in collaborative working arrangements needing to be established with some of our partners to help support welfare work, including new 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 were also established.

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 which identifies the key risks the Council is facing and measures against impact and likelihood. The Risk Register is reviewed periodically by the Council's risk management group and is reported to CMT and to the Performance and Finance Committee at least annually.

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.

During 2020/21, the Council has continued to prioritise the health and safety of its workforce and the communities it serves.

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The Council regularly reviews and assesses hazards within the workplace and implements control measures to mitigate risk. This is defined in law under the Management of Health and Safety at Work Regulations 1999. The measures are communicated to relevant staff.

The Council also has a written Health and Safety policy (which includes steps on how to deliver the policy) which is kept under constant review to ensure that it remains up to date.

As regards the management of the workplace to ensure that services were maintained during the Covid-19 lockdown, the following additional health and safety strategies were implemented:

- Ensuring adequate ventilation to help reduce risk of spreading coronavirus in Council workplaces;
- Supporting and advising staff working from home and those required to work alone without supervision. Regard was also paid to issues such as providing suitable equipment (eg laptops) and the management of stress arising from lone working;
- Covid-19 security for workers was added to the Council's Risk Register;
- Guidance was issued to staff to on personal protection, visitor access to buildings, social distancing and the use of online technology (eg Microsoft Teams meetings);
- Increased cleaning and other hygiene measures were introduced to the workplace.

The Council is actively supporting staff in their return to the workplace as lockdown restrictions are lifted.

Progress against the Annual Plan objectives and KPIs 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 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 overseeing the Council's compliance with UK GDPR and DPA, ensuring effective information governance, information security, information rights and records that management processes are in place. The annual Data Protection and Information Security policies govern how information should be securely handled, transmitted, stored, and maintained. The Council's Data Security Breaches Policy governs the effective reporting, investigation, and management of breaches of information security. The roll out of the GDPR regulations and associated DPA has resulted in the corporate Privacy Notices being regularly updated on the Council website and new notices for different departments have continued to be formulated. All staff have completed information 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 the Insurance section at 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

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public realm works, and Council development projects including Ashwood House, the London Road Block and the new leisure centre.

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 has purchased the town centre site in order to regenerate the Square 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 to minimise such risks.

A corporate strategy has been developed to help manage the Council's climate change agenda and to reduce emissions. A task group has been established which is charged with a number of actions including how the Council plans to deliver the carbon reduction target; to declare a Climate Emergency and develop actions to support businesses and all relevant bodies in their work to tackle climate change; develop a policy for the use of renewable materials and energy across the Council's estate; and agree to make Surrey Heath Borough Council and its contractors carbon neutral by 2030.

The Council's Corporate Enforcement team continues to manage the risks associated with unauthorised traveller sites.

Covid-19 has necessarily resulted in complex and unprecedented negotiations between the Council and tenants regarding rent deferrals and concessions. Due to these urgencies, these negotiations have been accelerated and therefore potentially there may be some risk in terms of the overall benefit of the negotiated outcomes.

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 quantity of financial resources available, together with the uncertainty surrounding 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 amount to significant sources of income. The Council's property portfolio has also been affected, in terms of offering rent deferrals and tenants not being able to meet their rent payments falling due. Council investments will also be affected in terms of reduced interest and dividends expected from money market investments.

Changes to the requirements for borrowing from the Public Works Loans Board may impact on the Council's ability to borrow money, and arrangements are in hand to address this.

Although relatively low value and in the process of being phased out, the Council will not be able to rely upon funding from the 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 of in-year funding the Council has made the decision to use some of its financial reserves in the short-term to help balance its budget and maintain cash flow. Reserves cannot be recovered once spent and so represent a significant risk in the longer term.

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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 tax and business rates tax deficits to be repaid across three years instead of one. Where losses are more than 5% of planned income from sales and fees and charges, the government will cover 75p in every £1 lost. In the 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 in the 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 that these are genuine and valid.

Covid-19 will also have a significant impact on the Council's capital programme. A number of build projects have been delayed or put on hold due to the pandemic, and new timeframes have been determined.

The Public Realm works that the Council rolled out presented a number of significant issues and risks which needed to be effectively managed. Project costs escalated and not all timescales were met, which led to a separate Task and Finish group being set up to review the project and to identify learning opportunities. Monitoring project costs and scheduling are issues to be kept under review. The Council's Chief Accountant was tasked by the Task and Finish group to review the project, which was later undertaken by the Council's Monitoring Officer and finally by the Director of Finance and Customer Service.

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

The Joint Waste Service has also introduced a variety of service adjustments in response to the pandemic and these have been communicated to staff and service users.

PRINCIPLE G

Implementing good practices in transparency, reporting and accountability

All Council agendas and supporting information, unless exempt, set out the reasons for 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.

Outstanding Internal Audit recommendations that are essential are periodically reported to CMT and the Audit and Standards Committee as required to ensure that officers undertake follow-up actions as appropriate.

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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 staff salaries. Surrey Heath is committed to providing residents with information that explains how their money is spent. 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 has 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

The Council receives assurance each year in the form of the annual report from Internal Audit and the opinion of the Section 151 Officer. This is discussed at CMT level and presented to committee each July.

The internal team successfully delivered a number of internal audits from the annual plan in 2020/21. Sixteen individual audits were completed, and action plans were agreed with managers to mitigate risks and improve overall controls. Completed audits included the key Finance audits conducted annually such as debtors, creditors, and treasury management. Internal audit also carried out reviews on Council grants, ICT, Payroll, and HR. A Joint Waste audit was completed on behalf of the 4 partnering authorities of Woking, Elmbridge, Mole Valley and SHBC. Due to the start of the pandemic in March 2020, a couple of the audits were only finalised, and action plans agreed, at the start of the new financial year. It was generally found that controls and procedures were in place and working well for the most part and as a result Internal Audit did not issue any 'nil' or 'limited assurance' reports for 2020/21.

An annual report was presented to Members at the Audit and Standards Committee in July 2020 where it was reported that the internal auditors' opinion for 2020/21 was that the Council's internal control environment and systems of internal control in the areas audited were adequate and effective.

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Selected audit recommendations reported in 2020/21	Agreed action
<p>Joint Waste Service Audit:</p> <p>Delays were reported to the settlement and paying of the variable invoices for each of the waste partners, from November 2020.</p>	<p>JWS will continue to work with Amey to resolve the backlog of variable invoices to the point of settlement as soon as possible. To minimise this happening in the future, Amey are investing in a new cloud-based IT platform in the second half of 2021 as well as reviewing their contingency plans for information management and data protection.</p>
<p>Joint Waste Service Audit:</p> <p>A mechanism should be introduced by JWS that allows income collected to be compared against garden waste charges that are billed by Amey in accordance with contractual terms.</p>	<p>Audit agreed with JWS that the mechanism in place is clarified and made easier to understand as the garden waste process continues to evolve.</p>
<p>Human Resources Audit:</p> <p>Several issues were identified with the process of employing consultants for the Council for short-term placements, such as employing consultants through umbrella companies, deciding how it intends to address HMRC assessments that are unable to make a determination as to whether off-payroll rules apply or not to a particular engagement, and establishing a mechanism to identify all consultant engagements that may require an IR35 assessment.</p>	<p>The issues were acknowledged, and arrangements are to be set in place to better manage the consultant process including the formalisation of IR35 processes by 30 September 2021</p>

The Council's external auditor BDO provides assurance on the accuracy of the year-end Statement of Accounts and the overall adequacy of securing and improving value for money. Draft accounts were submitted for audit by the deadline of 31 August 2020 but the final sign-off by BDO is not expected until July 2021.

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 2020/21:

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Issue Identified	Performance for 2020/21
Formal reports by Section 151 or Monitoring Officer	There were no formal reports issued by either the Section 151 Officer or Monitoring Officer
Outcomes from Standards Committee of Monitoring Officer investigations	There were no outcomes to report
Proven frauds carried out by Members or officers	There were no frauds to report
Objections received from local electors	None received
Local Government Ombudsman referrals upheld exceed national average	There were no such referrals during the year
Unsatisfactory/limited Internal Audit reports	There were no such reports issued during the year

Follow-up of issues identified in the previous financial year for 2020/21

The 2019/20 Annual Governance Statement highlighted five areas for improvement. The table below sets out the actions taken to address these issues in the current financial year:

Issue for 2020/21	Action taken
Organisational restructure	Successful appointment of a new Chief Executive to fill vacant post. Consideration given to options and processes for senior management restructure
London Road Development	Work is continuing to acquire properties within the London Road block and to make arrangements for developing the site
Property Portfolio and Valuations	Successful property acquisitions completed in-year. Rental income growth in year. Council assets have been identified and valued in line with agreed rules
Response to the Covid-19 Pandemic	Temporary arrangements in place to deal with commercial rent arrears from Council tenants. Welfare cell set up and Council staff temporarily redeployed to work in cell, make welfare calls to borough residents and provide medicine and food parcels as required with the support of voluntary organisations, the County Council and the Food Hub. Office environment adapted to meet the requirements on social distancing and use of PPE including hand sanitisers and face masks. Increase in agile working and staff mobilisation to work from home. Reliance on new technology such as Zoom and Microsoft Teams to hold meetings remotely. Provision of

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	small support grants to local residents. Small grant provision to local businesses in hardship
Joint Waste Service	JWS continued to work with the service provider to deliver the joint waste service in line with the contract. The performance of the service has improved and waste collection is consistently performing to a good standard

Issues for 2021/22

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

Issue for 2021/22	Action already taken or to be taken
Organisational restructure	Following the recruitment of a new Chief Executive early in 2021, a senior restructure is planned for 2021, together with a realignment and apportionment of services
London Road Development	Council should continue to work with its professional advisors, eg planners and architects to develop the LRB
Property Portfolio and Valuations	Council needs to continue to manage its property portfolio and new acquisitions to ensure that income is maximised and that new income streams are identified and generated. The Council has begun to onshore the property assets housed within the Jersey Property Unit Trust (JPOT)
Joint Waste Service	Council needs to continue to work with the service provider to deliver the joint waste service in line with the contract. Delays in settlement of the variable invoices need to be addressed
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. Redeployment of staff to work on the national emergency response and the welfare cell. Clinically Extremely Vulnerable and Shielding residents telephoned on weekly basis. Hundreds of food parcels delivered to the borough's most vulnerable, and prescriptions collected and delivered. Close monitoring of lost income. Small business grant processing and payments. Increased remote working, increased use of virtual communication platforms such as Microsoft Teams. Remote council meetings with Members introduced

ANNUAL GOVERNANCE STATEMENT



Issues with the delivery of the Capital Programme	The Council experienced some delays on capital schemes due to the pandemic. In addition, one scheme was delayed due to unforeseen and unbudgeted issues. The cost overspends and delays to delivery were the subject of a report to Executive and measures have been put in place to ensure improved management of the capital programme eg a monthly meeting for all officers that are managing capital schemes to monitor delivery against timeline, budget and agreed specification. A monthly report on progress against the capital programme will be considered by the Corporate Management Team and a quarterly report will be reviewed by the Performance and Finance Scrutiny Committee
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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 due to the Covid-19 pandemic, in particular the impacts on the Council's funding, income receipts and use of reserves, will need to be continually monitored, especially if there are any further 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 2020/21 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 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. 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 or the asset is specialised, 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 historical 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 Royal Institution of Chartered Surveyors (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 2021 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 non-current assets have demonstrated a revaluation decrease at the Balance Sheet date, the value of the loss is first taken from the Revaluation Reserve if a balance for that individual asset exists. Any remaining loss is then charged to the Comprehensive Income and Expenditure Statement.

4.3. Heritage assets

These assets have historical or artistic significance and are held primarily due to their contribution to art and culture. Such assets have infinite useful economic lives and are not depreciated. Heritage assets' carrying values are reviewed where there is evidence of disrepair or ruin. Any such impairment is subsequently treated in accordance with the Council's accounting policy on impairment.

4.4. Investment properties

Investment properties are those that are held solely to earn rentals and/or capital appreciation. Investment properties are measured initially at cost and subsequently at fair value. Investment properties are not depreciated but are revalued annually based upon prevailing market conditions at year-end. Revaluation gains and losses are posted to the Financing and Investment Income and Expenditure heading in the Comprehensive Income and Expenditure Statement.

4.5 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. It must be controlled by the Council due to past events, and future economic benefit or service potential must be expected to flow from the intangible asset to the Council. The most common class of intangible asset in local authorities is computer software. If an item does not meet the definition of an intangible asset (identifiability, control and economic benefits), expenditure to fund it or generate it internally is recognised as an expense upon purchase.

Upon recognition, an intangible asset is measured at cost. Expenditure incurred on an intangible asset after it has been recognised will typically be charged to the surplus/deficit on the provision of services as incurred. Only rarely will subsequent expenditure meet the recognition criteria in the Code. Where this does occur, the expenditure is accounted for as an addition to the existing carrying value of the asset.

The Council applies amortisation to intangible assets with finite useful lives on a reducing balance basis during the useful life of the asset, and from the point at which the asset is available for use.

Assets with indefinite useful lives are not amortised but are tested for impairment on an annual basis, and whenever there is an indication that the asset may be impaired. The useful life of the asset shall be reviewed annually thereafter.

4.6 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 assets policy components are depreciated over the component's useful life.



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.

4.7 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. These amounts are often set aside in line with statutory accounting requirements. These requirements specify that the Council is not permitted to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation.

4.8 Revenue Expenditure Funded from Capital Under Statute (REFCUS)

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

4.9 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.

4.10 Provisions

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement where an event has taken place which gives the Council a legal or constructive obligation that likely requires settlement by a transfer of economic benefits or service potential, and a reliable estimate of the obligation can be determined. Provisions are charged at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account key risks and uncertainties.

4.11 Revenue recognition

The Council recognises revenue from contracts with service recipients when it satisfies a performance obligation by transferring promised goods or services to a recipient, measured as the amount of the overall transaction price allocated to that obligation.

The Council's various income streams have been assessed and classified in accordance with the Code and revenue has been recognised accordingly. Specific consideration has been given to implied or stated contractual terms for exchange transactions, obligating events and/or conditions attached to non-exchange transactions and the significance of the income stream to the Council.

4.12 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.

4.13 Termination benefits

Termination benefits are charged on an accruals basis to the appropriate service line in the Comprehensive Income and Expenditure Statement (where they relate to pension enhancements) at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council accounts for restructuring costs.

4.14 Reserves

The Council's individual Unusable Reserves are itemised within Note 28.

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 amounts 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.

4.15 Leases

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

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.

Rentals paid by the Council under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased asset. Charges are accounted for on a straight-line basis during the life of the lease, even if this does not match the pattern of payments.

Where the Council grants an operating lease over a property or a Property, Plant and Equipment asset, the item is retained in the Balance Sheet. Rental income is credited to the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not equate to the pattern of payments made.

4.16 Pensions

The accounting policies of IAS 19 Employee Benefits 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
- 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.

4.17 Grants

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

Where a grant or contribution 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.

4.18 Designation of pooled funds

For most assets, including shares in money market funds and designated pooled funds, the fair value is extracted from the market price and taken through Other Comprehensive Income and Expenditure.

4.19 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. For most of the borrowings that the Authority has however this means that the amount presented in the Balance Sheet is the outstanding principal amount repayable (plus accrued interest); and interest costs charged to the Comprehensive Income and Expenditure Statement are the EIR and not the actual interest rate being applied during the year.

Fair value

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.

4.20 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.

4.21 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.

4.22 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.

4.23 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.

4.24 Impact of accounting standards issued but not yet adopted

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (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



The Council will assess the potential accounting impacts of IAS 19 Plan Amendment, Curtailment or Settlement upon future years' financial statements.

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. Authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis Notes to the Accounts and the Movement in Reserves Statement.

2020/21			Service	2019/20		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
5,173	(2,596)	2,577	Business	10,713	(3,451)	7,262
6,873	(2,743)	4,130	Community	7,252	(1,914)	5,338
1,769	(60)	1,709	Corporate	2,294	(251)	2,043
16,951	(15,543)	1,408	Finance	16,278	(14,508)	1,770
11,392	(5,990)	5,402	Legal	845	(870)	(25)
4,029	(8,258)	(4,229)	Investment and Development	49,115	(9,106)	40,009
4,702	(3,531)	1,171	Regulatory	4,461	(3,992)	469
3,839	(125)	3,714	Transformation	4,182	(257)	3,925
54,728	(38,846)	15,882	Cost of Services	95,140	(34,349)	60,791
615	0	615	Other operating expenditure (Note 19)	598	0	598
4,038	(4,769)	(731)	Financing and investment income and expenditure (Note 20)	3,972	(5,272)	(1,300)
34	(15,737)	(15,703)	Taxation and non-specific grant income and expenditure (Note 21)	0	(14,290)	(14,290)
59,415	(59,352)	63	Deficit on Provision of Services	99,710	(53,911)	45,799
3,226	(8,993)	(5,767)	Surplus or deficit on revaluation of property, plant and equipment assets (Note 28.1)	8,472	(926)	7,546
0	0	0	Surplus or deficit on revaluation of available for sale financial assets (Note 28.6)	0	0	0
9,758	0	9,758	Remeasurement of the net defined benefit liability (Note 40)	0	(3,885)	(3,885)
12,984	(8,993)	3,991	Other Comprehensive Income and Expenditure	8,472	(4,811)	3,661
72,399	(68,345)	4,054	Total Comprehensive Income and Expenditure	108,182	(58,722)	49,460

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

	General Fund	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves (Note 28)	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2020	(34,593)	(3,771)	(4,317)	(42,681)	68,098	25,417
<u>Movement in Reserves during 2020/2021</u>						
Deficit on provision of services	63	0	0	63	0	63
Other Comprehensive Income and Expenditure	0	0	0	0	3,991	3,991
Total Comprehensive Income and Expenditure	63	0	0	63	3,991	4,054
Adjustments between Accounting Basis and Funding Basis under Regulations (Note 18)	(10,729)	1,818	(300)	(9,211)	9,211	0
(Increase) or decrease in 2020/2021	(10,666)	1,818	(300)	(9,148)	13,202	4,054
Balance at 31 March 2021 carried forward	(45,259)	(1,953)	(4,617)	(51,829)	81,300	29,471

Balance at 31 March 2019	(33,634)	(3,930)	(3,746)	(41,310)	17,267	(24,043)
<u>Movement in Reserves during 2019/2020</u>						
Deficit on provision of services	45,799	0	0	45,799	0	45,799
Other Comprehensive Income and Expenditure	0	0	0	0	3,661	3,661
Total Comprehensive Income and Expenditure	45,799	0	0	45,799	3,661	49,460
Adjustments between Accounting Basis and Funding Basis under Regulations (Note 18)	(46,758)	159	(571)	(47,170)	47,170	0
(Increase) or decrease in 2019/2020	(959)	159	(571)	(1,371)	50,831	49,460
Balance at 31 March 2020 carried forward	(34,593)	(3,771)	(4,317)	(42,681)	68,098	25,417

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 is usable reserves ie 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 reserves that the Council is not able to use to fund services. This includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available for service delivery if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between Accounting Basis and Funding Basis under Regulations".

	Note	31 March 2021	31 March 2020
		£'000	£'000
Property, plant and equipment			
Other land and buildings	22	81,514	73,410
Vehicles, plant and equipment	22	3,106	3,596
Infrastructure assets	22	18	19
Community assets	22	3,197	3,193
Surplus assets not held for sale	22	961	961
Assets under construction	22	28,195	7,311
Total property, plant and equipment		116,991	88,490
Heritage assets	23	334	334
Investment properties	25	78,102	84,171
Intangible assets		212	0
Long-term investments	43	2,091	2,106
Long-term debtors	30	303	414
Long-term assets		198,033	175,515
Inventories		14	19
Short-term debtors	30	37,718	18,702
Cash and cash equivalents	31	22,365	13,314
Current assets		60,097	32,035
Short-term borrowings	43	(103,931)	(107,893)
Short-term creditors	32.1	(44,936)	(21,799)
Current liabilities		(148,867)	(129,692)
Long-term creditors	32.1	(4,503)	(4,547)
Provisions	32.2	(1,822)	(1,116)
Long-term borrowings	43	(76,378)	(52,808)
Other long-term liabilities	40.3	(56,031)	(44,804)
Long-term liabilities		(138,734)	(103,275)
Net liabilities		(29,471)	(25,417)
Usable reserves	6	(51,829)	(42,681)
Unusable reserves	28	81,300	68,098
Total reserves		29,471	25,417

Bob Watson
Strategic Director - Finance and Customer Service
8 March 2024

CORE FINANCIAL STATEMENTS



8. CASHFLOW STATEMENT

The Cashflow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The Cashflow 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 cashflow arising from operating activities is a key indicator of the extent to which the operations of the Council are funded via 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. Cashflows arising from financing activities are useful in predicting claims on future cashflows by providers of capital ie borrowings to the Council.

	Note	2020/21	2019/20
		£'000	£'000
Net deficit on the provision of services		(63)	(45,799)
Adjustments for non-cash movements	33	14,875	50,753
Adjustments for items that are investing and financing activities		0	0
Net cash inflows from operating activities		14,812	4,954
Investing activities	34	(25,369)	(6,838)
Financing activities	35	19,608	(14,967)
Net increase/(decrease) in cash and cash equivalents		9,051	(16,851)
Cash and cash equivalents at the beginning of the reporting period		13,314	30,165
Cash and cash equivalents at the end of the reporting period		22,365	13,314
Movement in cash	31	9,051	(16,851)

NOTES TO THE ACCOUNTS



9. BASIS OF PREPARATION

The notes to the accounts 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 2020/21 financial year and its position at the year-end of 31 March 2021. 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 2020/21 ("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 the 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 Joint Waste Solutions Limited all parties share in the overall costs and the Council is acting as an agent and therefore only discloses its own share of costs in the Comprehensive Income and Expenditure Statement 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 the operational 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 including historical experience, current trends, professional knowledge and miscellaneous 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 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

NOTES TO THE ACCOUNTS



Item	Uncertainty	Effect if actual results differ from assumptions
Pension Liability	Estimation of the net liability to pay pension costs falling due is driven by a series of complex judgments including the discount rate used, the rate at which employee salaries are projected to increase, changes in retirement age, mortality rates, and expected returns on pension fund assets. An actuarial specialist is engaged to provide the Council with expert advice regarding 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 £13.8m. Typically, the assumptions interact in complex ways. During 2020/21, the Council's actuary advised that the net pension liability had increased by £11m on the prior year.
Investment properties and property, plant and equipment asset valuations	Investment properties and property, plant and equipment assets are valued by a professional valuation specialist based on available market yields and other financial market data.	If the market assumptions vary, this will impact the valuations disclosed in the financial statements.
NNDR appeals provision	Note 32.2 includes an estimate of the level of future appeals in respect of business rates appeals outstanding at the Balance Sheet date.	If the assumptions vary, this will have an impact on the income for business rates included within the Comprehensive Income and Expenditure Statement and the quantum of the provision in the Council's year-end Balance Sheet.

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

13. EVENTS AFTER THE REPORTING PERIOD

The Council's operational response to the Covid-19 pandemic was a key focus following the conclusion of the 2020/21 financial year. During the intervening period, the Council worked closely with central government and the health service, and successfully distributed a series of Covid-19 support grants to local residents and businesses. All Council service areas also reviewed their business continuity plans with a focus placed on key service delivery.

The ongoing impact of the pandemic also generated unpredictability in relation to illiquid asset values. Accordingly, the Council's year-end Pension Fund and property asset valuations prepared by third party specialists since the end of 2020/21 have reflected greater uncertainty than would have typically been the case under standard market conditions.

Increases in the cost of living since the end of the reporting period presented significant challenges, and the uncertainty generated by the outbreak of the war in Ukraine in February 2022 with its broader implications had a considerable impact upon the finances of the Council and the borough's residents.

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 services. The Council's key reportable segments are the individual directorates as defined within the organisational structure. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2020/21			Service	2019/20		
Net expenditure chargeable to General Fund	Adjustments between Accounting Basis and Funding Basis	Net expenditure in Comprehensive Income and Expenditure Statement		Net expenditure chargeable to General Fund	Adjustments between Accounting Basis and Funding Basis	Net expenditure in Comprehensive Income and Expenditure Statement
£'000	£'000	£'000		£'000	£'000	£'000
1,692	885	2,577	Business	1,298	5,964	7,262
2,711	1,419	4,130	Community	4,575	763	5,338
1,122	587	1,709	Corporate	1,747	296	2,043
924	484	1,408	Finance	1,441	329	1,770
3,546	1,856	5,402	Legal	1,032	(1,057)	(25)
(2,776)	(1,453)	(4,229)	Investment and Development	(1,648)	41,657	40,009
769	402	1,171	Regulatory	(841)	1,310	469
2,438	1,276	3,714	Transformation	3,419	506	3,925
10,426	5,456	15,882	Net cost of services	11,023	49,768	60,791
615	0	615	Other operating expenditure	598	0	598
3,151	(3,882)	(731)	Financing and investment income	1,264	(2,564)	(1,300)
0	0	0	Adjustments between Accounting Basis and Funding Basis	720	(720)	0
(24,858)	9,155	(15,703)	Taxation and non-specific grant income and expenditure	(14,564)	274	(14,290)
(10,666)	10,729	63	Deficit for the year	(959)	46,758	45,799
(34,593)			Opening General Fund	(33,634)		
(10,666)			Less/plus surplus or (deficit) on General Fund in year	(959)		
(45,259)			Closing General Fund	(34,593)		

NOTES TO THE ACCOUNTS



Adjustments between Accounting Basis and Funding Basis - 2020/21

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	(601)	(238)	(46)	(885)
Community	(963)	(382)	(74)	(1,419)
Corporate	(398)	(158)	(31)	(587)
Finance	(329)	(130)	(25)	(484)
Investment and Development	(1,259)	(500)	(97)	(1,856)
Legal	986	391	76	1,453
Regulatory	(273)	(108)	(21)	(402)
Transformation	(865)	(344)	(67)	(1,276)
Net cost of services	(3,702)	(1,469)	(285)	(5,456)
Other operating expenditure	0	0	0	0
Financing and investment income and expenditure	4,308	0	(426)	3,882
Adjustments between Accounting Basis and Funding Basis	0	0	0	0
Taxation and non-specific grant income and expenditure	0	0	(9,155)	(9,155)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit on the provision of services	606	(1,469)	(9,866)	(10,729)

Adjustments between Accounting Basis and Funding 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	(470)	(293)	0	(763)
Corporate	(14)	(282)	0	(296)
Finance	0	(329)	0	(329)
Investment and Development	(41,572)	(85)	0	(41,657)
Legal	1,275	(218)	0	1,057
Regulatory	(819)	(491)	0	(1,310)
Transformation	(96)	(410)	0	(506)
Net cost of services	(47,359)	(2,409)	0	(49,768)
Other operating expenditure	0	0	0	0
Financing and investment income and expenditure	1,377	0	1,187	2,564
Adjustments between Accounting Basis and Funding Basis	720	0	0	720
Taxation and non-specific grant income and expenditure	0	0	(274)	(274)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit on the provision of services	(45,262)	(2,409)	913	(46,758)



Adjustments for capital purposes

- 1) Adjustments for capital purposes – this column adds 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 grant amounts receivable in the year to those grants receivable without conditions or for which conditions were satisfied during 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 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 Comprehensive Income and Expenditure Statement.

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 Collection Fund surpluses or deficits.

NOTES TO THE ACCOUNTS



15. EXPENDITURE AND INCOME ANALYSIS BY NATURE

Expenditure/income	2020/21	2019/20
	£'000	£'000
Expenditure		
Employee benefits expenses	11,016	10,765
Other services expenses	38,135	36,338
Depreciation, amortisation, and impairment	7,337	49,645
Interest payments	2,312	2,364
Precepts and levies	615	598
Total expenditure	59,415	99,710
Income		
Fees, charges, and other service income	(38,880)	(35,146)
Interest and investment income	(4,769)	(5,272)
Income from council tax, non-domestic rates, and district rate income	(10,957)	(12,925)
Government grants and contributions	(4,746)	(568)
Total income	(59,352)	(53,911)
Deficit on the provision of services	63	45,799

16. MEMBERS' ALLOWANCES

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

	2020/21	2019/20
	£'000	£'000
Member allowances	268	264
Travel and other allowance amounts	0	2
Mayor's allowance	6	5
Total allowances	274	271

Local authorities are required to disclose the amounts paid to each member; these sums 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	Employer pension contributions	Sub-total	Returning officer amount	Total	Notes
		£	£	£	£	£	£	£	£	
Chief Executive	2020/21	156,142	4,083	4,059	334	26,023	190,641	793	191,434	Chief Executive vacated post April 2020/interim cover-April 2021 to February 2021/new Chief Executive appointed February 2021
	2019/20	123,704	15,000	6,685	371	22,112	167,872	5,819	173,691	
Executive Head of Finance	2020/21	170,000	0	0	0	0	170,000	0	170,000	Interim cover during 2020/21
	2019/20	83,834	2,815	2,203	371	13,076	102,299	0	102,299	
Executive Head of Corporate	2020/21	89,860	396	2,000	456	15,524	108,236	0	108,236	
	2019/20	88,098	4,758	2,000	371	14,503	109,730	1,932	111,662	
Executive Head of Transformation	2020/21	89,860	0	2,000	0	15,456	107,316	0	107,316	
	2019/20	88,098	0	2,457	0	13,479	104,034	0	104,034	
Executive Head of Community	2020/21	16,974	153	378	122	2,946	20,573	0	20,573	Post vacancy (April 2020 to February 2021) as officer acted up as Chief Executive on temporary basis
	2019/20	86,677	6,303	2,105	371	14,443	109,899	0	109,899	
Executive Head of Business	2020/21	90,160	0	2,000	456	15,456	108,072	0	108,072	
	2019/20	91,312	0	2,000	371	13,970	107,653	0	107,653	
Executive Head of Regulatory	2020/21	82,776	0	1,842	0	14,238	98,856	0	98,856	
	2019/20	88,098	0	2,000	0	13,479	103,577	0	103,577	
Head of Legal	2020/21	65,733	9,037	0	36	12,308	87,114	0	87,114	Interim cover (July 2019-April 2020), Additional Duties Allowance paid. Permanent appointment made May 2020, officer paid Additional Duties Allowance and Monitoring Officer Allowance
	2019/20	57,850	8,851	0	278	10,367	77,346	0	77,346	
Head of Investment and Development	2020/21	5,883	0	0	0	0	5,883	0	5,883	Permanent officer appointed March 2021
	2019/20	0	0	0	0	0	0	0	0	

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	2020/21	2019/20
	Number of employees	Number of employees
£50,000 - £54,999	13	10
£55,000 - £59,999	11	12
£60,000 - £64,999	4	4
£65,000 - £69,999	2	1
£70,000 - £74,999	0	1
£75,000 - £79,999	0	0
£80,000 - £84,999	1	0
£85,000 - £89,999	1	2
£90,000 - £94,999	3	3
£95,000 - £99,999	0	2
£100,000 - £104,999	0	0
£105,000 - £109,999	0	0
£110,000 - £114,999	1	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	0	1
£155,000 - £159,999	0	0
£160,000 - £164,999	0	0
£165,000 - £169,999	0	0
£170,000 - £174,999	0	0
	36	36

NOTES TO THE ACCOUNTS



Exit packages

The number of exit packages with total cost per band and total cost of compulsory and other redundancies for 2020/21 are set out in the table below:

Exit package cost band (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	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21 £	2019/20 £
£0 - £20,000	0	0	1	0	1	0	2,967	0
£20,001 - £40,000	0	0	0	2	0	2	0	45,300
£40,001 - £60,000	0	0	0	2	0	2	0	99,267
Total	0	0	1	4	1	4	2,967	144,567

The Council did not terminate the contracts of any employees in 2020/21.

18. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to 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 accounting regulations as being available to the Council to meet future capital and revenue expenditure.

The text below describes the reserves that the adjustments are made against:

General Fund

The General Fund is the statutory fund into which all receipts of the authority are required to be paid and out of which all liabilities of the Council 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 the General Fund, which is not necessarily in accordance with proper accounting practice. The General Fund 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 year-end.

Capital Grants Unapplied

Capital Grants Unapplied 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 occur.

NOTES TO THE ACCOUNTS



2020/21	Usable Reserves			
	General Fund	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000
Adjustments to Revenue Resources				
<i>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</i>				
Pension costs transferred to/from the Pension Reserve	(1,469)	0	0	1,469
Financial instruments-related items transferred to/from the Financial Instruments Revaluation Reserve	(16)	0	0	16
Holiday pay transferred to/from the Accumulated Absences Account	(285)	0	0	285
Reversal of entries included in the surplus or deficit on the provision of services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(5,872)	0	0	5,872
Council tax and NDR (transfers to/from the Collection Fund Adjustment Account)	(9,565)	0	0	9,565
Total Adjustments to Revenue Resources	(17,207)	0	0	17,207
Adjustments between Revenue and Capital Resources				
Contribution from the Capital Receipts Reserve towards the administration costs of non-current asset disposals	0	0	0	0
Use of the Capital Receipts reserve to finance new capital expenditure	0	0	0	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	2,290	0	0	(2,290)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	0	0	0	0
Total Adjustments between Revenue and Capital Resources	2,290	0	0	(2,290)
Application of capital grants to finance capital expenditure				
Application of capital grants to capital financing transferred to the Capital Adjustment Account	4,188	0	(300)	(3,888)
Use of the Capital Receipts Reserve to finance capital expenditure	0	1,818	0	(1,818)
Total Adjustments to Capital Resources	4,188	1,818	(300)	(5,706)
Total Adjustments	(10,729)	1,818	(300)	9,211

NOTES TO THE ACCOUNTS



2019/20	Usable Reserves			
	General Fund	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000
Adjustments to Revenue Resources				
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	(44,804)	0	14	44,790
Pension costs transferred to/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/from the Collection Fund Adjustment Account)	(746)	0	0	746
Total Adjustments to Revenue Resources	(48,988)	0	14	48,974
Adjustments between Revenue and Capital Resources				
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 (transfer to the Capital Adjustment Account)	0	0	0	0
Total Adjustments between Revenue and Capital Resources	1,341	0	0	(1,341)
Application of capital grants to finance capital expenditure				
Application of capital grants to finance capital expenditure	889	159	(585)	(463)
Cash payments in relation to deferred capital receipts	0	0	0	0
Total Adjustments to Capital Resources	889	159	(585)	(463)
Total Adjustments	(46,758)	159	(571)	47,170

19. OTHER OPERATING EXPENDITURE

Other operating expenditure	2020/21	2019/20
	£'000	£'000
Parish Council precepts	615	598
Miscellaneous amounts	0	0
Total	615	598

NOTES TO THE ACCOUNTS



20. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

Financing and investment income and expenditure	2020/21	2019/20
	£'000	£'000
Interest payable and similar charges	2,312	2,364
Net interest on defined benefit liability	1,034	1,126
Interest receivable and similar income	(125)	(206)
Income and expenditure in relation to investment properties	(7,639)	(3,207)
(Gains)/losses on the revaluation of investment properties	3,687	(1,377)
Total	(731)	(1,300)

21. TAXATION AND NON-SPECIFIC GRANT INCOME AND EXPENDITURE

Taxation and non-specific grant income and expenditure	2020/21	2019/20
	£'000	£'000
Council tax income	(9,651)	(9,020)
Non-domestic rates income and expenditure	(1,306)	(4,702)
Non-ringfenced government grants		
New Homes Bonus	(910)	(522)
New Burdens	(19)	(45)
Covid-19 grants	(3,851)	0
Transition Grant	34	(1)
Total	(15,703)	(14,290)
Grant income credited to services		
Rent Allowance subsidy	(12,884)	(13,256)
Housing Benefit administration grant	(306)	(153)
Family Support	(410)	(225)
Covid-19 grants	(2,383)	0
Other grants	(536)	(1,022)
Total	(16,519)	(14,656)

NOTES TO THE ACCOUNTS



22. PROPERTY, PLANT AND EQUIPMENT

22.1. 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 assets	Written off in year of purchase
Infrastructure assets	10 to 60 years

22.2. Capital commitments

At 31 March 2021 the Council entered into a number of contracts for the construction or enhancement of property and plant in 2021/22 and future years budgeted to cost £6.9m.

The major commitments are:

- Replacement of the Arena Leisure Centre - £2.2m
- London Road Block - £3.1m
- The Square (refurbishments) - £1.6m

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.

22.3. Revaluations

The Council undertakes a rolling asset valuation programme which 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 bases for estimation determined within the professional standards of the Royal Institution of Chartered Surveyors.

	Other land and buildings	Surplus assets	Total
	£'000	£'000	£'000
Valued at current value as at:			
31-Mar-21	8,104	961	9,065
31-Mar-20	57,456	0	57,456
31-Mar-19	4,719	0	4,719
31-Mar-18	7,714	0	7,714
31-Mar-17	3,521	0	3,521
Total cost or valuation	81,514	961	82,475

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All other year-end values within asset classes are carried at historical cost.

2020/21	Other land & buildings	Vehicles, plant & equipment	Infrastructure assets	Community assets	Surplus assets	Assets under construction	Total PP&E
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation at 1 April 2020	158,505	7,669	129	3,193	961	7,311	177,768
Additions	6,678	458	0	4	0	20,954	28,094
Revaluation increases recognised in the revaluation reserve	5,767	0	0	0	0	0	5,767
Revaluation decrease recognised in the surplus/deficit on the provision of services	(1,059)	0	0	0	0	0	(1,059)
Transfers (to)/from other non-current asset categories	2,382	(521)	0	0	0	(70)	1,791
Derecognition-disposals	(2,632)	(1,940)	0	0	0	0	(4,572)
At 31 March 2021	169,641	5,666	129	3,197	961	28,195	207,789
Accumulated depreciation and impairment at 1 April 2020	(85,095)	(4,073)	(110)	0	0	0	(89,278)
Depreciation charge	(399)	(725)	(1)	0	0	0	(1,125)
Depreciation written out to the revaluation reserve	1,928	0	0	0	0	0	1,928
Transfers to other non-current asset categories	0	422	0	0	0	0	422
Derecognition-disposals	0	1,816	0	0	0	0	1,816
Impairment losses/(reversals) recognised in the deficit on the provision of services	(4,561)	0	0	0	0	0	(4,561)
At 31 March 2021	(88,127)	(2,560)	(111)	0	0	0	(90,798)
Net book value							
At 31 March 2021	81,514	3,106	18	3,197	961	28,195	116,991
At 31 March 2020	73,410	3,596	19	3,193	961	7,311	88,490

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2019/20	Other land & buildings	Vehicles, plant & equipment	Infrastructure assets	Community assets	Surplus assets	Assets under construction	Total PP&E
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation at 1 April 2019	165,700	7,207	129	3,285	998	1,148	178,467
Additions	2,976	462	0	46	0	6,163	9,647
Revaluation increases/(decreases) recognised in the revaluation reserve	(7,371)	0	0	(138)	(37)	0	(7,546)
Derecognition-disposals	(2,800)	0	0	0	0	0	(2,800)
At 31 March 2020	158,505	7,669	129	3,193	961	7,311	177,768
Accumulated depreciation and impairment at 1 April 2019	(37,703)	(3,201)	(105)	0	0	0	(41,009)
Depreciation charge	(357)	(872)	(5)	0	0	0	(1,234)
Depreciation written out to the revaluation reserve	728	0	0	0	0	0	728
Impairment losses/(reversals) recognised in the surplus/deficit on the provision of services	(47,763)	0	0	0	0	0	(47,763)
At 31 March 2020	(85,095)	(4,073)	(110)	0	0	0	(89,278)
Net book value							
At 31 March 2020	73,410	3,596	19	3,193	961	7,311	88,490
At 31 March 2019	127,997	4,006	24	3,285	998	1,148	137,458

23. HERITAGE ASSETS

A reconciliation of the carrying value of heritage assets held by the Council is shown in the table immediately below. There have been no additions or disposals during the current financial year.

	Museum	Civic regalia	Other	Total
	£'000	£'000	£'000	£'000
Cost or valuation 1 April 2020	175	111	48	334
31 March 2021	175	111	48	334
Cost or valuation 1 April 2019	175	111	48	334
31 March 2020	175	111	48	334

23.1. 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 armed forces. The museum regularly stages temporary exhibitions and provides additional learning services for schools.

NOTES TO THE ACCOUNTS



23.2. Other

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

24. REVENUE FROM CONTRACTS WITH SERVICE RECIPIENTS

The reporting standard IFRS 15 Revenue from Contracts with Service Recipients has been reviewed and has had no material impact upon the income amounts recognised in the Council's financial statements.

25. INVESTMENT PROPERTIES

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

	2020/21	2019/20
	£'000	£'000
Rental income from investment properties	(4,644)	(5,067)
Direct operating expenses arising from investment properties	692	283
Profit on sale of assets	0	0
Revaluation losses/(gains) on revaluations	3,687	(1,377)
Net income on investment properties	(265)	(6,161)

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

The table below summarises the movements in the fair values of investment properties during the financial year.

Investment properties have been valued using a combination of yield and comparative market prices. Hence under the requirements of IFRS 13 Fair Value Measurement, all are defined as Level 2 investments.

	2020/21	2019/20
	£'000	£'000
Balance at the beginning of the year	84,171	82,724
Purchases	0	70
Disposals	0	0
Transfers	(2,382)	0
Net (losses)/gains from fair value adjustments	(3,687)	1,377
Balance at the end of the year	78,102	84,171

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value measurement assumes that the transaction to sell the asset takes place either in the principal market for the asset or, in the absence of a principal market, in the most advantageous market for the asset. The Council measures the fair value of an asset using the assumptions that market

NOTES TO THE ACCOUNTS



participants would use when pricing the asset on the basis that market participants act in their economic best interests.

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

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the application of relevant observable inputs and minimising the use of unobservable inputs. Level 2 assets are financial assets and liabilities that do not have regular market pricing but whose fair values can be determined based upon other data or market prices. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active and inputs (other than quoted prices) that are observable for the asset or liability, examples including implied volatilities and credit spreads.

No transfers within the applicable asset categories have occurred during the current financial year.

26. 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.

	2020/21	2019/20
	£'000	£'000
Opening Capital Financing Requirement	198,605	192,104
Capital investment		
Other land and buildings	6,678	2,976
Community assets	4	46
Investment assets	0	70
Vehicles, plant and equipment	458	462
Assets under construction	20,954	6,163
Intangible assets	46	0
Revenue Expenditure Funded from Capital Under Statute (REFCUS)	1,343	818
Sources of finance		
Capital receipts	(1,818)	(183)
Government grants and other contributions	(4,188)	(1,692)
Sums set aside from revenue	0	0
Unfinanced capital expenditure in year	23,477	8,660
Less: Statutory provision for the financing of capital investment	(2,290)	(2,159)
Closing Capital Financing Requirement	219,792	198,605

Explanation for movement in year		
Increase in underlying need to borrow	21,187	6,501

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27. TRANSFERS TO/(FROM) EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund to specific earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to source General Fund expenditure in 2020/21:

Earmarked reserve	Balance 31 March 2019	Transfers in 2019/20	Transfers out 2019/20	Balance 31 March 2020	Transfers in 2020/21	Transfers out 2020/21	Balance 31 March 2021
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Capital Fund	11,008	522	(384)	11,146	0	(973)	10,173
Revenue purpose							
Affordable Housing	1,656	240	0	1,896	0	(688)	1,208
Atrium - Section 106 Agreement	318	0	0	318	1	0	319
Blackwater Valley developers' contributions	87	0	(2)	85	0	(3)	82
Business Rate Equalisation Fund	4,700	0	0	4,700	7,379	0	12,079
Chobham and Town Team Partnership	5	0	0	5	0	0	5
Community Fund 2002	210	0	(43)	167	0	(16)	151
CIL-Administration and Monitoring	313	170	0	483	79	0	562
Commutated sums	472	1	(51)	422	0	(162)	260
Contain Outbreak Management Fund	0	0	0	0	786	0	786
Covid-19	0	18	0	18	243	0	261
Crime and Disorder Partnership	65	3	(14)	54	0	(15)	39
Custom Build	72	0	0	72	0	0	72
Deepcut Village Centre - Alma Dettingen	284	1	0	285	1	0	286
Environmental health	0	0	0	0	40	0	40
Frimley Lodge Park 3G Pitch	88	21	0	109	21	0	130
Heatherside - multi-use games area	29	0	(22)	7	0	0	7
Home Improvement Agency	0	0	0	0	46	0	46
Homelessness support	0	0	0	0	679	0	679
Insurance Reserve	193	0	0	193	0	0	193
Interest Equalisation Reserve	4,017	1,271	0	5,288	2,030	0	7,318
Land drainage	384	0	0	384	0	0	384
New Burdens Fund	137	45	0	182	0	0	182
Nottcutts (Bagshot project)	0	185	0	185	0	0	185
Old Dean toddlers' playground	17	0	0	17	0	0	17
One Public Estate	346	119	0	465	0	(38)	427
Personalisation and Prevention Partnership Fund	21	0	(21)	0	0	0	0
Planning and Section 106 agreements	199	8	(33)	174	0	(28)	146
Property Maintenance	1,985	0	(42)	1,943	0	(126)	1,817
Remediation Fund	45	0	0	45	0	0	45
Rent Equalisation	107	0	0	107	0	0	107
Strategic Access Management and Monitoring (SAMM)	56	0	0	56	0	0	56
Suitable Alternative Natural Green Space (SANGS)	4,078	1,017	(412)	4,683	357	0	5,040
Surrey Family Support Programme	79	0	(79)	0	79	0	79
Swift Lane	0	0	0	0	240	0	240
Syrian Refugees	0	0	0	0	141	0	141
Total revenue purposes	19,963	3,099	(719)	22,343	12,122	(1,076)	33,389
TOTAL	30,971	3,621	(1,103)	33,489	12,122	(2,049)	43,562

Earmarked reserves are included within the General Fund in the Movement in Reserves Statement.

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28. UNUSABLE RESERVES

Unusable Reserves	31 March 2021	31 March 2020
	£'000	£'000
Revaluation Reserve	(18,803)	(14,964)
Capital Adjustment Account	34,074	38,126
Pension Reserve	56,031	44,804
Collection Fund Adjustment Account	9,711	146
Accumulated Absences Account	378	93
Financial Instruments Revaluation Reserve	(91)	(107)
Total Unusable Reserves	81,300	68,098

28.1. 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	2020/21	2019/20
	£'000	£'000
Balance at 1 April	(14,964)	(22,710)
Upward revaluation of assets	(8,993)	(926)
Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	3,226	8,472
Difference between fair value depreciation and historical cost depreciation	1,928	200
Balance at 31 March	(18,803)	(14,964)

28.2. 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 accounting regulations. The account is debited with the cost of acquisition, construction or enhancement as depreciation. Impairment losses and amortisation are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current and fair value amounts to a historical cost basis). The account is credited with any amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. The account contains accumulated gains and losses on investment 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.

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Capital Adjustment Account	2020/21	2019/20
	£'000	£'000
Balance at 1 April	38,126	(5,401)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non-current assets	1,125	555
Revaluation losses/(gains) on property, plant and equipment	1,059	47,764
Revenue Expenditure Funded from Capital Under Statute (REFCUS)	1,343	817
Amounts of non-current assets written off on disposal/sale as part of the (gain)/loss on disposal to the Comprehensive Income and Expenditure Statement	125	0
	3,652	49,136
Adjusting amounts written out of the Revaluation Reserve	(1,928)	(200)
Net written out amount of non-current assets consumed in the year	1,724	48,936
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(1,818)	(183)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(4,188)	(1,425)
Capital expenditure funded from reserves	(1,167)	(266)
Capital expenditure funded from revenue	0	0
Statutory provision for the financing of capital investment charged to the General Fund	(2,290)	(2,158)
Capital expenditure charged to the General Fund	0	0
	(9,463)	(4,032)
Movements in the market value of investment properties debited/(credited) to the Comprehensive Income and Expenditure Statement	3,687	(1,377)
Balance at 31 March	34,074	38,126

28.3. 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 accounting regulations. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of continuous service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. Statutory accounting arrangements require benefits earned to be financed as the Council makes employer 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 financial resources that the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time such benefits fall due to be paid.

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Pension Reserve	2020/21	2019/20
	£'000	£'000
Balance at 1 April	44,804	46,069
Actuarial (gains)/losses on pensions assets and liabilities	9,758	(3,885)
Reversal of items relating to retirement benefits debited/(credited) to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement	4,252	5,177
Employer pension contributions and direct payments to pensioners payable in the year	(2,783)	(2,557)
Balance at 31 March	56,031	44,804

28.4. Collection Fund Adjustment Account

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

Collection Fund Adjustment Account	2020/21	2019/20
	£'000	£'000
Balance at 1 April	146	(600)
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	9,565	746
Balance at 31 March	9,711	146

28.5. Accumulated Absences Account

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

Accumulated Absences Account	2020/21	2019/20
	£'000	£'000
Balance at 1 April	93	93
Balance at 31 March	378	93

28.6. 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 and Expenditure. 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.

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Financial Instruments Revaluation Reserve	2020/21	2019/20
	£'000	£'000
Balance at 1 April	(107)	(184)
Loss/(gain) on revaluation of long-term investments	16	77
Balance at 31 March	(91)	(107)

The transactions above are recognised under the Code's implementation of IAS 39 Financial Instruments: Recognition and Measurement as such transactions do not exist under IFRS 9 Financial Instruments.

29. LEASES

29.1. Finance leases

The Council has no finance leases.

29.2. Council as lessee – operating leases

The Council leases four vans to assist in providing the Meals on Wheels service to residents and a small number of leased cars.

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

Council as lessee - operating leases	2020/21	2019/20
	£'000	£'000
Not later than one year	34	34
Later than one year and not later than five years	26	60
Later than five years	0	0
Total	60	94

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	2020/21	2019/20
	£'000	£'000
Adult Social Care	20	22
Other services	11	17
Total	31	39

29.3. Council as lessor – operating leases

The Council leases 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	2020/21	2019/20
	£'000	£'000
Not later than one year	4,242	4,234
Later than one year and not later than five years	13,453	13,919
Later than five years	31,262	33,913
Total	48,957	52,066

The Council is also lessor of the Atrium shopping centre in Camberley for which it receives a fixed percentage of net rent collected. In 2020/21 the income was £200,000 (2019/20: £200,000). The lease is expected to continue into the foreseeable future. However, on the grounds of materiality, this has not been separated into component parts within the note above.

30. DEBTORS

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

Short-term debtors	2020/21	2019/20
	£'000	£'000
Trade receivables	15,706	14,259
Other receivables	21,585	5,349
	37,291	19,608
Allowance for bad debts	427	(906)
Total	37,718	18,702
Long-term debtors	2020/21	2019/20
	£'000	£'000
Charges on properties	160	160
Other debtors	143	254
Total	303	414

31. CASH AND CASH EQUIVALENTS

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

Cash and cash equivalents	2020/21	2019/20
	£'000	£'000
Cash held by the Council	8	7
Bank current accounts	4,834	2,268
Short-term deposits	17,523	11,039
Total cash and cash equivalents	22,365	13,314

NOTES TO THE ACCOUNTS



32. CREDITORS AND PROVISIONS

32.1. Creditors

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

Short-term creditors	2020/21	2019/20
	£'000	£'000
Trade payables	(14,673)	(15,977)
Other payables	(30,263)	(5,822)
Total	(44,936)	(21,799)
Long-term creditors	2020/21	2019/20
	£'000	£'000
Other entities and individuals	(4,503)	(4,547)
Total	(4,503)	(4,547)

32.2. Provisions

Business Rates appeals are split between preceptors on a % allocation basis. The provision below relates to the estimated value of successful appeals that were probable at the Balance Sheet date but where the timings and amounts were uncertain:

NNDR appeals provision	2020/21	2019/20
	£'000	£'000
Balance at 1 April	(1,116)	(534)
Additional provision	(4,895)	(582)
Amounts used in year	4,189	0
Amounts reversed unused	0	0
Balance at 31 March	(1,822)	(1,116)

33. CASHFLOW STATEMENT – OPERATING ACTIVITIES

2020/2021		2019/2020
£'000		£'000
(125)	Interest received	(206)
2,312	Interest paid	2,364

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

2020/2021		2019/2020
£'000		£'000
1,125	Depreciation	1,234
4,561	Impairment	47,763
422	Amortisation	0
(1,333)	Decrease in impairment for bad debts	(638)
23,093	Increase in creditors	1,755
(17,572)	Increase in debtors	(467)
5	Decrease in inventories	9
1,469	Movement in pension liability	2,620
706	Increase in provisions	582
0	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	0
2,399	Other non-cash items charged to the net deficit on the provision of services	(2,105)
14,875		50,753

34. CASHFLOW STATEMENT – INVESTING ACTIVITIES

The cashflows for investing activities include the following items:

Cashflow Statement - investing activities	2020/21	2019/20
	£'000	£'000
Purchase of property, plant and equipment, investment properties and intangible assets	(28,140)	(9,717)
Proceeds from the sale of investments	15	79
Proceeds from the sale of property, plant and equipment and investment properties	2,756	2,800
Net cashflows from investing activities	(25,369)	(6,838)

35. CASHFLOW STATEMENT – FINANCING ACTIVITIES

The cashflows for financing activities include the following items:

Cashflow Statement - financing activities	2020/21	2019/20
	£'000	£'000
Cash receipts of short-term borrowings and long-term borrowings	19,608	(14,967)
Other payments for financing activities	0	0
Net cashflows from financing activities	19,608	(14,967)

NOTES TO THE ACCOUNTS



36. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Reconciliation of liabilities arising from financing activities	1 April 2020 £'000	Financing cashflows £'000	31 March 2021 £'000
Long-term borrowings	52,808	23,570	76,378
Short-term borrowings	107,893	(3,962)	103,931
Total liabilities from financing activities	160,701	19,608	180,309

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

37. AGENCY SERVICES

The Council provides the following services on behalf of Hampshire County Council through agency arrangements:

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

The Council's Community Infrastructure Levy (CIL) funding (income) and expenditure amounts received and paid during 2020/21 and the prior year are also detailed in the table itemised below.

	2020/21 £'000	2019/20 £'000
SANGS and SAMM		
Income	(343)	(659)
Expenditure	538	867
(Surplus)/deficit on the agency arrangement	195	208
Parking services		
Income	0	(6)
Expenditure	0	6
(Surplus)/deficit on the agency arrangement	0	0

	2020/21 £'000	2019/20 £'000
CIL		
Income	(195)	(314)
Expenditure	195	314
(Surplus)/deficit in the year	0	0

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38. 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:

	2020/21	2019/20
	£'000	£'000
Fees payable in relation to external audit services undertaken by the appointed auditor for the year	35	88
Fees payable for the certification of grant claims and returns for the year	12	13
	47	101

39. 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 funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties, these including council tax bills and housing benefits. Grants receivable from government departments are disclosed in Note 21.

Members

Members of the Council have direct control over the Council's financial and operating policies. One Member is also a Member of Surrey County Council but has no personal interest in any transactions. Payments totalling £132,568 were paid to three organisations in which four Members had an interest. The balance outstanding at year-end was £nil. The relevant Members did not take part in any discussion or decision relating to the payments. Payments totalling £30,744 were received from eight organisations in which five Members had an interest, and the balance outstanding at year-end was £529. The relevant Members did not take part in any discussion or decision relating to the sums received.

The total Members' allowances paid during 2020/21 are disclosed in Note 16.

Officers

Chief Officers can influence the Council. No interests were declared by Chief Officers during 2020/21.



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 disclosed in the 2020/21 Collection Fund Statement.

40. DEFINED BENEFIT PENSION SCHEMES

40.1. 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 employees retire, the Council has a commitment to process the payments that need to be disclosed at the point that employees earn their future entitlements.

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 pension liabilities with investment assets.

Arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash can be generated to fund actual pension 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 ie 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 Council's accounting policies.

40.2. 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, as opposed to when the benefits are eventually paid as pension amounts. However, the charge that is required to be made against Council Tax is based upon the cash payable in the year, and therefore the true 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 via the Movement in Reserves Statement during the year:

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	Local Government Pension Scheme	
	2020/21	2019/20
	£'000	£'000
Comprehensive Income and Expenditure Statement		
Service costs included in cost of services	3,218	4,051
- current service cost		
Included in financing and investment income and expenditure	1,034	1,126
- net interest expense		
Total post-employment benefits charged to the surplus or deficit on the provision of services	4,252	5,177
Other post-employment benefits charged to Other Comprehensive Income and Expenditure		
Remeasurement of the net defined benefit liability comprising:		
- Return on plan assets (excluding the amount included in the net interest expense)	19,217	(8,856)
- Actuarial gains and losses arising on changes in financial assumptions	(28,435)	9,114
- Changes in demographic assumptions	(1,565)	2,894
- Other experience	1,115	733
Total post-employment benefits charged to Other Comprehensive Income and Expenditure	(9,758)	3,885

40.3. Assets and liabilities in relation to post-employment benefits

The amounts included in the Balance Sheet arising from the Council's obligations in respect of defined benefit plans are:

	Local Government Pension Scheme	
	2020/21	2019/20
	£'000	£'000
Present value of defined benefit obligation	(149,735)	(118,067)
Fair value of plan assets	93,704	73,263
Net liability arising from defined benefit obligation	(56,031)	(44,804)

40.4. Reconciliation of fair value of scheme assets

	Funded Assets: Local Government Pension Scheme		Unfunded assets: discretionary benefits arrangements	
	2020/21 £'000	2019/20 £'000	2020/21 £'000	2019/20 £'000
Opening fair value of scheme assets	73,263	80,916	0	0
Interest income	1,680	1,937	0	0
Remeasurement gain/(loss):				
- the return on plan assets, excluding the amount included in the net interest expense	19,127	(8,856)	0	0
The effect of changes in foreign exchange rates:				
Contributions from employer	2,582	2,354	201	203
Contributions from employees in the scheme	660	644	0	0
Benefits paid	(3,608)	(3,732)	(201)	(203)
Closing fair value of scheme assets	93,704	73,263	0	0

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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.

40.5. Reconciliation of present value of scheme liabilities

	Funded liabilities: Local Government Pension Scheme		Unfunded liabilities: discretionary benefits arrangements	
	2020/21 £'000	2019/20 £'000	2020/21 £'000	2019/20 £'000
Opening balance at 1 April	(118,270)	(126,985)	203	0
Current service cost	(3,218)	(4,021)	0	0
Interest cost	(2,714)	(3,063)	0	0
Contributions from scheme participants	(660)	(644)	0	0
Remeasurement (gains)/losses:				
- Actuarial gains/losses arising from changes in financial assumptions	(28,435)	9,114	0	0
- Changes in demographic assumptions	(1,565)	2,894	0	0
- Other experience	1,115	733	0	0
Past service cost	0	(30)	0	0
Liabilities assumed on entity combinations:				
Unfunded benefits paid	0	0	201	203
Benefits paid	3,608	3,732	0	0
Closing balance at 31 March	(150,139)	(118,270)	404	203

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40.6. Local Government Pension Scheme assets

The fair values of the Local Government Pension Scheme's assets are itemised below:

Asset category	Percentage of total assets	31 March 2021			31 March 2020		
		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	2%	2,133	0	2,133	2,495	0	2,495
Equity securities							
Consumer	2%	2,030	0	2,030	2,090	0	2,090
Manufacturing	1%	1,022	0	1,022	1,560	0	1,560
Energy and utilities	0%	197	0	197	567	0	567
Financial institutions	1%	1,221	0	1,221	1,234	0	1,234
Health and care	1%	859	0	859	1,262	0	1,262
Information technology	3%	2,836	0	2,836	2,391	0	2,391
Other	0%	0	0	0	42	0	42
Debt securities							
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	5%	0	4,343	4,343	0	4,142	4,142
Other	0%	0	0	0	0	0	0
Private equity							
All	7%	0	6,428	6,428	0	5,861	5,861
Real estate							
UK property	4%	1,341	2,056	3,397	1,268	2,399	3,667
Overseas property	2%	0	1,655	1,655	0	1,610	1,610
Investment funds and unit trusts							
Equities	59%	55,479	0	55,479	38,551	0	38,551
Bonds	13%	11,818	0	11,818	8,527	0	8,527
Other	0%	0	0	0	0	0	0
Derivatives							
Interest rate	0%	0	0	0	0	0	0
Foreign exchange	0%	286	0	286	(736)	0	(736)
	100%	79,222	14,482	93,704	59,251	14,012	73,263

40.7. 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

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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	
	2020/21	2019/20
Mortality assumptions	Years	Years
Longevity at 65 for current pensioners:		
Men	22.3	22.1
Women	24.7	24.3
Longevity at 45 for future pensioners:		
Men	23.4	22.9
Women	26.4	25.7
	%	%
Rate of increase in salaries	3.75%	2.80%
Rate of increase in pensions	2.85%	1.90%
Rate for discounting scheme liabilities	2.00%	2.30%

The estimation of defined benefit obligations is sensitive to the actuary's assumptions detailed in the table above. The sensitivity analysis in the table below has been determined based upon reasonable possible changes in assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed varies while all 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 variations in certain assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme ie 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 financial year.

	Approximate % increase to employer liability	Approximate monetary amount £'000
Change in assumptions at 31 March 2021		
0.5% decrease in Real Discount Rate	9%	13,762
0.5% increase in Salary Increase Rate	1%	1,084
0.5% increase in Pension Increase Rate (CPI)	8%	12,406

40.8. Impact on Council's cashflows

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 employer 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

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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 pension amounts 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 £56m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory accounting arrangements for funding this deficit mean that the overall financial position of the Council remains healthy.

The deficit on the local government scheme will be made good by increased employer contributions during the remaining working life of employees ie prior to payments falling due, as assessed by the scheme actuary; and funding is only required to be raised to cover discretionary benefits when pension sums fall due as payable.

The Council anticipates paying employer contributions of £2.6m to the scheme in 2021/22.

41. 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 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 2021 was £272k, 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 the exposure.

- The Council also received notification of potential legal claims. One claim relates to an employment issue of £50k, personal injury claims of £97k have also been identified alongside a motor vehicle claim of £2k. The Council has not admitted liability in respect of any of these claims.

42. CONTINGENT ASSETS

The Council has no contingent assets.

43. 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.

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

Financial assets	Long-term		Current	
	2020/21	2019/20	2020/21	2019/20
	£'000	£'000	£'000	£'000
Investments				
At fair value through Other Comprehensive Income:				
Equity investments designated FVOCI	2,091	2,106	0	0
Total investments	2,091	2,106	0	0
At amortised cost:				
Principal	0	0	22,343	13,286
Accrued interest	0	0	22	28
Total cash and cash equivalents	0	0	22,365	13,314
Debtors				
At amortised cost:				
Financial assets carried at contractual amount	303	414	37,718	18,702
Total financial assets	2,394	2,520	60,083	32,016

Financial liabilities	Long-term		Current	
	2020/21	2019/20	2020/21	2019/20
	£'000	£'000	£'000	£'000
Borrowings				
Loans at amortised cost:				
Principal sums borrowed	(76,378)	(52,808)	(103,526)	(107,350)
Accrued interest	0	0	(405)	(543)
Total borrowings	(76,378)	(52,808)	(103,931)	(107,893)
Liabilities at amortised cost:				
Creditors	(4,503)	(4,547)	(44,936)	(21,799)
Total financial liabilities	(80,881)	(57,355)	(148,867)	(129,692)

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43.2. 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:

2020/21						2019/20				
Financial liabilities measured at amortised cost	Financial assets measured at amortised cost	Financial assets: fair value through OCI	Assets and liabilities designated to fair value through OCI	Total		Financial liabilities measured at amortised cost	Financial assets measured at amortised cost	Financial assets: fair value through OCI	Assets and liabilities designated to fair value through OCI	Total
£'000	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000	£'000
2,221	0	0	0	2,221	Interest expense	2,279	0	0	0	2,279
78	0	0	13	91	Fee expenses	75	0	0	10	85
2,299	0	0	13	2,312	Total expense in surplus or deficit on the provision of services	2,354	0	0	10	2,364
0	(21)	0	0	(21)	Interest income	0	(101)	0	0	(101)
0	0	0	0	0	Increase in fair value	0	0	0	0	0
0	0	0	(104)	(104)	Dividend income	0	0	0	(105)	(105)
0	(21)	0	(104)	(125)	Total income in surplus or deficit on the provision of services	0	(101)	0	(105)	(206)
0	0	0	0	0	(Gains) on revaluation	0	0	0	0	0
0	0	0	15	15	Losses on revaluation	0	0	0	77	77
0	0	0	15	15	(Surplus)/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	0	0	0	77	77
2,299	(21)	0	(76)	2,202	Net loss for the year	2,354	(101)	0	(18)	2,235

The Council has no soft loans.

43.3. Equity instruments designated to fair value through Other Comprehensive Income

The Council has designated 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 values are not considered to form part of the Council's annual financial performance.

	Fair value		Dividends	
	2020/21	2019/20	2020/21	2019/20
	£'000	£'000	£'000	£'000
CCLA Property Fund	2,091	2,106	104	105

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43.4. Fair values of financial 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 derived 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 cashflows at 31 March 2021 using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The fair 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 31 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 generally low, stable interest rate environment.

Financial instruments are measured at fair value using inputs which are categorised in the following hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, for instance bond prices.
- Level 2 – fair value is calculated from inputs based upon quoted prices for similar assets or liabilities in active markets, for example interest rates or yields for similar instruments.
- Level 3 – fair value is determined using unobservable inputs, for instance 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	2020/21 Fair value	2019/20 Fair value
			£'000	£'000
Long-term investments designated to fair value through Other Comprehensive Income	Level 2	Quoted prices for similar assets or liabilities in active markets	2,091	2,106

As at 31 March 2021 the Council held £2.1m (2019/20: £2.1m) in long-term investments which are pooled funds, comprising 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.

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

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

		Balance Sheet 2020/21	Fair value 2020/21*	Balance Sheet 2019/20	Fair value 2019/20*
		£'000	£'000	£'000	£'000
Recorded in Balance Sheet as:					
Long-term debtors		303	303	414	414
Short-term investments		0	0	0	0
Short-term debtors		37,718	37,718	18,702	18,702
Cash and cash equivalents		22,365	22,365	13,314	13,314
Total financial assets		60,386	60,386	32,430	32,430

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

		2020/21		2019/20	
		Balance Sheet	Fair value*	Balance Sheet	Fair value*
		£'000	£'000	£'000	£'000
Recorded in Balance Sheet as:					
Short-term creditors		44,936	44,936	21,799	21,799
Short-term borrowings		103,931	103,931	107,893	107,893
Long-term creditors		4,503	4,503	4,547	4,547
Long-term borrowings		76,378	87,690	52,808	61,850
Total financial liabilities		229,748	241,060	187,047	196,089

*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 loans portfolio includes a number of loans where the interest rate payable is higher than the current rates available for similar loans at the Balance Sheet date.

44. NATURE AND EXTENT OF RISKS OF FINANCIAL INSTRUMENTS

44.1. Introduction

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

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

The Treasury Management Strategy includes an 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

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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, thus causing a financial loss to the Council.
- Liquidity risk: the possibility that the Council might not have sufficient cash available to process contracted payments on time.
- Market risk: the possibility that an unplanned financial loss will materialise due to changes in market variables such as interest rates or equity prices.

44.2. 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 defaults; the Council considers 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	Government	Corporates	Registered providers
UK government	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£2m 5 years	£3m 20 years	£3m 50 years	£2m 20 years	£2m 20 years
AA+	£2m 5 years	£3m 10 years	£3m 25 years	£2m 10 years	£2m 10 years
AA	£2m 4 years	£3m 5 years	£3m 15 years	£2m 5 years	£2m 10 years
AA-	£2m 3 years	£3m 4 years	£3m 10 years	£2m 4 years	£2m 10 years
A+	£2m 2 years	£3m 3 years	£2m 5 years	£2m 3 years	£2m 5 years
A	£2m 13 months	£3m 2 years	£2m 5 years	£2m 2 years	£2m 5 years
A-	£2m 6 months	£3m 13 months	£2m 5 years	£2m 13 months	£2m 5 years
None	£1m 6 months	n/a	£3m 25 years	£1m 5 years	£2m 5 years
Pooled funds	£3m per fund or trust				
Supranational banks	£3m for up to 5 years where rated A or above				
UK local councils	£2m per authority for up to 5 years				

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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	
	2020/21	2019/20	2020/21	2019/20
	£'000	£'000	£'000	£'000
AAA	0	0	6,881	10,844
AA+	0	0	0	0
AA	0	0	0	0
AA-	0	0	12,802	2,000
A+	0	0	2,682	470
A	0	0	0	0
A-	0	0	0	0
BBB+	0	0	0	0
Unrated local authorities	0	0	0	0
Unrated banks	0	0	0	0
Unrated building societies	0	0	0	0
Unrated pooled funds*	2,091	2,106	0	0
Impaired investments	0	0	0	0
Total investments	2,091	2,106	22,365	13,314

* Credit risk is not applicable to pooled funds where the Council has no contractual right to receive any monetary sums.

Receivables

Customers are assessed for their ability to pay depending on the size of the debt, financial position, past payment history 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:

	2020/21		2019/20	
	Lease receivables	Trade receivables	Lease receivables	Trade receivables
	£'000	£'000	£'000	£'000
Neither past due nor impaired	236	32,437	324	16,151
Past due <3 months	27	2,640	38	1,346
Past due 3 - 6 months	18	377	27	62
Past due 6 - 12 months	9	755	14	394
Past due 12+ months	13	1,509	11	749
Total	303	37,718	414	18,702

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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:

	2020/21			2019/20		
	%	£'000	£'000	%	£'000	£'000
Debt at 2021	5	36,216	1,811	n/a	0	0
Debt at 2020	5	0	0	5	17,200	860
Debt at 2020	8	0	0	8	0	40
Debt at 2020	100	286	286	100	286	286
Debt at 2019	21	717	153	21	717	153
Debt at 2019	n/a	0	0	n/a	0	0
Debt at 2018	n/a	0	0	n/a	0	0
Debt older than 2 years 2018	100	411	411	100	411	411
Debt older than 2 years 2017	n/a	0	0	n/a	0	0
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
Total		37,718	2,749		18,702	1,838

44.3. Liquidity risk

On the advice of its treasury advisor, the Council continues to borrow over the short term to take advantage of low interest rates. Any savings in interest in the context of the prevailing PWLB interest rates have 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 as a last resort the Council could sell assets to meet these liabilities.

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The maturity analysis of financial instruments is as follows:

Period to maturity	2020/21	2019/20
	Liabilities	Liabilities
	£'000	£'000
Not over 1 year	103,931	107,892
Over 1 year but not over 2 years	1,445	1,090
Over 2 years but not over 5 years	4,427	3,297
Over 5 years but not over 10 years	7,709	5,598
Over 10 years but not over 20 years	16,507	12,222
Over 20 years but not over 40 years	35,850	19,667
Over 40 years	10,440	10,935
Total	180,309	160,701

44.4. 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 increase
- borrowings at fixed rates – the fair value of the borrowings will decrease
- investments at variable rates – the interest income credited will increase
- investments at fixed rates – the fair value of the assets will decrease

Investments classed as amortised cost and loans borrowed are not carried at fair value and therefore 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/deficit on the provision of services. Movements in the fair values of fixed rate investments will be reflected in Other Comprehensive Income and Expenditure or the surplus/deficit on the provision of services as appropriate.

The Council's Treasury Management Strategy aims to mitigate these risks by setting upper limits on net exposures to fixed and variable interest rates. At 31 March 2021, £62m (2019/20: £59m) of net principal borrowed on long-term loans (borrowings net of investments) was exposed to fixed rates and £95m (2019/20: £93m) in short-term loans was exposed to variable rates.

NOTES TO THE ACCOUNTS



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

	2020/21	2019/20
	£'000	£'000
Increase in interest payable on variable rate borrowings	1,021	1,045
Increase in interest receivable on variable rate investments	(68)	(111)
Impact on surplus/deficit on the provision of services	953	934
Increase in fair value of investments held at FVOCI	(15)	(45)
Impact on Other Comprehensive Income and Expenditure	938	889
Increase/(decrease) in fair value of loans and receivables*	(25,492)	(25,492)
Increase/(decrease) in fair value of fixed rate borrowings/liabilities*	25,840	289

* No impact on Other Comprehensive Income and Expenditure

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

44.5. 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. Allowances for impairment losses have been calculated for any amortised cost assets, applying the expected credit losses model where applicable. Changes in loss allowances (including balances outstanding at the date of derecognition of an asset) are debited/credited to the Comprehensive Income and Expenditure Statement as appropriate. Changes in the value of assets carried at fair value are recognised in the Comprehensive Income and Expenditure Statement as they arise.

The Council recognises an allowance for expected credit losses on financial assets measured at amortised cost, debt instruments measured at amortised cost, business rates, lease receivables, trade receivables and contract assets, as well as on certain financial guarantee contracts. The amount of expected credit losses reflects changes in credit risk since initial recognition of the respective financial instruments where applicable.

	2020/21			2019/20		
	Gross assets (liabilities)	(Liabilities) assets set off	Net position on Balance Sheet	Gross assets (liabilities)	(Liabilities) assets set off	Net position on Balance Sheet
	£'000	£'000	£'000	£'000	£'000	£'000
Trade receivables	76	(4)	72	76	(4)	72
Total financial assets	76	(4)	72	76	(4)	72
Trade payables	(4)	76	72	(4)	76	72
Total financial liabilities	(4)	76	72	(4)	76	72



44.6. 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 (2019/20: £2.1m). A 5% fall in commercial property prices would result in a £0.1m (2019/20: £0.1m) charge to Other Comprehensive Income and Expenditure.

COLLECTION FUND

45. COLLECTION FUND

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. This 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.

	2020/21			2019/20		
	Business Rates	Council Tax	Total	Business Rates	Council Tax	Total
	£'000	£'000	£'000	£'000	£'000	£'000
INCOME						
Council Tax receivable	0	79,034	79,034	0	75,239	75,239
Business Rates receivable	19,199	0	19,199	37,317	0	37,317
Total income	19,199	79,034	98,233	37,317	75,239	112,556
EXPENDITURE						
Apportionment of previous year surplus/(deficit)						
Central Government	1,239	0	1,239	(2,269)	0	(2,269)
Surrey Heath Borough Council	788	170	958	0	124	124
Surrey County Council	(228)	1,128	900	4,206	750	4,956
Surrey Police Commissioner	0	202	202	0	126	126
	1,799	1,500	3,299	1,937	1,000	2,937
Precepts, demands and shares						
Central Government	18,538	0	18,538	18,603	0	18,603
Surrey Heath Borough Council	14,830	9,405	24,235	14,883	9,092	23,975
Surrey County Council	3,708	58,230	61,938	3,721	55,312	59,033
Surrey Police Commissioner	0	10,424	10,424	0	9,916	9,916
	37,076	78,059	115,135	37,207	74,320	111,527
Charges to the Collection Fund						
Transitional Protection Payments due to Central Government	165	0	165	177	0	177
Less: write-off for uncollectable amounts	0	0	0	0	0	0
Less: increase/decrease in allowance for Impairment	(116)	536	420	954	(113)	841
Less: increase/decrease in provision for appeals	3,097	0	3,097	(45)	0	(45)
Less: cost of collection	121	0	121	122	0	122
	3,267	536	3,803	1,208	(113)	1,095
Total expenditure	42,142	80,095	122,237	40,352	75,207	115,559
Surplus/(deficit) arising during the year	(22,943)	(1,061)	(24,004)	(3,035)	32	(3,003)
Surplus/(deficit) brought forward 1 April	(983)	(107)	(1,090)	2,052	(139)	1,913
Surplus/(deficit) carried forward 31 March	(23,926)	(1,168)	(25,094)	(983)	(107)	(1,090)

COLLECTION FUND

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 31 March 2021, the total non-domestic rateable value of properties owned by the Council was £85.2m. The 2020/21 national non-domestic rate multiplier was 49.9p for small businesses and 51.2p 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. 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 2020/21 tax base is shown below:

2020/21			
Band	Number of chargeable homes less exemptions and discounts	Factor	Band D equivalents
A*	0	5/9	0
A	362	6/9	241
B	1,416	7/9	1,101
C	4,684	8/9	4,163
D	8,478	9/9	8,478
E	6,049	11/9	7,393
F	5,439	13/9	7,856
G	4,845	15/9	8,076
H	477	18/9	954
Total	31,750		38,262
New properties Band D equivalent			400
MOD properties			444
Less: allowance for non-collection			(580)
Council tax base			38,526
Collection rate assumed			98.50%