

# FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2019



**SURREY HEATH BOROUGH COUNCIL**



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## 1. NARRATIVE STATEMENT

### 1.1 Surrey Heath as a place

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

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

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

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

- Surrey Heath:
  - Collects £37m in business rates but is only guaranteed to keep 3.94% to spend on services
  - Has borrowed £179m to invest in property to deliver regeneration as well as generate income to pay for services.
  - Generates over £36m in income from services it sells and from rents to support the Council's services
- Central Government revenue Support grant has fallen year on year. In the current financial year 2018/19 and 2017/18 it was Zero, falling from £357,000 in 2016/17.
- Demographic growth and an increasingly ageing population will continue to put pressure on Council services and the budget
- Brexit and the impact on the wider economy could lead to an impact on the Council's finances through changes to interest rates, inflation, wages and rental income

### 1.2 Finance Service

2018/19 has brought more changes to the finance service. The benefits from the Civica financial system are continuing to be realised with a significant number of staff now being comfortable in using the system to monitor their budgets and purchase goods and services, further enhancements are planned and procedures streamlined to generate efficiencies in the service



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

2019/20 will see further improvements and challenges for the service. This will include:

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

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

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

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

### **Place**

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

Our priorities are:

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

### **Prosperity**

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

Our Priorities are:

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



## People

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

Our Priorities are:

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

## Performance

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

Our Priorities are:

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

## 1.4 Council Performance

### Achievements 2018/19

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

- Residents of the borough continue to be amongst the best recyclers in the country and the Council is keen to encourage even more recycling
- Through sound management the Council has managed to deliver substantial savings on interest payable on its external borrowing.
- The Council has increased the tax base by 513 during the year through new housing development
- The number of residents taking Meals at home continues to grow
- The Council has one of the highest collection rates for council tax and business rates in the country
- The Council continues to enable less able residents to remain in their own homes and works closely with hospitals and other partners
- 125 families were prevented from becoming homeless due to the interventions of the Council's housing team
- The number of people in temporary accommodation has reduced compared to the previous year



## **1.5 Financial Performance**

### **Financial context of the Council**

Surrey Heath Borough Council had gross service expenditure of £44m. This is funded by income from investments, charges, grants, business rates and council tax as set out in the budget paper presented to members in February each year.

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

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

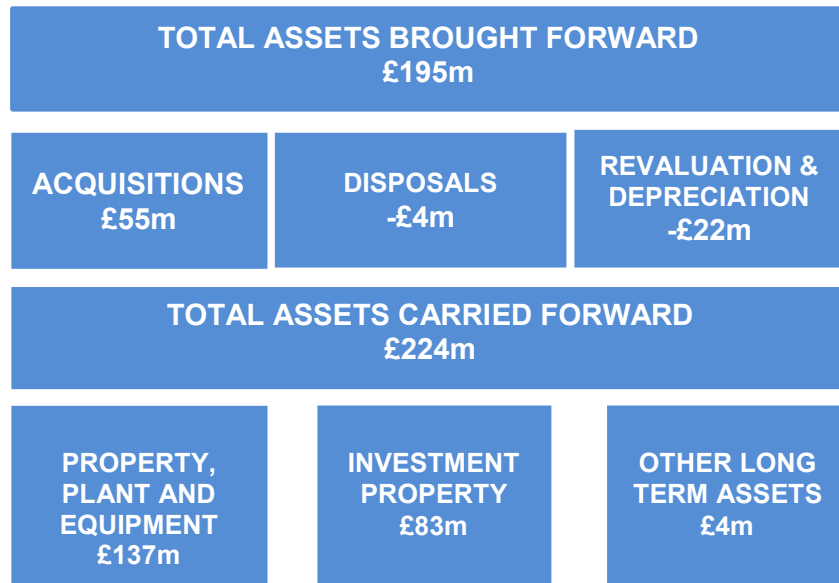
There is significant uncertainty in respect of funding going forward in that the Government has not announced the outcome of the Fair funding review or Business rates reforms. In addition the Spending Review, which was due later in 2019, and sets out all public expenditure, is also still awaited.



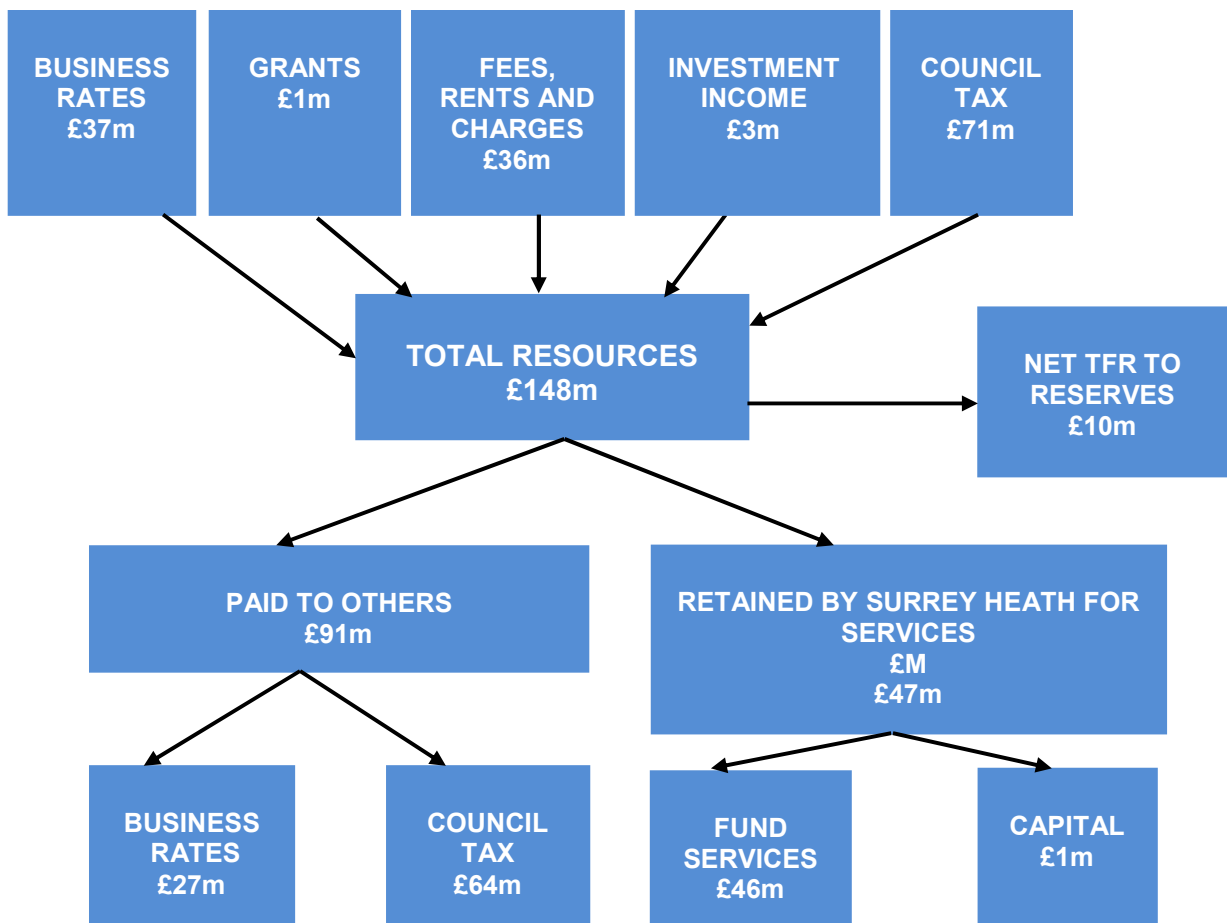
# INTRODUCTION



## Capital Cash Flows chart



## Revenue cash flows



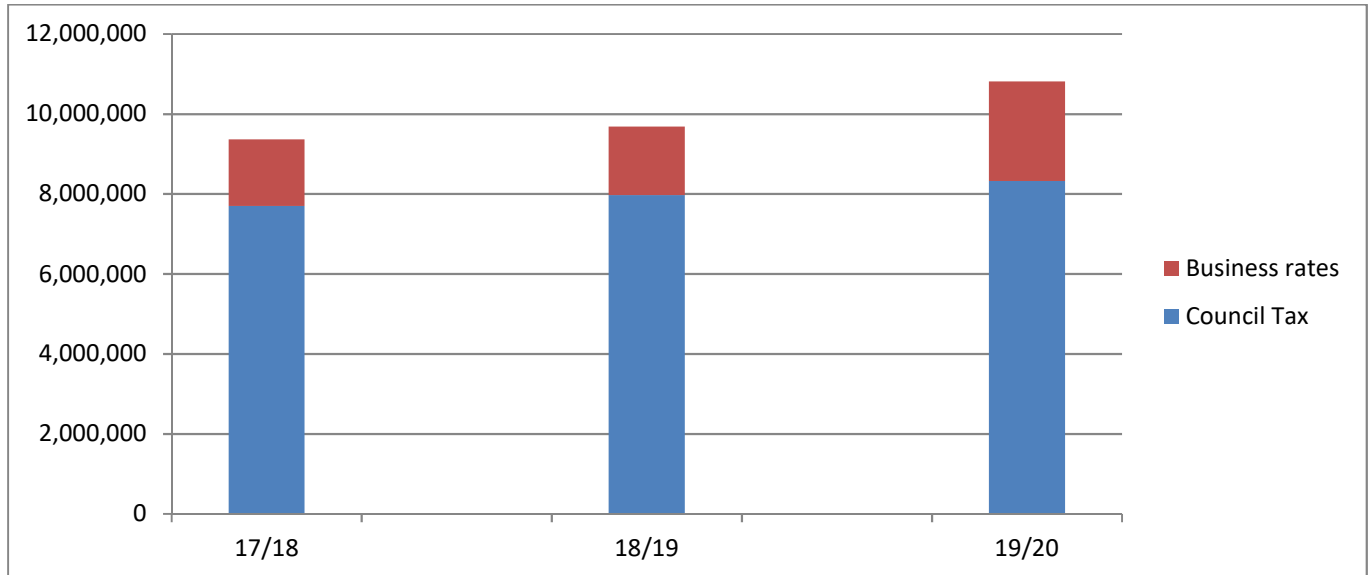
SURREY CC £25m  
DCLG £2m

SURREY CC £46m  
SURREY POLICE £9M

# INTRODUCTION



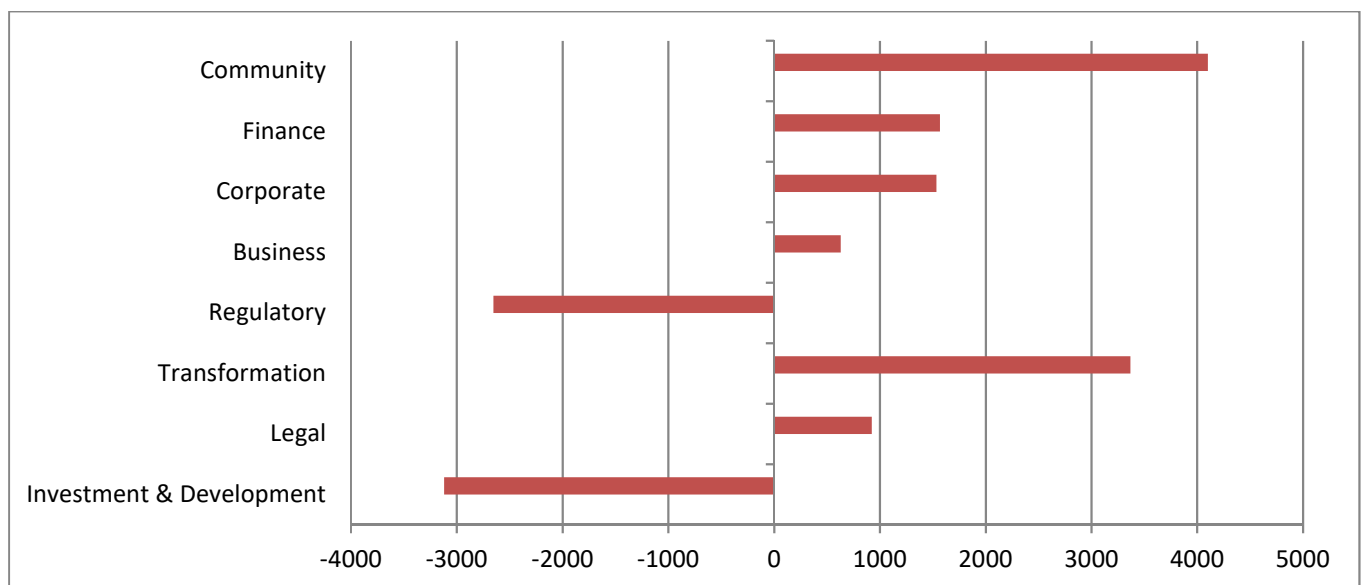
In common with the rest of Local Government Surrey Heath has seen a steady reduction in its core funding which has had to be replaced in part by Council Tax.



Against this background the Council has pursued a policy of increasing income both from services and investment and also increasing efficiency. This has enabled it to maintain services in this difficult financial environment.

## Council Spending 2018/19

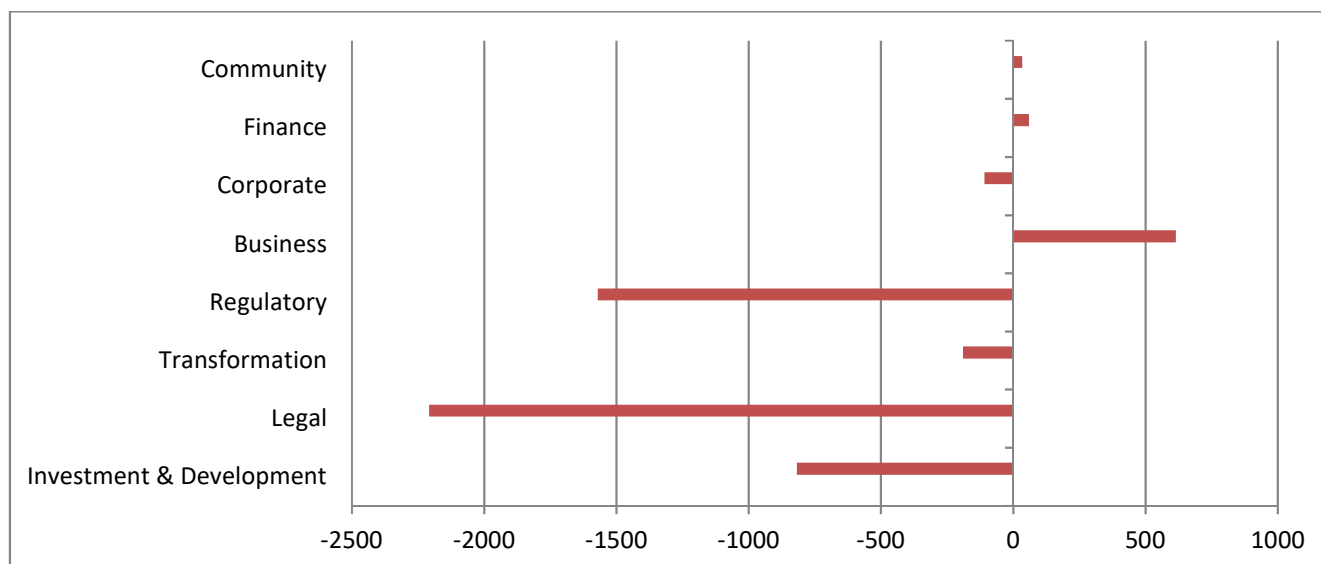
Expenditure by services was as follows (in £'000):



# INTRODUCTION



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



Major variances were caused by:

<b>Regulatory</b>	Planning Applications £577k underspend Planning Appeals £44k underspend Local Plan £136k underspend but some of this will be carried forward Homelessness £201k underspend
<b>Legal</b>	Corporate Land Management £292k underspent Vulcan Way £187k underspend as acquired in year Trade City £284k underspend as acquired in year London Road £82k underspend Albany Park £321k underspend as acquired in year
<b>Finance</b>	Housing benefits £55k overspend due to additional software and system development costs and reduction in central government grant.
<b>Community</b>	SCC recycling grant £26k underspend due to increased grant Recycling and Waste £120k overspend re one off charges relating to vehicle rentals at the start of the contract. Air Quality Project £189k Underspend but this will be carried forward.
<b>Investment and Development</b>	Regeneration £53k underspend due to lower consultant costs. Strategic Property Development £74k underspend due to lower salary and supplies and service costs. London Road Block £313k Unspent project costs which will be carried forward. Town Centre Investment £861k Overspend due to a reduction in town centre income which is covered by reserves. Interest on Borrowing £1.3m Underspend on short term borrowing costs.
<b>Transformation</b>	Revenue grants £120k underspend re grants awarded ICT £122k overspend re increase in supplier costs particularly Software Licences.
<b>Corporate</b>	Electoral Registration £60k underspend re additional grants received
<b>Business</b>	Theatre £260k over budget Net revenue from shows fell short of budget and cumulative savings are in line with business plan. Parking £373k over budget due to lower income as a result of a reduction in town centre footfall and a reduced number of car parking spaces available. Parks and Open Spaces £63k overspend. Increased maintenance costs due to vandalism and landfill costs.



## Council Tax and Business Rates

The Council achieved a deficit on Council Tax during the year. Of the £139k deficit on Council Tax approximately £16k is payable by the Council in future years, while there was a surplus on business rates of the £2.1m with £616k due to the Council in future years. The deficit was due to a previous over estimation of the predicted surplus, while the business rate surplus was as a result of improved collection rate and a decrease in the appeals provision.

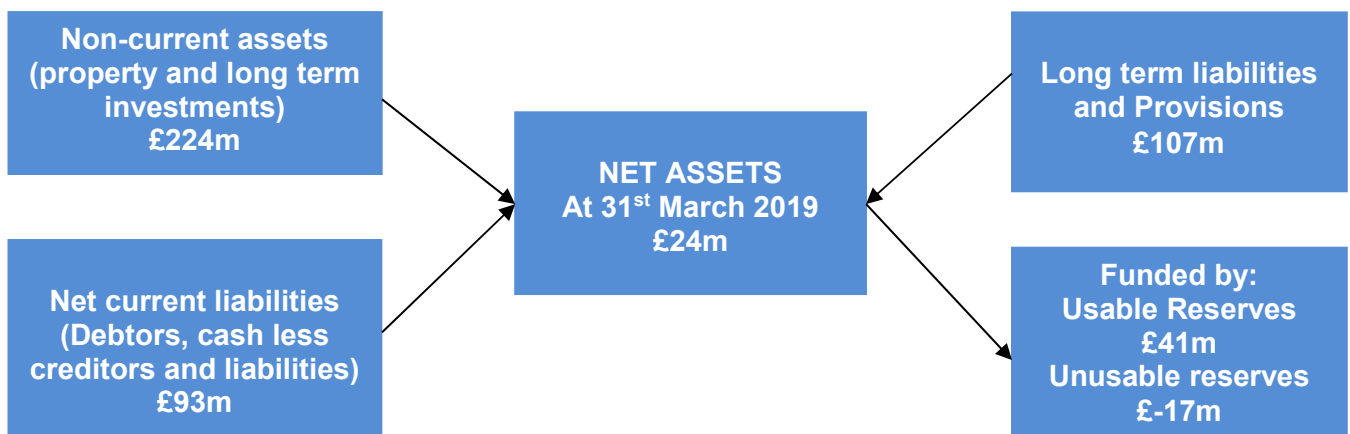
## Pensions Liabilities

The Pension's liability, calculated on accordance with accounting standards, is currently £46m as at the 31<sup>st</sup> March 2019. This is due to the continuing low Gilt rates which increases the cost of future liabilities.

The Council's share of the deficit on the Surrey Pension Fund continues to reduce the Council's net asset position. The current actuarial valuation, based on forecast yields rather than corporate bond yields as required by accounting standards, shows that the fund is actually very close to being fully funded as at the 31<sup>st</sup> March 2019.

## Financial Position

The Council maintains a strong balance sheet despite the financial challenges it faces



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

## Changes to Accounting Policies

Apart from the introduction of IFRS9 and IFRS15 there were no significant changes to accounting policies over the year. "These Standards did not have any impact on the financial statements".

## Current Borrowing Facilities and Capital Borrowing

The Council has external borrowings which total £176m. Of this £56m is long term and £120m short term. The Council entered into an arrangement to forward fix £50m of debt over the years 2020/21 & 2021/22 to minimise the risk of interest rate increases. Over the year £1.9m was charged in the accounts for interest and a further £1.4m for debt repayments all of which was covered by additional income generated from the assets acquired.



## **Internal and External sources of funds available for the capital program**

The Council has £41m in usable reserves of which £11m could be used to support the capital program. The Council could also borrow up to its Capital Funding requirement of £192m if the need arose.

## **Details of material events since the balance sheet date**

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

## **Impact of the current economic climate on the authority**

The Medium term financial forecast produced in February this year showed that there was likely to be a funding gap of £2m by the year 2023/24. This was based on a number of assumptions surrounding Government Funding and Business Rates since no actual figures have been provided by the Government beyond the current year. The Council has a good track record of meeting these financial challenges and indeed has a strategy of further efficiency coupled with income generation to meet this challenge. However if this was not to be successful it may be that cuts to services may be required. That said this is a challenge faced by most Councils and indeed Surrey Heath's position is in fact one of the better placed within Surrey. Ultimately the long term sustainability of a 2 tier system of Local Government in Surrey will need to be addressed if funding continues to be taken away by central government.

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

Looking forward the Council wishes to continue to deliver on its key priority to develop Camberley Town Centre. This project in particular will depend on the strength of the wider UK economy in particular the housing and retail markets. Although there has been a national fall in the value of the retail assets which has impacted the Council this is not necessarily an issue since there is no intention to sell these assets in the near future. What is more important is that the income is maintained in order to cover the loans taken out to fund the purchase of these assets. This goal has been met in 2018/19.

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

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

Surrey Heath employs approximately 262 Staff in full-time and part-time positions. Our workforce seeks to reflect the diversity of our community. The Council employs a number of apprentices in a wide variety of roles and has recently started an internship program.

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



## 1.7 Corporate Risks

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

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

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

## Summary Position

The Council's financial and non-financial performance in 2018/19 has been good. The Council has taken the bold step of investing in property to further its priorities both in terms of regeneration and generating income. In addition a majority of services have come in under budget due to prudent management of the funds given to them. Whilst there are still financial challenges ahead the Council is taking the right steps to deal with them.

## Receipt of Further Information

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

## Acknowledgements

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

**K S Menon**  
**Executive Head of Finance BSc(Hons) ACA, CIPFA**



## Explanation of the Financial Statements

The Statement of Accounts sets out the Council's income and expenditure for the year, and its financial position at 31 March 2019. 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 2018/19, which in turn is underpinned by International Financial Reporting Standards;

The **Core Statements** are:

- The **Comprehensive Income and Expenditure Statement** – this records all of the Council's income and expenditure for the year. The top half of the statement provides an analysis by service area. The bottom half of the statement deals with corporate transactions and funding. Expenditure represents a combination of:
  - services and activities that the Council is required to carry out by law (statutory duties) such as street cleaning, planning and licensing; and,
  - discretionary expenditure focussed on local priorities and needs.
- The **Movement in Reserves Statement** is a summary of the changes to the Council's reserves over the course of the year. Reserves are divided into "usable", which can be invested in capital projects or service improvements, and "unusable" which must be set aside for specific purposes.
- The **Balance Sheet** is a "snapshot" of the Council's assets, liabilities, cash balances and reserves at the year-end date.
- The **Cash Flow Statement** shows the reason for changes in the Council's cash balances during the year, and whether that change is due to operating activities, new investment, or financing activities (such as repayment of borrowing and other long term liabilities).

The **Supplementary Financial Statements** are:

- The **Expenditure and Funding Analysis** – this shows how annual expenditure is used and funded from resources (government grants, 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.
- 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 provide more detail about the Council's accounting policies and individual transactions.



## Statement of Responsibilities

The Authority is required to:

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

## The Executive Head of Finance's responsibilities

The Executive Head of Finance 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 Executive Head of Finance has:

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

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Authority at 31<sup>st</sup> March 2019 and of its income and expenditure for the year then ended.

**Kelvin Menon BSc ACA**  
**Executive Head of Finance**  
22nd July 2019

In accordance with the Accounts and Audit Regulations 2015, I certify that the Statement of Accounts was approved by the Committee on 22<sup>nd</sup> July 2019.

**Cllr Alan McClafferty**  
**Chairman of the Audit and Standards Committee**  
22nd July 2019



# ANNUAL GOVERNANCE STATEMENT

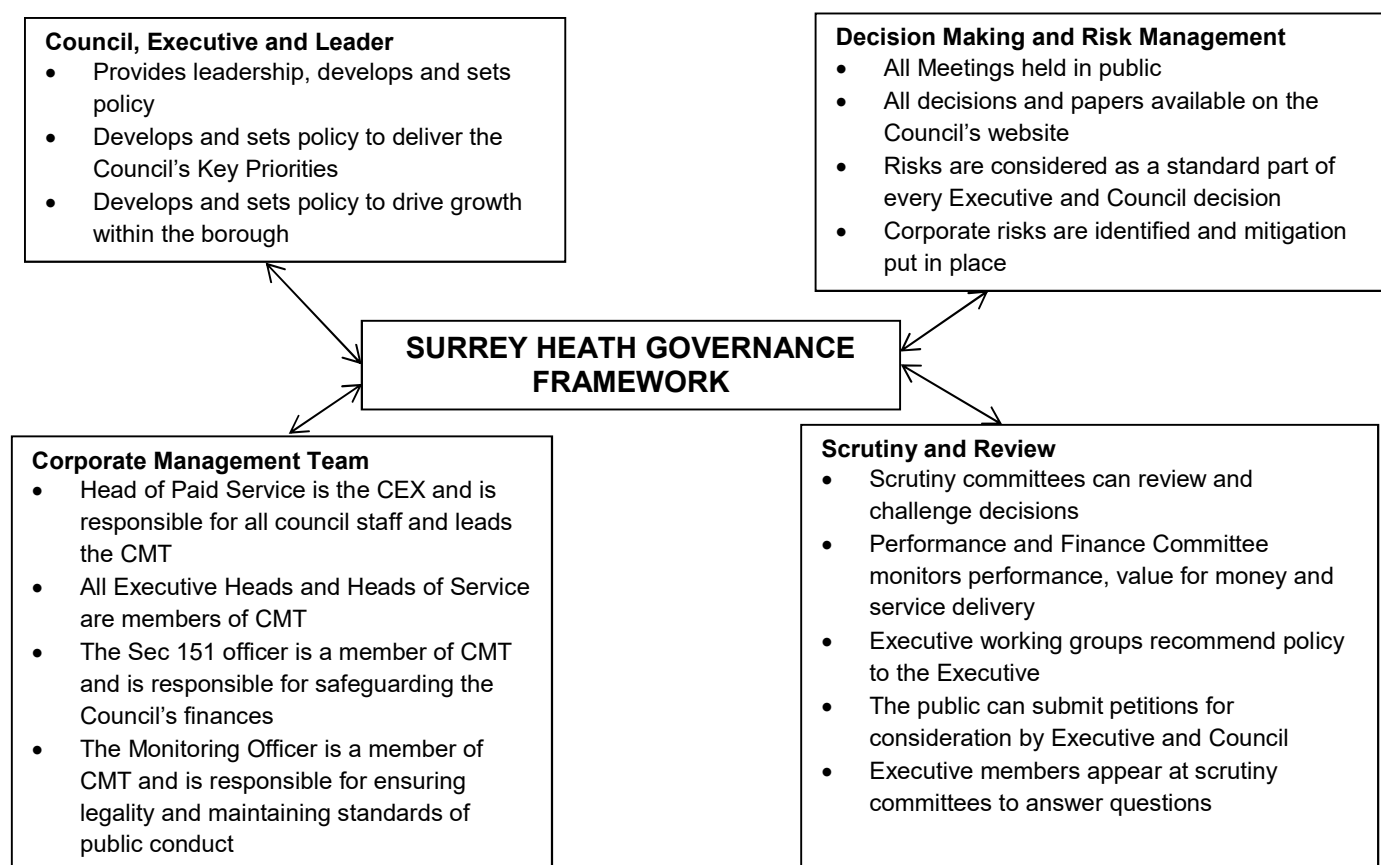


## 2. ANNUAL GOVERNANCE STATEMENT 2018/19

### 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



### HOW WE COMPLY WITH THE CIPFA/SOLACE FRAMEWORK

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

Set out below is how the Council has complied with the seven principles set out in the CIPFA/SoLACE Framework during 2018/19.

# ANNUAL GOVERNANCE STATEMENT



## PRINCIPLE A

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

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

All officers and Members must also sign up to the Council's Anti- Fraud and Corruption Policy and declare any interests they may have or gifts they have received which are then recorded in a Register. The Whistleblowing Policy provides protection for individuals to raise concerns in confidence about suspect behaviour and ensures that any concerns raised are properly investigated. The policy is available on the website and forms part of the Council's induction process. A Bribery Policy is also in place. The Council has an internal corporate enforcement team who will investigate any suspected fraud or corruption and report their findings directly to the Monitoring Officer for action to be taken if required.

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

The Council has a strong internal audit function that audits all of the Council's functions on a cyclical basis. It reports its findings to the Corporate Management Team and also reports to the Audit and Standards Committee on a regular basis. It also has a direct reporting line to the Chief Executive on matters requiring immediate action.

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

## 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.

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

The Council holds two business breakfasts during the year to present the work of the Council and to discuss matters of common interest to local businesses. The Council sends every household a copy of the quarterly magazine – Heathscene – which includes articles of interest affecting local residents. The Council also utilises various online communication channels including Twitter, Instagram, Facebook, LinkedIn and YouTube. More specific e-bulletins and publications are created for various communities of

# ANNUAL GOVERNANCE STATEMENT



interest, such as businesses, theatre users etc as well as for changes in services. It has also set up a website in respect of the Camberley 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 underneath are the priorities. A new Annual Plan is approved by Members each year which sets out the key targets which will be delivered for the year to further the priorities. These targets feed through in to project plans and individual staff and team objectives. This is to ensure that specific outcomes in relation to the five year strategy are defined for key service areas, can be delivered and monitored.

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

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

All decisions, unless delegated, are made by Executive which includes a review 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 significant transformation over the last few years and continues to review ways of working in order to increase efficiency, reduce costs and adapt to changing legislative requirements. The Council has invested in new technology to enable services to move to the "Cloud" to support agile working and efficiency. During the year a number of IT applications were upgraded which included "Uniform" for the planning, environmental health, licensing and building control, and the continued roll out of "Box" for the cloud storage of its documents.

The Council also works closely at all levels with other authorities to learn and understand how best practice has been delivered elsewhere.

## **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. 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. Members are also able to access a range of training opportunities, some of which are mandatory i.e. planning for members of those committees. The Council has a full induction programme for staff and members.

# ANNUAL GOVERNANCE STATEMENT



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 to enable it to address skill shortages in the future. The Council operates a flexible working policy for employees to enable them to achieve a positive work life balance. In addition the Council has continued to transfer IT applications to the cloud so as to enable agile working and also support Business Continuity.

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. Surrey Heath is the lead authority in a collaborative partnership of four authorities which are delivering waste collection under a single contract. The Council has also extended its joint arrangements with other Councils in areas such as Environmental Health and Community Services.

## **PRINCIPLE F**

### **Managing risks and performance**

The Risk Management Strategy sets out the Council's approach to identifying and controlling risk. A Corporate Risk Register is maintained at a corporate level with significant risks reported to CMT and to the Performance and Finance Committee each year. Progress against the Annual Plan objectives and KPI's are reported bi-annually to members. The Council has in place Financial Regulations, which set out expected processes and internal controls, which are monitored on a regular 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 has a dedicated Information Governance Manager responsible for information governance, security and records management. The annually reviewed Information Security Policy governs how information should be securely handled, transmitted, stored and maintained. The General Data Protection Regulation and Data Protection Act 2018 came into force on the 25th May 2018. The corporate Privacy Notice was updated on the Council website and new ones for different departments are being added. All staff have completed mandatory training and a record has been kept of attendance. One of the main risks to information management comes from cyber-attack. To reduce risk under cybersecurity, all staff were invited to attend a session a session run by the police to explain staffs roles in reducing the risk. Work is continuing on ensuring compliance with the new Data Protection legislation. Work has begun to ensure there is no risk on Data Protection after Brexit.

The Council recognises that it does not have the expertise internally in all matters and engages external advisors as appropriate for example in relation to the Town Centre, Regeneration, Development and Planning Appeals.

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

# ANNUAL GOVERNANCE STATEMENT



## PRINCIPLE G

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

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

## REVIEW OF EFFECTIVENESS

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

### Assurance from Internal and External Audit

One of the key assurance statements the Council receives each year is the annual report from Internal Audit and the opinion of the Section 151 Officer. In the financial year 2018/19 the internal audit team had completed or nearly completed 24 audit reviews. 19 of these reviews were scheduled and were from the Audit Plan. Internal Audit has undertaken 5 that were not scheduled and came about at the request of management. Audits that have been carried out in 2018/19 include information management, safeguarding, the theatre, and democratic services.

All final audit reports for the financial year to date have been given a substantial level of assurance, there have been no limited assurance reports issued.

In the same time period, Audit have raised 93 audit recommendations, 3 essential ones, 81 desirable ones, and 9 best practice recommendations. Internal Audit regularly monitors outstanding recommendations to ensure they are being actioned by managers on time wherever possible.

Every 5 years the audit profession recommend that public sector internal audit functions have a peer review by an independent body. We have had a peer review carried out by Spelthorne Borough Council, and a draft has just been received recommending some areas for improvement. We also undertook a peer review of Elmbridge's audit activity and provided a peer review to their head of audit.

The internal auditors' opinion for 2018/19 is that the Council's internal control environment and systems of internal control in the areas audited were adequate and effective.

Essential Issues Reported in 2018/19	Agreed action
Arrangements be provided to invoice and request the outstanding payment to the service provider that was delivering the on line parking payment system, the fees checked to ensure they are correct and are correctly accounted for.	This has now been actioned. Parking has billed the company concerned in full and that the correct amount has been checked.
Camberley event income should be fully recorded, entered in the safe and recorded in the key logbook. A simple system should be introduced to record the actual cash counted for off-site events and evidenced that this has been double checked by a secondary officer, and all event income reconciled.	Discussed with theatre staff and arrangements to be put in place for 19/20.



# ANNUAL GOVERNANCE STATEMENT



The Council's External Auditor provides assurance on the accuracy of the year end statement of Accounts and the overall adequacy of securing and improving value for money. As a result of a national procurement the Council's external auditors have changed from KPMG to BDO LLP and it will BDO that will be reporting on the 2018/19 financial statements. The most recent Audit Letter, which related to the 2017/18 financial statements, issued by KPMG gave an unqualified opinion in respect of the financial statements and value for money.

## 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 2018/19:

Issues Identified	Performance for 2018/19
Formal reports by sec 151 or Monitoring Officer	None issued.
Outcomes from Standards Committee of Monitoring Officer investigations	2 breaches of the Member Code of Conduct have occurred and have are being formally investigated.
Proven frauds carried out by members or officers	None identified in 2018/19.
Objections received from local electors	None in 2018/19.
Local Government Ombudsman referrals upheld exceed national average	Data to be completed, however 2017/18 was below national average.
Unsatisfactory/limited internal audit report	None apart from those identified above.

## Follow up of issues identified in 2018/19

Last year's Annual Governance Statement highlighted three key areas for improvement. The table below sets out the action has been taken to address these issues in the current year:

Issues identified in 2018/19	Action Taken
Implementation of the General Data Protection Regulation	Staff undertook Information Governance training and the General Data Protection Regulation embedded into the Council.
London Road Site Development	A team of professional advisers was appointed to manage the tender process. Members were consulted during the year and confirmed the outcome of the tender in February 2019.
Introduction of IFRS 9	Training was undertaken with the Council's treasury advisors during the year. As a result of this it was determined that the impact on the Council is likely to be minimal at this time.
New contract Arena Leisure centre	A Professional adviser guided the Council through a successful OJEU process and a contractor was appointed by members in January 2019.
Change of Auditor	The Council worked closely with both KPMG and BDO to ensure that the transfer went as smoothly as possible.

## Any issues identified for 2019/20

Apart from the audit issues above the Council has identified, the following issues are to be addressed during the coming year and any action planned accordingly.

# ANNUAL GOVERNANCE STATEMENT



Issues identified in 2019/20	Action Taken
BREXIT	The Council has contacted major contractors to ascertain the impact of Brexit. It has also ensure that its business continuity plans are up to date. Officers have also participated in the Surrey wide BREXIT update.
London Road Development	Following the appointment of a chosen developer, work will continue in the coming year to finalise the contractual arrangements. The Council will also be required to acquire any remaining properties on the site and this could be by CPO
IT and Business Continuity	The Council is transferring a number of its IT services to the Cloud to enable agile working and business continuity.
New contract Arena Leisure centre	During the year the contract will be finalised with the new contractor, and a planning application submitted. The leisure centre will also be closed and the exiting centre demolished prior to the construction of a new centre.
Joint Waste Service	JWS manages the joint waste contract on behalf of 4 Councils. There have been problems with the contractor which still need to be resolved and there are also risks around the contract and contractor which need to be resolved.

## CONCLUSION

The Council is satisfied that appropriate governance arrangements are in place however it remains committed to maintaining and where possible improving these arrangements, in particular by addressing the issues identified in this report.

**Karen Whelan**  
Chief Executive

**Cllr Richard Brooks**  
Leader



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

### **Opinion on the financial statements**

We have audited the financial statements of Surrey Heath Borough Council ("the Council") for the year ended 31 March 2019 which comprise the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Movement in Reserves Statement, the Cash Flow Statement, the Collection Fund Statement and notes to the financial statements including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2019 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

### **Basis for opinion on the financial statements**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), the Code of Audit Practice issued by the National Audit Office in April 2015 ("Code of Audit Practice") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Council and in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

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

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

### **Other information**

The Executive Head of Finance is responsible for the other information. The other information comprises the Narrative Statement report together with all other information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.



# INDEPENDENT AUDITOR'S REPORT



In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## **Opinion on other matter required by the Code of Audit Practice**

In our opinion, based on the work undertaken in the course of the audit of the financial statements, the other information published together with the financial statements in the Statement of Accounts is consistent with the financial statements.

## **Conclusion on use of resources**

On the basis of our work, having regard to the guidance on the specified criterion published by the National Audit Office in November 2017, we are satisfied that, in all significant respects, the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

## **Basis for conclusion on use of resources**

We have undertaken our review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion, published by the National Audit Office in November 2017, as to whether in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

The National Audit Office has determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Based on our risk assessment, we undertook such work as we considered necessary. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

## **Matters on which we are required to report by exception**

We have nothing to report in respect of the following other matters which the Code of Audit Practice requires us to report to you if:

- we have been unable to satisfy ourselves that the Annual Governance Statement is misleading or inconsistent with other information that is forthcoming from the audit;
- we issue a report in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit;
- we designate under section 24 of the Local Audit and Accountability Act 2014 any recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;

# INDEPENDENT AUDITOR'S REPORT



- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

## **Responsibilities of the Executive Head of Finance and the Council**

As explained more fully in the Statement of Responsibilities, the Executive Head of Finance is responsible for the preparation of the Statement of Accounts, which comprises 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, and for being satisfied that the financial statements give a true and fair view.

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

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

## **Auditor's responsibilities for the audit of the financial statements**

In respect of our audit of the financial statements our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

## **Auditor's responsibilities in respect of the Council's use of resources**

We are required under Section 20 of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criterion specified by the National Audit Office.

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

# INDEPENDENT AUDITOR'S REPORT



## **Certificate of completion of the audit**

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

## **Use of our report**

This report is made solely to the members of Surrey Heath Borough Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in the Responsibilities of the Audited Body and Responsibility of the Auditor within Chapter 2 of the Code of Audit Practice published by the National Audit Office.

Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members, as a body, for our audit work, for this report, or for the opinions we have formed.

*BDO LLP*

Leigh Lloyd Thomas  
For and on behalf of BDO LLP, Appointed Auditor  
London, UK

2 March 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).



## 4. ACCOUNTING POLICIES

### 4.1 General

The Statement of Accounts has been prepared in accordance with the 2018/19 Code of Practice on Local Authority Accounting in the United Kingdom, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Code is based on International Financial Accounting Standards (IFRS).

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

### 4.2 Non-current assets

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

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

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

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

As at the 31st March 2019 there have been no material components recognised that have a significantly different useful life from that of the asset.



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

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

## **4.3 Depreciation**

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

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

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

Depreciation is calculated on the following basis:

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

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

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

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

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

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



## 4.6 Debtors and Creditors

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

## 4.7 Employee Benefits

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

## 4.8 Reserves

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

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

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

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

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

## 4.9 Leases

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

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

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

## 4.10 Pensions

The accounting policies of IAS19 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



# ACCOUNTING POLICIES



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

## 4.11 Grants

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

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

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

## 4.12 Financial Instruments

### Amortised Cost

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

### Fair Value

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



## **4.13 Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in a period of no more than 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

## **4.14 Business Improvement Districts**

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

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

## **4.15 Community Infrastructure Levy**

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

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement and then transferred to the Capital Grants Unapplied Account in accordance with the accounting policy for government grant and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a small proportion of the charges may be used to fund revenue expenditure.

## **4.16 Contingent Assets and Liabilities**

### **Contingent Assets**

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

### **Contingent Liabilities**

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

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





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

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (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. There are a number of new standards that have been issued but not implemented as follows; the following of which will impact on the Council:

- IFRS16 – Leases. This comes into effect on the 1<sup>st</sup> April 2020 and eliminates the distinction between finance and operating leases. This will result in all leases being shown on the balance sheet for Lessees unless of low value or less than 12 months. The impact on the Council's financial statements is still being assessed.

# FINANCIAL STATEMENTS



## 5. EXPENDITURE AND FUNDING ANALYSIS

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

2018/19				2017/18 Restated		
Net Expenditure Chargeable to the General Fund £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the comprehensive Income and Expenditure Statement £'000		Net Expenditure Chargeable to the General Fund £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the comprehensive Income and Expenditure Statement £'000
632	914	(282)	Business	1,174	(2,014)	3,188
4,100	(729)	4,829	Community	4,747	(619)	5,366
1,536	(215)	1,751	Corporate	1,472	(149)	1,621
1,569	(827)	2,396	Finance	1,780	(245)	2,025
924	(19,585)	20,509	Legal	116	(10,551)	10,667
(3,119)	(2,878)	(241)	Investment & Development	(5,263)	2,992	(8,255)
(2,653)	(1,064)	(1,589)	Regulatory	(2,757)	(860)	(1,897)
3,369	(387)	3,756	Transformation	437	(29)	466
<b>6,358</b>	<b>(24,771)</b>	<b>31,129</b>	<b>Net Cost of Services</b>	<b>1,706</b>	<b>(11,475)</b>	<b>13,181</b>
(792)	0	(792)	Other Operating Expenditure	566	(3)	569
(1,877)	(1,659)	(218)	Financing & Investment Income	4,248	4,241	7
6,762	6,762		Adjustments between Funding & Accounting	(537)	(537)	
(14,812)	380	(15,192)	Taxation and non-specific grant income	(13,718)	(1,501)	(12,217)
<b>(4,361)</b>	<b>(19,288)</b>	<b>14,927</b>	<b>Surplus or Deficit</b>	<b>(7,735)</b>	<b>(9,275)</b>	<b>1,540</b>
(28,881)			Opening General Fund	(21,146)		
<b>(4,753)</b>			<b>Less/Plus Surplus or (Deficit) on General Fund in Year</b>	<b>(7,735)</b>		
<b>(33,634)</b>			<b>Closing General Fund at 31 March</b>	<b>(28,881)</b>		

# CORE FINANCIAL STATEMENTS



## 6. COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2018/19				2017/18 (Restated)		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
4,071	(4,353)	(282)	Business	7,684	(4,496)	3,188
7,452	(2,623)	4,829	Community	7,745	(2,379)	5,366
1,818	(67)	1,751	Corporate	1,889	(268)	1,621
19,095	(16,699)	2,396	Finance	18,442	(16,417)	2,025
21,471	(962)	20,509	Legal	11,376	(709)	10,667
7,055	(7,296)	(241)	Investment & Development	(2,498)	(5,757)	(8,255)
3,727	(5,316)	(1,589)	Regulatory	4,684	(6,581)	(1,897)
3,838	(82)	3,756	Transformation	479	(13)	466
<b>68,527</b>	<b>(37,398)</b>	<b>31,129</b>	<b>Cost of Services</b>	<b>49,801</b>	<b>(36,620)</b>	<b>13,181</b>
		(792)	Other Operating expenditure			569
		(218)	Financing and investment income and expenditure (note 20)			7
		(15,192)	Taxation and Non-specific Grant Income & Expenditure (note 21)			(12,217)
		<b>14,927</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>1,540</b>
		758	(Surplus) or deficit on revaluation of property, plant and equipment assets			(2,377)
		(34)	(Surplus) or deficit on revaluation of available for sale financial assets			(97)
		3,974	Remeasurement of the net defined benefit liability/(asset)			(1,391)
		<b>4,698</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(3,865)</b>
		<b>19,625</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(2,325)</b>

# CORE FINANCIAL STATEMENTS



## 7. MOVEMENT IN RESERVES STATEMENT

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

	General fund balance £'000	Capital receipts reserves £'000	Capital grants unapplied £'000	JPUT reserve £'000	Total Usable reserves £'000	Unusable reserves £'000	Total Authority reserves £'000
Balance 31st March 2018 as previously stated	(29,033)	0	(2,221)	0	(31,254)	(9,135)	(40,389)
Prior year adjustment	152	0	0	0	152	(1,980)	(1,828)
<b>Restated</b>							
Balance at 31st March 2018	(28,881)	0	(2,221)	0	(31,102)	(11,115)	(42,217)
<b>Movement in Reserves during 2018/2019</b>							
(Surplus) or Deficit on Provision of Services	14,927				14,927		14,927
Other Comprehensive income & expenditure	(392)		(1,059)		(1,451)	4,698	3,247
Adjustments between accounting basis & funding basis under regulations (note 19)	(19,288)	(3,930)	(466)		(23,684)	23,684	0
<b>Increase or Decrease in 2018/2019</b>	<b>(4,753)</b>	<b>(3,930)</b>	<b>(1,525)</b>	<b>0</b>	<b>(10,208)</b>	<b>28,382</b>	<b>18,174</b>
Balance at 31 March 2019 carried forward	(33,634)	(3,930)	(3,746)	0	(41,310)	17,267	(24,043)

Balance 31st March 2017 as previously stated	(21,298)	(151)	(14)	0	(21,463)	(18,112)	(39,575)
Prior year adjustment	152	0	0	(815)	(663)		(663)
<b>Comparative Year (Restated)</b>							
Balance at 31st March 2017	(21,146)	(151)	(14)	(815)	(22,126)	(18,112)	(40,238)
<b>Movement in Reserves during 2017/2018</b>							
(Surplus) or Deficit on Provision of Services	1,540			815	2,355		2,355
Other Comprehensive income & expenditure			(469)		(469)	(3,865)	(4,334)
Adjustments between accounting basis & funding basis under regulations (note 19)	(9,275)	151	(1,738)		(10,862)	10,862	0
<b>Increase or Decrease in 2017/2018</b>	<b>(7,735)</b>	<b>151</b>	<b>(2,207)</b>	<b>815</b>	<b>(8,976)</b>	<b>6,997</b>	<b>(1,979)</b>
Balance at 31 March 2018 carried forward	(28,881)	0	(2,221)	0	(31,102)	(11,115)	(42,217)

# CORE FINANCIAL STATEMENTS



## 8. BALANCE SHEET

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

	Note	31st March 2019 £'000	31st March 2018 Restated £'000	1st April 2017 Restated £'000
<b>Property, plant &amp; equipment</b>				
Other land and buildings	22	127,996	139,326	147,272
Vehicles, plant and equipment	22	4,005	2,070	2,102
Infrastructure assets	22	24	34	43
Community assets	22	3,285	1,960	1,908
Surplus assets not held for sale	22	998	961	969
Assets under construction	22	1,148	1,034	610
<b>Total property, plant &amp; equipment</b>		<b>137,457</b>	<b>145,385</b>	<b>152,904</b>
Heritage Assets	23	334	334	334
Investment property	25	82,724	46,551	43,912
Long term investments	44	2,185	2,151	4,054
Long term debtors	30	1,312	420	677
<b>Long term assets</b>		<b>224,012</b>	<b>194,841</b>	<b>201,881</b>
Short term investments	44	0	2,018	0
Inventories		28	55	92
Short term debtors	30	16,699	13,874	6,366
Cash and cash equivalents	31	30,165	11,662	10,095
<b>Current assets</b>		<b>46,892</b>	<b>27,609</b>	<b>16,553</b>
Short-term borrowing	44	(119,512)	(103,215)	(102,100)
Short term creditors	32.1	(20,208)	(18,047)	(18,421)
<b>Current liabilities</b>		<b>(139,720)</b>	<b>(121,262)</b>	<b>(120,521)</b>
Long term creditors	32.1	(4,383)	(239)	(178)
NDR Provision for Appeals	32.2	(534)	(2,712)	(1,563)
Long-term borrowing	44	(56,155)	(16,493)	(16,860)
Other long term liabilities - Pensions	41.3	(46,069)	(39,527)	(39,074)
<b>Long term liabilities</b>		<b>(107,141)</b>	<b>(58,971)</b>	<b>(57,675)</b>
<b>Net assets</b>		<b>24,043</b>	<b>42,217</b>	<b>40,238</b>
Usable reserves		(41,310)	(31,102)	(22,126)
Unusable reserves	28	17,267	(11,115)	(18,112)
<b>Total Reserves</b>		<b>(24,043)</b>	<b>(42,217)</b>	<b>(40,238)</b>

# CORE FINANCIAL STATEMENTS



## 9. CASH FLOW STATEMENT

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

	Note	2018/19 £'000	2017/18 Restated £'000
Net surplus or (deficit) on the provision of services		(14,927)	(1,540)
Adjustments for Non-cash movements		26,965	9,764
Adjustments for items that are investing and financing activities		1,753	852
<b>Net cash inflows/(outflows) from operating activities</b>		<b>13,791</b>	<b>9,076</b>
Investing activities	34	(47,196)	(5,656)
Financing activities	35	51,908	(1,853)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>18,503</b>	<b>1,567</b>
Cash and cash equivalents at the beginning of the reporting period		11,662	10,095
Cash and cash equivalents at the end of the reporting period		30,165	11,662
<b>Movement in cash</b>		<b>18,503</b>	<b>1,567</b>



## **10. BASIS OF PREPARATION**

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

## **11. ACCOUNTING POLICIES**

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year-end of 31st March 2019. 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 2018/19 ("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 on pages 25 to 30 of this document.

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

In applying the accounting policies set out on pages 25 to 30, the Council has had to make certain judgments about complex transactions or those involving uncertainty about future events. The critical judgments made in the statement of accounts are:

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

The Main Square Camberley Jersey Property unit-trust- The Council directly exercises control over activities of the JPUT and it is not a separate legal entity. This 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 therefore is treated in the same way as a joint operation.

## **13. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY**

The Statement of Accounts contains estimated figures that are based on assumptions which take into account historical experience, current trends, professional knowledge and other various factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31st March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:



# NOTES TO THE ACCOUNTS



Item	Uncertainties	Effect if actual results differ from assumptions
<b>Pensions liability</b>	Estimation of the net liability to pay pensions depends on a number of complex judgments relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the real discount rate assumption would result in an increase in the pension liability of £11.709m. However, the assumptions interact in complex ways. During 2018/19, the Council's actuaries advised that the net pension's liability has increased by £6.542m.
<b>Investment Property and PPE Valuations</b>	Investment property and PPE is valued by professional valuers on the basis of available market yields and other market information	If the market assumptions vary then this will impact on the valuation included within the financial statements.
<b>NNDR Appeals Provision</b>	The accounts include an estimate as to the level of future appeals in respect of Business Rates appeals outstanding at the balance sheet date. In particular in 2018/19 the appeals provision in respect of NHS appeals was reversed resulting in a large credit. This was because the view was taken that the appeal would be unsuccessful	If the assumptions vary then this would have an impact on the Income for Business Rates included within the CIES and the level of provision in the Balance Sheet. At the current time the Courts have found in favour of local authorities and the claim has been rejected.

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

## 14. EVENTS AFTER THE REPORTING PERIOD

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

# NOTES TO THE ACCOUNTS



## 15. EXPENDITURE AND FUNDING ANALYSIS

Adjustments between Funding and Accounting Basis - 2018/19				
Adjustments from General Fund to arrive at the comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes £'000	Net change for the Pensions Adjustment £'000	Other Differences £'000	Total Adjustments £'000
Business	1,146	(232)		914
Community	(471)	(258)		(729)
Corporate	(10)	(205)		(215)
Finance	0	(827)		(827)
Investment & Civic Duties	(19,510)	(75)		(19,585)
Legal	(2,696)	(182)		(2,878)
Regulatory	(718)	(346)		(1,064)
Transformation	(76)	(311)		(387)
<b>Net Cost of Services</b>	<b>(22,335)</b>	<b>(2,436)</b>	<b>0</b>	<b>(24,771)</b>
Other Operating Expenditure				0
Financing & Investment Income	(2,646)		987	(1,659)
Adjustments Between Funding and Accounting	6,762			6,762
Taxation and non-specific grant income			380	380
Difference between General fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(18,219)	(2,436)	1,367	(19,288)

Adjustments between Funding and Accounting Basis - 2017/18				
Adjustments from General Fund to arrive at the comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes £'000	Net change for the Pensions Adjustment £'000	Other Differences £'000	Total Adjustments £'000
Business	(1,731)	(283)		(2,014)
Community	(316)	(303)		(619)
Corporate	(21)	(128)		(149)
Finance	(22)	(223)		(245)
Investment & Civic Duties	(10,500)	(51)		(10,551)
Legal	3,084	(92)		2,992
Regulatory	(434)	(426)		(860)
Transformation	(2)	(27)		(29)
<b>Net Cost of Services</b>	<b>(9,942)</b>	<b>(1,533)</b>	<b>0</b>	<b>(11,475)</b>
Other Operating Expenditure			(3)	(3)
Financing & Investment Income	3,254		987	4,241
Adjustments Between Funding and Accounting	(537)			(537)
Taxation and nonspecific grant income			(1,501)	(1,501)
Difference between General fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(7,225)	(1,533)	(517)	(9,275)



## Adjustments for Capital Purposes

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

## Net Change for the Pension Adjustments

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

## Other Differences

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

# NOTES TO THE ACCOUNTS



## 16. EXPENDITURE AND INCOME ANALYSIS BY NATURE

Expenditure/Income	2018/19 £'000	2017/18 £'000
<b>Expenditure</b>		
Employee benefits expenses	10,937	8,063
Other services expenses	33,798	24,448
Support service recharges	0	6,149
Depreciation, amortisation, impairment	22,335	9,942
Interest payments	1,939	1,008
Precept & Levies	582	569
<b>Total Expenditure</b>	<b>69,591</b>	<b>50,179</b>
<b>Income</b>		
Fees, charges and other service income	(36,270)	(34,431)
Interest and investment income	(3,203)	(1,991)
Income from Council tax, non-domestic rates, district rate income	(14,138)	(10,305)
Government grants and contributions	(1,053)	(1,912)
<b>Total Income</b>	<b>(54,664)</b>	<b>(48,639)</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>14,927</b>	<b>1,540</b>

## 17. MEMBERS' ALLOWANCES

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

	2018/19 £'000	2017/18 £'000
Allowances	291	288
Travel and other allowances	3	4
Mayor	5	5
<b>Total allowances</b>	<b>299</b>	<b>297</b>

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

# NOTES TO THE ACCOUNTS



## 18. OFFICERS' REMUNERATION

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

Post Holder Information		Salary	Allowances	Expenses	Benefits in kind	Employers Pension Contributions	Sub Total	Returning Officer Amount	Total	Note
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<b>Chief Executive</b>	<b>2018/19</b>	<b>121</b>	<b>37</b>	<b>7</b>	<b>8</b>	<b>24</b>	<b>197</b>	<b>0</b>	<b>197</b>	
<b>Karen Whelan</b>	2017/18	118	0	6	1	19	144	7	151	
<b>Executive Head of Finance</b>	<b>2018/19</b>	<b>86</b>	<b>3</b>	<b>2</b>	<b>6</b>	<b>14</b>	<b>111</b>	<b>0</b>	<b>111</b>	
	2017/18	84	3	0	6	13	106	0	106	
<b>Executive Head of Corporate</b>	<b>2018/19</b>	<b>86</b>		<b>1</b>	<b>6</b>	<b>13</b>	<b>106</b>	<b>0</b>	<b>106</b>	
	2017/18	84		0	6	13	103	0	103	
<b>Executive Head of Transformation</b>	<b>2018/19</b>	<b>86</b>		<b>2</b>	<b>0</b>	<b>13</b>	<b>101</b>	<b>0</b>	<b>101</b>	
	2017/18	84		2	0	13	99	0	99	
<b>Executive Head of Community</b>	<b>2018/19</b>	<b>86</b>	<b>5</b>	<b>2</b>	<b>6</b>	<b>14</b>	<b>113</b>	<b>0</b>	<b>113</b>	
	2017/18	84	0	0	6	13	103	0	103	
<b>Executive Head of Business</b>	<b>2018/19</b>	<b>80</b>		<b>2</b>	<b>0</b>	<b>12</b>	<b>94</b>	<b>0</b>	<b>94</b>	
	2017/18	78		2	0	12	92	0	92	
<b>Executive Head of Regulatory</b>	<b>2018/19</b>	<b>89</b>		<b>2</b>	<b>0</b>	<b>14</b>	<b>105</b>	<b>0</b>	<b>105</b>	
	2017/18	84		2	0	13	99	0	99	
<b>Head of Legal</b>	<b>2018/19</b>	<b>70</b>	<b>8</b>	<b>0</b>	<b>0</b>	<b>12</b>	<b>90</b>	<b>0</b>	<b>90</b>	
	2017/18	69	8	0	0	12	89	0	89	
<b>Head of Investment &amp; Development</b>	<b>2018/19</b>	<b>24</b>		<b>1</b>	<b>0</b>	<b>4</b>	<b>29</b>	<b>0</b>	<b>29</b>	6 mths only
	2017/18	63		2	0	10	75	0	75	

It was approved during the 2018/19 Financial Year that an Additional Duties Allowance would be made to the Chief Executive to recognise the additional work and responsibilities being undertaken. This payment covers the period October 2016 to March 2019.

# 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	2018/19 Number of employees	2017/18 Number of employees
£50,000 - £54,999	11	10
£55,000 - £59,999	7	3
£60,000 - £64,999	3	2
£65,000 - £69,999	0	1
£70,000 - £74,999	0	1
£75,000 - £79,999	2	1
£80,000 - £84,999	1	2
£85,000 - £89,999	1	1
£90,000 - £94,999	2	3
£95,000 - £99,999	2	0
£100,000 - £104,999	0	0
£105,000 - £109,999	0	0
£110,000 - £114,999	0	0
£115,000 - £119,999	0	0
£120,000 - £124,999	0	0
£125,000 - £129,999	0	0
£130,000 - £134,999	0	1
£135,000 - £139,999	0	0
£140,000 - £144,999	0	0
£145,000 - £149,999	0	0
£150,000 - £154,999	0	0
£155,000 - £159,999	0	0
£160,000 - £164,999	0	0
£165,000 - £169,999	0	0
£170,000 - £174,999	1	0
	<b>30</b>	<b>25</b>

## Exit packages

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies for 2018/19 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	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19 £	2017/18 Restated £
£0 - £20,000	0	1	4	0	4	1	48,402	175
£20,001 - £40,000	0	0	1	1	1	1	30,755	23,380
<b>Total</b>	<b>0</b>	<b>1</b>	<b>5</b>	<b>1</b>	<b>5</b>	<b>2</b>	<b>79,157</b>	<b>23,555</b>



## **19. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS**

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

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

### **General Fund Balance**

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

### **Capital Receipts Reserve**

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

### **Capital Grants Unapplied**

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

### **Available for Sale Financial Instruments Reserve / Financial Instruments Revaluation Reserve**

The Available for Sale Financial Instruments Reserve contains the gains made by the Council arising from the increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. 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.

The 2018/19 Local Authority Accounting Code of Practice has adopted the IFRS9 Financial Instruments. The implementation of IFRS9 has resulted in the Available for Sale Reserve being discontinued and the balance held has been transferred to the Financial Instrument Revaluation Reserve.



# NOTES TO THE ACCOUNTS



2018/19	Usable reserves			
	General fund balances	Capital receipts reserve	Capital Grants Unapplied	Movement in unusable reserves
	£'000	£'000	£'000	£'000
<b>Adjustments to the Revenue Resources</b>				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements	(19,978)	(4,955)		24,933
Pensions costs (transferred to (or from) the Pensions Reserve	(2,568)			2,568
Use of Capital Receipts reserve to finance new capital expenditure		827		(827)
Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	380			(380)
<b>Total Adjustments to Revenue Resources</b>	<b>(22,166)</b>	<b>(4,128)</b>	<b>0</b>	<b>26,294</b>
<b>Adjustments between Revenue and Capital Resources</b>				
Contribution from the capital receipts reserve towards the administration costs of non current asset disposals	-198	198		0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	1400			(1,400)
Capital expenditure financed from revenue balances (transfers to the Capital Adjustment Account)	94			(94)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>1,296</b>	<b>198</b>	<b>0</b>	<b>(1,494)</b>
<b>Application of capital grants to finance capital expenditure</b>				
Application of capital grants to finance capital expenditure			1,116	(1,116)
Cash payments in relation to unapplied grants	1,582		(1,582)	0
<b>Total Adjustments to Capital Resources</b>	<b>1,582</b>	<b>0</b>	<b>(466)</b>	<b>(1,116)</b>
<b>Total Adjustments</b>	<b>(19,288)</b>	<b>(3,930)</b>	<b>(466)</b>	<b>23,684</b>

# NOTES TO THE ACCOUNTS



2017/18	Usable reserves- Restated			
	General fund balance s	Capital receipt s reserve	Capital Grants Unapplie d	Movemen t in unusable reserves
	£'000	£'000	£'000	£'000
<b>Adjustments to the Revenue Resources</b>				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements	(9,682)			9,682
Pensions costs (transferred to (or from) the Pensions Reserve)	(1,844)			1,844
Capital grants and contributions applied	587			(587)
Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	(1,501)			1,501
Holiday pay (transferred to the Accumulated Absences Reserve)	(3)			3
<b>Total Adjustments to Revenue Resources</b>	<b>(12,443)</b>	<b>0</b>	<b>0</b>	<b>12,443</b>
<b>Adjustments between Revenue and Capital Resources</b>				
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	1,318			(1,318)
Capital expenditure financed from revenue balances (transfers to the Capital Adjustment Account)	112			(112)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>1,430</b>	<b>0</b>	<b>0</b>	<b>(1,430)</b>
<b>Adjustments to Capital Resources</b>				
Use of the Capital Receipts Reserve to finance capital expenditure	0	151		(151)
<b>Application of capital grants to finance capital expenditure</b>	<b>0</b>	<b>151</b>	<b>0</b>	<b>(151)</b>
Cash Payments that relate to deferred grant receipts	1,738		(1,738)	0
<b>Total Adjustments to Capital Resources</b>	<b>1,738</b>	<b>0</b>	<b>(1,738)</b>	<b>0</b>
<b>Total Adjustments</b>	<b>(9,275)</b>	<b>151</b>	<b>(1,738)</b>	<b>10,862</b>

# NOTES TO THE ACCOUNTS



## 20. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

Financing and Investment Income and Expenditure	2018/19 £'000	2017/18 £'000
Interest payable and similar charges	1,939	1,008
Net interest on the defined benefit liability	1,046	987
Interest receivable and similar	(212)	(156)
Income & Expenditure in relation to investment properties	(2,991)	(1,832)
<b>Total</b>	<b>(218)</b>	<b>7</b>

## 21. TAXATION AND NON SPECIFIC GRANT INCOME AND EXPENDITURE

Taxation and Non-specific Grant Income and Expenditure	2018/19 £'000	2017/18 £'000
Council tax income	(9,105)	(8,395)
Non-domestic rates income and expenditure	(5,033)	(1,910)
<b>Non-ringfenced government grants:</b>		
New Homes Bonus	(865)	(1,226)
New Burdens	(60)	0
Transition Grant	(129)	(85)
Capital Grants and contributions	0	(601)
<b>Total</b>	<b>(15,192)</b>	<b>(12,217)</b>
<b>Grant Income Credited to services</b>		
Rent Allowance subsidy	(15,292)	(15,490)
Housing Benefit administration grant	(175)	(166)
Family Support	(222)	(209)
Other grants	(1,464)	(1,169)
<b>Total</b>	<b>(17,153)</b>	<b>(17,034)</b>

## 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	Written off in year of purchase
Infrastructure	10 to 60 years

### 22.2 Capital Commitments

At 31<sup>st</sup> March 2019 the authority has entered into a number of contracts for the construction or enhancement of property and plant in 2019/20 and future years budgeted to cost £28.4m.

# NOTES TO THE ACCOUNTS



The major commitments are:

- Replacement of the Arena Leisure Centre £24.4m
- London Road Block £4m

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

	Other Land & Buildings £'000	Surplus Assets £'000	Total £'000
Value at fair value as at:			
30-Mar-19	104,781	998	105,779
31-Mar-18	18,124		18,124
31-Mar-17	3,574		3,574
31-Mar-16	1,517		1,517
<b>Total Cost or Valuation</b>	<b>127,996</b>	<b>998</b>	<b>128,994</b>

# NOTES TO THE ACCOUNTS



2018/19	Other land & buildings	Vehicles, plant & equipment	Infrastructure	Community Assets	Surplus Assets	Assets under construction	Total PP&E
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Restated Cost or Valuation</b>							
<b>At 1 April 2018</b>	<b>159,119</b>	<b>4,475</b>	<b>129</b>	<b>1,960</b>	<b>961</b>	<b>1,034</b>	<b>167,678</b>
Additions /Transfers	7,571	2,732	0	1,130	0	957	<b>12,389</b>
Revaluation Increases/(decreases) recognised in the revaluation reserve	(990)	0	0	195	37	0	<b>(758)</b>
Disposals	0	0	0	0	0	(843)	<b>(843)</b>
<b>At 31 March 2019</b>	<b>165,700</b>	<b>7,207</b>	<b>129</b>	<b>3,285</b>	<b>998</b>	<b>1,148</b>	<b>178,466</b>
<b>Accumulated depreciation and Impairment</b>							
<b>At 1 April 2018</b>	<b>(19,793)</b>	<b>(2,405)</b>	<b>(95)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(22,293)</b>
Depreciation Charge	(559)	(796)	(10)	0	0	0	<b>(1,366)</b>
Depreciation written out to the revaluation reserve	1,919	0	0	0	0	0	<b>1,919</b>
Impairment losses/reversals recognised in the surplus / deficit on the provision of services	(19,270)	0	0	0	0	0	<b>(19,270)</b>
<b>At 31 March 2019</b>	<b>(37,703)</b>	<b>(3,201)</b>	<b>(105)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(41,010)</b>
<b>Net Book Value</b>							
<b>At 31 March 2019</b>	<b>127,996</b>	<b>4,005</b>	<b>24</b>	<b>3,285</b>	<b>998</b>	<b>1,148</b>	<b>137,457</b>
<b>At 31 March 2018</b>	<b>139,326</b>	<b>2,070</b>	<b>34</b>	<b>1,960</b>	<b>961</b>	<b>1,034</b>	<b>145,385</b>

# NOTES TO THE ACCOUNTS



2017/18	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure	Community Assets	Surplus Assets	Assets Under Construction	Total PP&E
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation as previously stated 01/04/18</b>	<b>48,040</b>	<b>4,381</b>	<b>129</b>	<b>1,908</b>	<b>969</b>	<b>610</b>	<b>56,037</b>
<b>Restatement</b>	<b>106,539</b>						<b>106,539</b>
<b>Cost or Valuation At 1 April 2017</b>	<b>154,579</b>	<b>4,381</b>	<b>129</b>	<b>1,908</b>	<b>969</b>	<b>610</b>	<b>162,576</b>
Additions	2,155	431	0	52	0	424	3,062
Revaluation Increases/(decreases) recognised in the revaluation reserve	2,385	0	0	0	(8)	0	2,377
Derecognition - disposals	0	(4)	0	0	0	0	(4)
Derecognition - other	0	(333)	0	0	0	0	(333)
<b>At 31 March 2018</b>	<b>159,119</b>	<b>4,475</b>	<b>129</b>	<b>1,960</b>	<b>961</b>	<b>1,034</b>	<b>167,678</b>
<b>Accumulated depreciation and Impairment</b>	<b>(7,460)</b>	<b>(2,279)</b>	<b>(85)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(9,824)</b>
<b>At 1 April 2016</b>							
Depreciation Charge	(665)	(459)	(10)	0	0	0	(1,134)
Depreciation written out to the surplus/ deficit on the provision of services	40	0	0	0	0	0	40
Impairment losses/reversals recognised in the surplus / deficit on the provision of services	(11,708)	0	0	0	0	0	(11,708)
Derecognition - other	0	333	0	0	0	0	333
<b>At 31 March 2018</b>	<b>(19,793)</b>	<b>(2,405)</b>	<b>(95)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(22,293)</b>
<b>Net Book Value</b>							
<b>At 31 March 2018</b>	<b>139,326</b>	<b>2,070</b>	<b>34</b>	<b>1,960</b>	<b>961</b>	<b>1,034</b>	<b>145,385</b>
<b>At 31 March 2017</b>	<b>147,271</b>	<b>2,102</b>	<b>44</b>	<b>1,908</b>	<b>969</b>	<b>610</b>	<b>152,904</b>

# NOTES TO THE ACCOUNTS



## 23. HERITAGE ASSETS

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

	Museum £'000	Civic Regalia £'000	Other £'000	Total £'000
Cost or Valuation 1st April 2017	175	111	48	334
Revaluations				
<b>31st March 2018</b>	<b>175</b>	<b>111</b>	<b>48</b>	<b>334</b>
Cost or Valuation 1st April 2018	175	111	48	334
Revaluations				
<b>31st March 2019</b>	<b>175</b>	<b>111</b>	<b>48</b>	<b>334</b>

### 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 effect of the army. It also regularly holds temporary exhibitions and provides additional services for schools.

### 23.2 Other

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

### 23.3 Three Year Summary of Transactions

	2018/19 £'000	2017/18 £'000
<b>Cost of Acquisitions of Heritage Assets</b>		
Museum Artwork	166	166
Civic Regalia	111	111
Other	48	48
<b>Total Cost of Purchases</b>	<b>325</b>	<b>325</b>

<b>Value of Heritage Assets Acquired by Donation</b>		
Museum Artwork	9	9
<b>Total Donations</b>	<b>9</b>	<b>9</b>



# NOTES TO THE ACCOUNTS



## 24. OTHER ITEMS NOT INCLUDED IN THE COST OF SERVICES FOR REPORTING PURPOSES

Other items not included in cost of services for reporting purposes.	2018/19 £'000	2017/18 £'000
Depreciation Charges / Impairment	22,335	9,790
Pension / IAS 19 Adjustments	2,436	1,685
	<b>24,771</b>	<b>11,475</b>

## 25. INVESTMENT PROPERTIES

The following items of income and expense have been accounted for in the Comprehensive Income and Expenditure Statement in the Income and Expenditure in relation to Investment Properties and changes in their fair value.

	2018/19 £'000	2017/18 £'000
Rental income from investment property	(3,823)	(2,698)
Direct operating expenses arising from investment property	832	866
Profit on Sale of Assets	(1,157)	0
Revaluations (Gains)/Losses on Revaluations	2,646	(3,254)
<b>Net (Income)/Expenditure on Investment Properties</b>	<b>(1,502)</b>	<b>(5,086)</b>

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

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

Investment property has been valued using a combination of yield and comparative market prices. Hence under the requirements of IFRS13 they are all considered to be level 3 investments.

	2018/19 £'000	2017/18 - Restated £'000
Balance 31st March as previously stated	46,551	143,158
Prior Year adjustment		(99,142)
Restated		
Balance at start of the year	46,551	44,016
Purchases	41,780	576
Disposals	(3,106)	0
Transfers	146	(1,295)
Net gains/(losses) from fair value adjustments	(2,647)	3,254
<b>Balance at end of the year</b>	<b>82,724</b>	<b>46,551</b>

# NOTES TO THE ACCOUNTS



## 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.

	2018/19 £'000	2017/18 £'000
<b>Opening capital financing requirement</b>	<b>141,855</b>	<b>140,190</b>
<b>Capital investment</b>		
Property, plant and equipment	7,571	2,155
Community assets	1,130	52
Investment assets	41,780	576
Vehicles, Plant & Equipment	2,732	431
Assets under construction	957	424
Revenue expenditure funded from capital under statute	717	459
<b>Sources of finance</b>		
Capital receipts	(827)	(151)
Government grants and other contributions	(2,317)	(851)
Sums set aside from revenue	(94)	(112)
<b>Unfinanced Capital Expenditure in year</b>	<b>51,649</b>	<b>2,983</b>
Less: Statutory provision for the financing of Capital Investment	(1,400)	(1,318)
<b>Closing capital financing requirement</b>	<b>192,104</b>	<b>141,855</b>
<b>Explanation for Movement in year</b>		
Increase in underlying need to borrow	<b>50,249</b>	<b>1,665</b>

# NOTES TO THE ACCOUNTS



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

This note sets out the amounts set aside from the General Fund Balance to specific Earmarked Reserves to provide financing for future expenditure plans and the amounts posted back from Earmarked Reserves to meet General Fund expenditure in 2018/19.

Reserve	Balance 31 March 2017 £'000	Transfers in 2017/18 £'000	Transfers out 2017/18 £'000	Balance 31 March 2018 £'000	Transfers in 2018/19 £'000	Transfers out 2018/19 £'000	Balance 31 March 2019 £'000
Capital Fund	9,445	1,227	(250)	10,422	864	(278)	11,008
<b>Earmarked Revenue purposes</b>							
Affordable Housing	1,051	483	0	1,534	122	0	1,656
Atrium public art	13	0	0	13	0	(13)	0
Atrium S106 Agreement	326	1	(10)	317	1	0	318
Blackwater Valley developers contributions	95	0	(7)	88	0	(1)	87
Business Rate Equalisation Fund	0	0	0	0	4,700	0	4,700
Chobham and Town Team Partnership	5	0	0	5	0	0	5
Community fund 2002	253	0	(11)	242	0	(32)	210
Chewing Gum Machine	8	0	(8)	0	0	0	0
C.I.L.	500	0	(500)	0	0	0	0
C.I.L. Admin and Monitoring	44	60	0	104	209	0	313
Commutated sums	598	1	(106)	493	11	(32)	472
Crime and disorder partnership	102	0	(34)	68	0	(3)	65
Custom Build	15	27	0	42	30	0	72
Deepcut Village Centre: Alma Dettingen	358	1	(76)	283	1	0	284
Frimley Lodge Park 3G Pitch	46	21	0	67	21	0	88
Heatherside: multi-use games area	33	0	(4)	29	0	0	29
Insurance reserve fund	203	0	(8)	195	0	(2)	193
Interest Equalisation	675	1,816	0	2,491	1,526	0	4,017
Land drainage	384	0	0	384	0	0	384
LLC Personal Search Revocation	23	0	0	23	0	(23)	0
New Burdens Fund	103	5	(8)	100	45	(8)	137
Old Dean toddlers playground	18	2	(3)	17	0	0	17
One Public Estate	119	372	0	491	0	(145)	346
Personalisation and Prevention Partnership Fund	87	0	(62)	25	0	(4)	21
Planning S106 Agreements	216	9	0	225	1	(27)	199
Planning Tarriff contributions	635	2	(637)	0	0	0	0
Property Maintenance	1,904	128	(13)	2,019	0	(34)	1,985
Recycling/Refuse Equalisation	180	0	0	180	0	(180)	0
Remediation fund	45	0	0	45	0	0	45
Rental Equalisation	0	970	0	970	0	(863)	107
SAMM	0	39	0	39	17	0	56
SANGS	1,245	3,540	(655)	4,130	1,375	(1,427)	4,078
Surrey Family Support Programme	242	0	0	242	0	(163)	79
<b>Total Revenue Purposes</b>	<b>9,526</b>	<b>7,477</b>	<b>(2,142)</b>	<b>14,861</b>	<b>8,059</b>	<b>(2,957)</b>	<b>19,963</b>
<b>TOTAL</b>	<b>18,971</b>	<b>8,704</b>	<b>(2,392)</b>	<b>25,283</b>	<b>8,923</b>	<b>(3,235)</b>	<b>30,971</b>

# NOTES TO THE ACCOUNTS



## 28. UNUSABLE RESERVES

Unusable Reserves	31st March 2019 £'000	31st March 2018 Restated £'000
Revaluation Reserve	(22,710)	(23,833)
Capital Adjustment Account	(5,401)	(26,532)
Pensions Reserve	46,069	39,527
Collection Fund Adjustment Account	(600)	(219)
Accumulated Absences Account	93	93
Available for Sale Financial Instruments Reserve	0	(151)
Financial Instruments Revaluation Reserve	(184)	0
<b>Total Unusable Reserves</b>	<b>17,267</b>	<b>(11,115)</b>

### 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	2018/19 £'000	2017/18 £'000
<b>Balance at 1 April</b>	<b>(23,833)</b>	<b>(21,854)</b>
Upward revaluation of assets	(1,053)	(5,023)
Downward revaluation of assets and impairment losses not charged to the surplus / deficit on the provision of services	1,811	2,646
<b>(Surplus) or deficit on revaluation of non-current assets not posted to the surplus or deficit on the provision of services</b>	<b>758</b>	<b>(2,377)</b>
Difference between fair value depreciation and historical cost depreciation	365	398
<b>Amount written off to the Capital Adjustment Account</b>	<b>365</b>	<b>398</b>
<b>Balance at 31 March</b>	<b>(22,710)</b>	<b>(23,833)</b>

### 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 provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current and fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

# NOTES TO THE ACCOUNTS



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

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

Capital Adjustment Account	2018/19 £'000	2017/18 Restated £'000
<b>Balance at 1 April</b>	<b>(26,532)</b>	<b>(33,648)</b>
<i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</i>		
Charges for depreciation and impairment of non-current assets	(554)	1,131
Revaluation losses/gains(-) on property, plant and equipment	19,525	11,605
Revenue expenditure funded from capital under statute	718	459
Amounts of non-current assets written off on disposal or sale as part of the (gain) / loss on disposal to the Comprehensive Income and Expenditure Statement	3,798	4
	<b>23,487</b>	<b>13,199</b>
Adjusting amounts written out of the Revaluation Reserve	(365)	(398)
<b>Net written out amount of the non-current assets consumed in the year</b>	<b>23,122</b>	<b>12,801</b>
<b>Capital financing applied in the year:</b>		
Use of the capital receipts reserve to finance new capital expenditure	(827)	(151)
Capital grants and contributions credited to Comprehensive Income and Expenditure Statement that have been applied to capital financing	(1,116)	(587)
Capital Expenditure funded from Reserves	(1,201)	(264)
Capital Expenditure funded from Revenue	(93)	(112)
Statutory provision for the financing of capital investment charged against the General Fund Balance	(1,400)	(1,317)
Capital expenditure charged against the General Fund Balance		
	<b>(4,637)</b>	<b>(2,431)</b>
Movements in the market value of investment properties debited or (credited) in the Comprehensive Income and Expenditure Statement	2,646	(3,254)
<b>Balance at 31 March</b>	<b>(5,401)</b>	<b>(26,532)</b>

## 28.3 Pensions Reserve

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

# NOTES TO THE ACCOUNTS



directly responsible. The debit balance on the pensions reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

<b>Pension Reserve</b>	<b>2018/19 £'000</b>	<b>2017/18 £'000</b>
<b>Balance 1st April</b>	<b>39,527</b>	<b>39,074</b>
Remeasurements of the net defined benefit liability	3,974	(1,391)
Reversal of items relating to retirement benefits debited or (credited) to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement	4,974	4,239
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,406)	(2,395)
<b>Balance at 31 March</b>	<b>46,069</b>	<b>39,527</b>

## 28.4 Collection Fund Adjustment Account

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

<b>Collection Fund Adjustment Account</b>	<b>2018/19 £'000</b>	<b>2017/18 £'000</b>
<b>Balance 1st April</b>	<b>(219)</b>	<b>(1,720)</b>
Amount by which Council tax income and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from Council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	(381)	1,501
<b>Balance at 31 March</b>	<b>(600)</b>	<b>(219)</b>

## 28.5 Accumulated Absences Account

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

<b>Accumulated Absences Account</b>	<b>2018/19 £'000</b>	<b>2017/18 £'000</b>
<b>Balance 1st April</b>	<b>93</b>	<b>90</b>
Comprehensive income and expenditure statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	0	3
<b>Balance at 31 March</b>	<b>93</b>	<b>93</b>

# NOTES TO THE ACCOUNTS



## 28.6 Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Council arising from the increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. 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.

Available for Sale Financial Instruments Reserve	2018/19 £'000	2017/18 £'000
<b>Balance at 1 April</b>	<b>(151)</b>	<b>(54)</b>
Upward revaluation of investments	0	(102)
Downward revaluation of investments not charged to the surplus / deficit on the provision of services	0	5
	<b>(151)</b>	<b>(151)</b>
Transfer of Available for Sale Reserve opening balance to Financial Instrument Revaluation Reserve	151	
<b>Balance at 31 March</b>	<b>0</b>	<b>(151)</b>

The 2018/19 Local Authority Accounting Code of Practice has adopted IFRS9 Financial Instruments. The implementation of IFRS9 has resulted in the Available for Sale Reserve being discontinued and the balance held has been transferred to the Financial Instrument Revaluation Reserve. The transfer from the Available for Sale Reserve to the Financial Instrument Revaluation Reserve is in respect of the CCLA Property Fund investment.

## 28.7 Financial Instruments Revaluation Reserve

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

Financial Instruments Revaluation Reserve	2018/19 £'000	2017/18 £'000
<b>Balance at 1 April</b>	<b>0</b>	<b>0</b>
Transfer of Available for Sale Reserve opening balance to Financial Instrument Revaluation Reserve	(151)	0
Gain on revaluation of Longer Term Investments	(33)	0
<b>Balance at 31 March</b>	<b>(184)</b>	<b>0</b>

The implementation of IFRS9 has resulted in the creation of the Financial Instrument Revaluation Reserve which reflects the transfer of balances from the Available for Sale Financial Instrument Reserve. This transfer from the Available for Sale Reserve to the Financial Instrument Revaluation Reserve is in respect of the CCLA Property Fund investment.



# NOTES TO THE ACCOUNTS



## 29. LEASES

### 29.1 Finance Leases

The Council has no finance leases.

### 29.2 Council as Lessee – Operating Leases

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

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

<b>Council as Lessee - Operating Leases</b>	<b>2018/19 £'000</b>	<b>2017/18 £'000</b>
Not later than one year	32	50
Later than one year and not later than five years	100	124
Later than five years	2	2
<b>Total</b>	<b>134</b>	<b>176</b>

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

<b>Operating lease expenditure charged</b>	<b>2018/19 £'000</b>	<b>2017/18 Restated £'000</b>
Adult social care	22	25
Other Services	12	39
<b>Total</b>	<b>34</b>	<b>64</b>

### 29.3 Council as Lessor – Operating Leases

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

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

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

<b>Council as Lessor - Operating Leases</b>	<b>2018/19 £'000</b>	<b>2017/18 £'000</b>
Not later than one year	4,831	2,365
Later than one year and not later than five years	15,658	6,646
Later than five years	38,053	28,661
<b>Total</b>	<b>58,542</b>	<b>37,672</b>

The Council is also Lessor of the Atrium shopping centre in Camberley for which it receives a fixed percentage of net rent collected. In 2018/19 the income was £200,000 and in 2017/18 £235,430. The lease is expected to continue into the foreseeable future. However, on the grounds of materiality this has not been separated into the component parts within this note.

# NOTES TO THE ACCOUNTS



## 30. DEBTORS

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

Short Term Debtors	2018/19 £'000	2017/18 Restated £'000
Trade receivables	12,033	5,533
Other receivables	6,210	9,359
	<b>18,243</b>	<b>14,892</b>
Allowance for bad debts	(1,544)	(1,018)
<b>Total</b>	<b>16,699</b>	<b>13,874</b>
Long Term Debtors	2018/19 £'000	2017/18 £'000
Charges on properties	161	162
Unamortised tenant and rent incentives	0	247
Other Debtors	1,151	11
<b>Total</b>	<b>1,312</b>	<b>420</b>

## 31. CASH AND CASH EQUIVALENTS

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

Cash and Cash Equivalents	31 March 2019 £'000	31 March 2018 Restated £'000
Cash held by the Council	11	10
Bank current accounts	641	1,876
Short term deposits	29,513	9,776
<b>Total cash and cash equivalents</b>	<b>30,165</b>	<b>11,662</b>

## 32. CREDITORS & PROVISIONS

### 32.1 CREDITORS

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

Short Term Creditors	2018/19 £'000	2017/18 Restated £'000
Trade Payables	(10,698)	(3,397)
Other Payables	(9,510)	(14,650)
<b>Total</b>	<b>(20,208)</b>	<b>(18,047)</b>
Long Term Creditors	2018/19 £'000	2017/18 £'000
Central government bodies	0	0
Other local authorities	0	0
Other entities and individuals	(4,383)	(239)
<b>Total</b>	<b>(4,383)</b>	<b>(239)</b>

# NOTES TO THE ACCOUNTS



## 32.2 Provisions

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

NDR Provision	2018/19 £'000	2017/18 £'000
Balance 1st April 2018	(2,712)	(1,563)
Additional provisions	0	(1,149)
Amount used in year	87	
Amount reversed unused	2,091	
Balance 31 March 2019	(534)	(2,712)

A provision was made in 2017/18 to reflect the claim made by NHS hospitals for charitable status in respect of Business Rates. At the 31<sup>st</sup> March 2019 it was assumed that this claim would be unsuccessful and the provision has been reversed.

## 33. CASH FLOW STATEMENT – OPERATING ACTIVITIES

2018/2019 £'000		2017/2018 £'000
212	Interest received	(156)
(1,965)	Interest paid	1,008

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

2018/2019 £'000		2017/2018 £'000
1,365	Depreciation	1,134
19,998	Impairment and downward valuations	8,414
637	Increase/(decrease) in impairment for bad debts	13
9,535	Increase/decrease in creditors	257
(5,275)	Increase/decrease in debtors	(4,251)
26	Increase/decrease in inventories	37
2,568	Movement in pension liability	1,844
(2,178)	Increase/decrease in provision	1,149
3,106	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	4
(2,817)	Other non-cash items charged to the net surplus or deficit on the provision of services	1,163
26,965		9,764

# NOTES TO THE ACCOUNTS



## 34. CASH FLOW STATEMENT – INVESTING ACTIVITIES

The cash flows for investing activities include the following items:

Cash Flow Statement - investing activities	2018/19 £'000	2017/18 £'000
Purchase of property, plant and equipment, investment property and intangible assets	(54,169)	(3,638)
Purchase of short term and long term investments		(2,018)
Proceeds of sale of Investments	2,018	0
Proceeds from the sale of property, plant and equipment, investment property	4,955	0
<b>Net cash flows from investing activities</b>	<b>(47,196)</b>	<b>(5,656)</b>

## 35. CASH FLOW STATEMENT – FINANCING ACTIVITIES

The cash flows for financing activities include the following items:

Cash Flow Statement - financing activities	2018/19 £'000	2017/18 £'000
Cash receipts of short and long term borrowing	55,959	748
Other receipts from financing activities	(4,051)	(2,601)
<b>Net cash flows from financing activities</b>	<b>51,908</b>	<b>(1,853)</b>

## 36. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

Reconciliation of Liabilities arising from Financing activities.	1st April 2017	Financing cash flows	31st March 2018
	£,000	£,000	£,000
Long Term Borrowings	16,860	(367)	16,493
Short Term Borrowings	102,103	1,115	103,218
<b>Total Liabilities from financing activities</b>	<b>118,963</b>	<b>748</b>	<b>119,711</b>

# NOTES TO THE ACCOUNTS



## 37. TRADING OPERATIONS

The table below shows those operating units of the Council where service managers are required to operate within a commercial environment and balance their budget by generating income from other parts of the Council, other organisations and the general public.

	2018/19		2017/18	
	Turnover £'000	(Surplus) / deficit £'000	Turnover £'000	(Surplus) / deficit £'000
Camberley Theatre	(977)	224	(1,008)	346
Car parks	(1,916)	(721)	(2,070)	(696)
Building control - chargeable	(301)	(72)	(313)	(22)
<b>Total</b>	<b>(3,194)</b>	<b>(569)</b>	<b>(3,391)</b>	<b>(372)</b>

### Camberley Theatre

The Council owns and manages a theatre that puts on a variety of productions.

### Car Parks

The car parks are owned and managed by the Council.

### Building Control

Under Regulations the Council is required to monitor the position on Building Control chargeable activities and demonstrate, taking one financial year with another, that the chargeable service as nearly as possible equates to the costs incurred.

## 38. AGENCY SERVICES

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

- Suitable Alternative Natural Green Space (SANGS) agreements in relation to Swan Lakes, Hawley Meadows, Shepherds Meadows and Strategic Access Management & Monitoring (SAMM).
- Management of two gypsy sites at Swift Lane and Kalima.
- Civil parking enforcement and controlled parking zones (April 2018 – November 2018).

	2018/19 £'000	2017/18 £'000
<b>Suitable Alternative Natural Green Space (SANGS)</b>		
Income	(1,091)	(655)
Expenditure	494	456
<b>(Surplus) / deficit on the agency arrangement</b>	<b>(597)</b>	<b>(199)</b>
<b>Gypsy sites **</b>		
Income	0	0
Expenditure	0	15
<b>(Surplus) / deficit on the agency arrangement</b>	<b>0</b>	<b>15</b>
<b>Parking Services *</b>		
Income	(188)	(337)
Expenditure	219	395
<b>(Surplus) / deficit on the agency arrangement</b>	<b>31</b>	<b>58</b>

# NOTES TO THE ACCOUNTS



\* Under the Agency Agreement for Civil Parking Enforcement the Council will receive a 20% share of any surpluses, and this is accrued to the Council's Income. Woking Borough Council has taken over the agreement and enforcement from November 2018.

\*\* In September 2016, the Council passed the Gypsy Sites back to Surrey CC. The income collected represents rent paid by gypsies to the Council. The expenditure represents amounts owed for utilities on the sites when the site was still being managed by The Council.

## 39. EXTERNAL AUDIT COSTS

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

	2018/19 £'000	2017/18 £'000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	32	46
Fees payable for the certification of grant claims and returns for the year	10	11
	<b>42</b>	<b>57</b>

## 40. RELATED PARTIES

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

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

### Central Government

Central Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council tax bills, housing benefits). Grants receivable from government departments are set out in Note 21.

### Members

Members of the Council have direct control over the Council's financial and operating policies. Five members are also members of Surrey County Council but have no personal interest in any transactions. Payments totalling £165,824 were paid to 3 organisations in which 3 members had an interest. The relevant members did not take part in any discussion or decision relating to the payments. Payments totalling £100,434 were received from three organisations in which 3 members had an interest.

The total of Members' allowances paid in 2018/19 is shown in Note 17.



## **Officers**

Chief Officers have the ability to influence the Council. For 2018/19, one outside interest was declared and payment of £415.80 was received from Surrey Heath Scouts.

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

The Council had significant financial transactions with both Surrey County Council and Surrey Police Authority, details of which are shown in the Collection Fund Statement for 2018/19.

## **41. DEFINED BENEFIT PENSION SCHEMES**

### **41.1 Participation in Pension Schemes**

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

The Council participates in two post-employment schemes:

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

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

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

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

### **41.2 Transactions relating to Post-Employment Benefits**

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against Council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in



# NOTES TO THE ACCOUNTS



Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme	
	2018/19 £'000	2017/18 £'000
<b>Comprehensive Income and Expenditure Statement</b>		
Service Costs included in Cost of Services - Current Service Cost	3,928	3,252
Included in Financing and Investment Income and Expenditure - Net Interest expense	1,046	1062
<b>Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services</b>	<b>4,974</b>	<b>4,314</b>
<b>Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>		
<b>Remeasurement of the net defined benefit liability comprising:</b>		
- Return on plan assets (excluding the amount included in the net interest expense)	2,569	(592)
- Actuarial gains and losses arising on changes in financial assumptions	(6,454)	1,992
- Other experience	(89)	(9)
<b>Total Post-employment Benefits (charged) or credited to the Comprehensive Income and Expenditure Statement</b>	<b>(3,974)</b>	<b>1,391</b>

## 41.3 Assets and Liabilities in relation to Post-employment Benefits

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

	Local Government Pension Scheme	
	2018/19 £'000	2017/18 £'000
Present value of the defined benefit obligation	(126,985)	(116,468)
Fair value of plan assets	80,916	76,941
<b>Net liability arising from defined benefit obligation</b>	<b>(46,069)</b>	<b>(39,527)</b>

# NOTES TO THE ACCOUNTS



## 41.4 Local Government Pension Scheme Assets

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

Asset category	Percentage of Total Assets	Period Ended 31 March 2019			Period Ended 31 March 2018		
		Quoted prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000	Quoted prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000
<b>Cash and cash equivalents</b>							
All	3%	2,755		2,755	9,115		9,115
<b>Equity Securities</b>							
Consumer	3%	2,191		2,191	6,242		6,242
Manufacturing	2%	1,406		1,406	5,658		5,658
Energy and Utilities	2%	1,247		1,247	3,102		3,102
Financial Institutions	2%	1,255		1,255	5,443		5,443
Health and Care	1%	1,072		1,072	2,056		2,056
Information Technology	3%	2,396		2,396	4,333		4,333
Other	0%	214		214	157		157
<b>Debt Securities</b>							
Corporate Bonds (investment grade)	0%	0		0	2,671		2,671
Corporate bonds (non-investment grade)	0%	0		0	169		169
UK Government	0%	0		0	157		157
Other	0%	0		0	353		353
<b>Private Equity</b>							
All	6%		4,796	4,796		3,229	3,229
<b>Real Estate</b>							
UK Property	5%	1,461	2,377	3,838	1,226	3,149	4,375
Overseas Property	2%		1,404	1,404		28	28
<b>Investment Funds and Unit Trusts</b>							
Equities	54%	38,787	5,567	44,353	21,336		21,336
Bonds	16%	9,699	3,817	13,516	8,410		8,410
Other	0%			0			0
<b>Derivatives:</b>							
Interest Rate	0%	0		0	(2)		(2)
Foreign Exchange	1%	472		472	109		109
	<b>100%</b>	<b>62,955</b>	<b>17,961</b>	<b>80,916</b>	<b>70,535</b>	<b>6,406</b>	<b>76,941</b>

# NOTES TO THE ACCOUNTS



## 41.5 Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 1st April 2016.

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

	Local Government Pension Scheme	
	2018/19	2017/18
Mortality assumptions:	Years	Years
Longevity at 65 for current pensioners:		
Men	22.5	22.5
Women	24.6	24.6
Longevity at 65 for future pensioners:		
Men	24.1	24.1
Women	26.4	26.4
Rate of inflation	2.40%	2.40%
Rate of increase in salaries	2.70%	2.70%
Rate of increase in pensions	2.40%	2.40%
Rate for discounting scheme liabilities	2.60%	2.50%

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

	Approximate % increase to Employer Liability	Approximate monetary amount (£'000)
Change in assumptions at 31 March 2018		
0.5% decrease in Real Discount Rate	9%	11,709
0.5% increase in the Salary Increase Rate	1%	1,334
0.5% increase in the Pension Increase Rate	8%	10,209



## 41.6 Impact on Council's cash flows

The objectives of the scheme are to keep employers' 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 as at the 31 March 2016 recommends no increase in contribution.

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

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The net liability of £46.1m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

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

The Council anticipates paying £2.3m contributions to the scheme in 2019/20.

The weighted average duration of the defined benefit obligation for scheme members is 16.3 years.

## 42. CONTINGENT LIABILITIES

The Council has identified the following Contingent Liability:

- The Council was a member of the 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 Account in the respective years. The Council's remaining potential liability from unpaid claims at 31 March 2019 was £81k which the Council holds as part of the earmarked Insurance Reserve Fund. Given the nature of the claims, projections remain uncertain and therefore no provision has been made and the Council is maintaining its earmarked reserve to fully cover its exposure.

## 43. CONTINGENT ASSETS

The Council has no contingent assets.

## 44. 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.

# NOTES TO THE ACCOUNTS



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

Financial Assets	Long Term		Current	
	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 Restated £'000
<b>Investments</b>				
At amortised cost:				
Principal	-	-	-	2,000
Accrued interest	-	-	-	18
At fair value through other comprehensive income:				
Equity investments elected FVOCI	2,185	2,151	-	-
<b>Total Investments</b>	<b>2,185</b>	<b>2,151</b>	<b>0</b>	<b>2,018</b>
At amortised cost:				
Principal	-	-	30,159	11,638
Accrued interest	-	-	6	24
<b>Total Cash and Cash Equivalents</b>	<b>0</b>	<b>0</b>	<b>30,165</b>	<b>11,662</b>
<b>Debtors</b>				
At amortised cost:				
Financial Assets carried at contract amount	1,312	420	12,816	10,680
<b>Total Financial Assets</b>	<b>3,497</b>	<b>2,571</b>	<b>42,981</b>	<b>24,360</b>

Financial Liabilities	Long Term Restated		Current Restated	
	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000
<b>Borrowing</b>				
Loans at amortised cost:				
Principal sum borrowed	(56,155)	(16,493)	(118,845)	(102,877)
Accrued interest	-	-	(667)	(338)
<b>Total Borrowing</b>	<b>(56,155)</b>	<b>(16,493)</b>	<b>(119,512)</b>	<b>(103,215)</b>
<b>Liabilities at amortised cost:</b>				
Creditors	(4,383)	(239)	(10,698)	(3,397)
<b>Total Financial Liabilities</b>	<b>(60,538)</b>	<b>(16,732)</b>	<b>(130,210)</b>	<b>(106,612)</b>

## 44.2 Reclassifications

In 2018/19, the following financial instruments were reclassified due to the adoption of IFRS9.

	Carrying amount brought forward at 1 April 2018 £000	New Classification at 1 April 2018	
		Amortised Cost £000	Fair Value through Other Comprehensive Income £000
<b>Previous classifications</b>			
Loans and receivables	23,683	23,683	
Available for Sale	2,151		2,151
Reclassified amounts at 1 April 2018	25,834	23,683	2,151

# NOTES TO THE ACCOUNTS



## Effect of Reclassification and remeasurement on the Balance Sheet

The new balances at 1 April 2018 for financial assets are incorporated into the Balance Sheet in the following note.

	Amortised Cost £000	Fair Value through Other Comprehensive Income £000	Total Balance Sheet carrying amount £000
<b>Remeasured carrying amounts at 1 April 2018</b>	-	-	-
<b>Reclassified amounts:</b>			
Long term investments		2,151	<b>2,151</b>
Long term debtors	173		<b>173</b>
Short term investments	2,018		<b>2,018</b>
Short term debtors	10,680		<b>10,680</b>
Cash and cash equivalents	11,662		<b>11,662</b>
<b>Total</b>	<b>24,533</b>	<b>2,151</b>	<b>26,684</b>

## 44.3 Income, expense, 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:

2018/19						2017/18				
Financial liabilities measured at amortised cost	Financial assets: at amortised cost	Financial assets: Fair Value through OCI	Assets and liabilities elected to Fair Value through OCI	Total		Financial liabilities measured at amortised cost	Financial assets: at amortised cost	Financial assets: Fair Value through OCI	Assets and liabilities elected to Fair Value through OCI	Total
£'000	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000	£'000
1,819				1,819	Interest expense	912	0	0	0	912
89			31	120	Fee expenses	92	0	4	0	96
<b>1,908</b>	<b>0</b>	<b>0</b>	<b>31</b>	<b>1,939</b>	<b>Total expense in surplus or deficit on the provision of services</b>	<b>1,004</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>1,008</b>
	(101)			(101)	Interest income	0	(34)	0	0	(34)
				0	Increase in fair value	0	0	0	0	0
			(111)	(111)	Dividend income	0	0	(131)	0	(131)
				0	Gains on de-recognition	0	0	0	0	0
<b>0</b>	<b>(101)</b>	<b>0</b>	<b>(111)</b>	<b>(212)</b>	<b>Total income in surplus or deficit on the provision of services</b>	<b>0</b>	<b>(34)</b>	<b>(131)</b>	<b>0</b>	<b>(165)</b>
			(33)	(33)	(Gains) on revaluation	0	0	(98)	0	(98)
				0	Losses on revaluation	0	0	0	0	0
<b>0</b>	<b>0</b>	<b>0</b>	<b>(33)</b>	<b>(33)</b>	<b>(Surplus) / deficit arising on revaluation of financial assets in other comprehensive income and expenditure</b>	<b>0</b>	<b>0</b>	<b>(98)</b>	<b>0</b>	<b>(98)</b>
<b>1,908</b>	<b>(101)</b>	<b>0</b>	<b>(113)</b>	<b>1,694</b>	<b>Net (gain) / loss for the year</b>	<b>1,004</b>	<b>(34)</b>	<b>(225)</b>	<b>0</b>	<b>745</b>

The Council has no soft loans.

# NOTES TO THE ACCOUNTS



## 44.4 Fair values of assets and liabilities

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

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

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2019, using the following methods and assumptions:

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

The following are included at Fair value:

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

Recurring Fair Value Measurements	Input level in Fair Value Hierarchy	Valuation technique used to measure Fair Value	31/03/2019 Fair Value £'000	31/03/2018 Fair Value £'000
Long term investments elected to fair value through other comprehensive income	Level 1	Quoted prices in active markets for identical assets	2,185	2,151

As at 31/3/19 the Council held £2.2m (2018 - £2.2) in Long Term Investments which are Pooled Funds comprised of the CCLA Property Fund.

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

There were no transfers between input levels during the financial year 2018/19.

There has been no change in valuation technique used during the year for the financial instruments.

The following financial instruments are not measured at Fair Value but their Fair Values are shown below.



# NOTES TO THE ACCOUNTS



	Fair Value Level	Balance sheet 31.03.19 £'000	Fair Value 31.03.19 £'000	Balance sheet 31.03.18 £'000	Fair Value 31.03.18 £'000
Recorded on balance sheet as:					
Long term debtors		1,312	1,312	420	420
Short term investments		0	0	2,018	2,018
Short term debtors		12,816	12,816	10,680	10,680
Cash and cash equivalents		30,165	30,165	11,662	11,662
<b>TOTAL FINANCIAL ASSETS</b>		<b>44,293</b>	<b>44,293</b>	<b>24,780</b>	<b>24,780</b>

\* The fair value of short-term financial assets held at amortised cost, including trade receivables, is assumed to approximate to the carrying amount.

	Fair Value Level	2018/19		2017/18	
		Balance Sheet	Fair Value	Balance Sheet	Fair Value
		£'000	£'000	£'000	£'000
Recorded on Balance Sheet as:					
Short Term Creditors		20,208	20,208	18,047	18,047
Short Term Borrowing		119,512	119,512	103,215	103,215
Long Term Creditors		4,383	4,383	239	239
Long Term Borrowing		56,155	60,420	16,493	19,001
Total Financial Liabilities		200,258	204,523	137,994	140,502

\*The fair value of short term financial liabilities including trade payables is assumed to approximate to the carrying amount.

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

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

### 45.1 Introduction

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

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

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



# NOTES TO THE ACCOUNTS



The main risks covered are:

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

## 45.2 Credit risk

### Investments

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

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

Approved Investment Counterparties and Limits:

Credit Rating	Banks Unsecured	Banks Secured	Building Societies	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£2m 5 years	£3m 10 years	£2m 3 years	n/a	£2m 20 years	£2m 20 years
AA+	£2m 5 years	£3m 10 years	£2m 3 years	n/a	£2m 10 years	£2m 10 years
AA	£3m 4 years	£3m 5 years	£2m 3 years	n/a	£2m 5 years	£2m 10 years
AA-	£2m 3 years	£3m 4 years	£2m 3 years	n/a	£2m 4 years	£2m 10 years
A+	£2m 2 years	£3m 3 years	£2m 2 years	n/a	£2m 3 years	£2m 5 years
A	£2m 13 months	£3m 2 years	£2m 12 months	n/a	£1m 2 years	£2m 5 years
A-	£2m 6 months	£3m 13 months	£1m 6 months	n/a	£1m 13 months	£2m 2 years
BBB+	£3m 100 days	£3m 6 months	£1m 100 days	n/a	n/a	£1m 2 years
None	£1m 6 months	n/a	£1m 6 months	n/a	n/a	n/a
Pooled funds	£2m per fund					
Supranational Banks	£3m for up to 5 years where rated A or above					
UK Local Councils	£2m per authority for up to 5 years					

# NOTES TO THE ACCOUNTS



## 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	
	31/03/2019 £000s	31/03/2018 £000s	31/03/2019 £000s	31/03/2018 £000s
AAA	-	-	25	9,753
AA+	-	-	27,506	-
AA	-	-	-	-
AA-	-	-	-	-
A+	-	-	-	-
A	-	-	-	-
A-	-	-	-	-
BBB+	-	-	652	1,037
Unrated local authorities	-	-	-	2,018
Unrated banks	-	-	-	-
Unrated building societies	-	-	-	-
Unrated pooled funds*	2,185	2,151	-	23
Impaired Investments	-	-	-	-
<b>Total Investments</b>	<b>2,185</b>	<b>2,151</b>	<b>28,183</b>	<b>12,831</b>

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

## Receivables

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

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

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

	31/03/2019		31/03/2018	
	Lease receivables £'000	Trade receivables £'000	Lease receivables £'000	Trade receivables £'000
Neither past due nor impaired	1,267	11,297	291	10,466
Past due <3 months	23	869	23	65
Past due 3 - 6 months	19	162	27	46
Past due 6 - 12 months	3	258	56	24
Past due 12+ months	0	230	23	79
<b>Total</b>	<b>1,312</b>	<b>12,816</b>	<b>420</b>	<b>10,680</b>

## Receivables - Loss Allowance

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

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

# NOTES TO THE ACCOUNTS



	31/03/2019			31/03/2018		
	%	£000	£000	%	£000	£000
Debt at 2019	4%	11,540	461			
Debt at 2019	90%	527	473			
Debt at 2018	30%	199	60	4%	9,992	400
Debt at 2017		-	-	70%	134	93
Debt older than 2 years 2017	100%	462	462			
Debt older than 2 years 2016				100%	466	466
Gypsy Debts less than 2 years old	100%	58	58	50%	58	29
Gypsy Debts more than 2 years old	100%	30	30	100%	30	30
<b>Total</b>		<b>12,816</b>	<b>1,544</b>		<b>10,680</b>	<b>1,018</b>

## 45.3 Liquidity risk

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

The maturity analysis of financial instruments is as follows:

Time to maturity (years)	31/03/2019	31/03/2018
	Liabilities £'000	Liabilities £'000
Not over 1	119,512	103,215
Over 1 but not over 2	3,346	388
Over 2 but not over 5	3,283	2,680
Over 5 but not over 10	5,571	795
Over 10 but not over 20	13,103	2,035
Over 20 but not over 30	8,410	2,817
Over 30 but not over 40	11,027	3,899
Over 40	11,416	3,879
<b>Total</b>	<b>175,668</b>	<b>119,708</b>

## 45.4 Market Risks: Interest rate risk

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

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

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

# NOTES TO THE ACCOUNTS



at fair value will be reflected in Other Comprehensive Income and Expenditure or the Surplus or Deficit on the Provision of Services as appropriate.

The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates. At 31 March 2019, £29m (2018: £13m) of net principal borrowed on long term loans (i.e. borrowing net of investments) was exposed to fixed rates and £116m (2018: £91m) in short term loans was exposed to variable rates.

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

	31/03/2019	31/03/2018
	£'000	£'000
Increase in interest payable on variable rate borrowings	1,178	1,025
Increase in interest receivable on variable rate investments	(22)	(119)
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>1,156</b>	<b>906</b>
Increase in fair value of investments held at FVOCI	33	98
<b>Impact on Comprehensive Income and Expenditure</b>	<b>1,189</b>	<b>1,004</b>
Increase/(Decrease) in fair value of loans financial assets *	25,417	(4,002)
Increase/(Decrease) in fair value of fixed rate borrowings/liabilities *	41,994	(992)

\* No impact on Comprehensive Income and Expenditure.

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

## 45.5 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 £2.2m (2018 - £2.1m). A 5% fall in commercial property prices would result in a £0.1m (2018 - £0.1m) charge to Other Comprehensive Income & Expenditure.

## 46. RESTATEMENT OF FINANCIAL STATEMENTS

As a result of a review of the accounting treatment the following prior year adjustments have been made:

- The future commitment to enter in to a loan agreement was treated as a hedging financial instrument however in fact it actually just a future commitment to borrow money and so the entries have been reversed resulting in a restatement.
- The JPUT was treated as a subsidiary in the 2016/17 and 2017/18 financial statements. However it has now been treated as a foreign branch resulting in a restatement of 2016/17 and 2017/18.

# NOTES TO THE ACCOUNTS



## Balance Sheet

Line	Note	At the 31st March 2017 As originally presented £000		JPUT adjustment £000	At the 31st March 2017 As restated £000
Property, Plant and Equipment	a	46,213		106,691	152,904
Unquoted Equity	a	105,236		(105,236)	0
Long term Debtors	a	166		511	677
Short Term debtors	a	5,717		648	6,365
Cash and Bank	a	6,457		3,638	10,095
Short Term creditors	a	(12,961)		(5,460)	(18,421)
Long Term Creditors	a	(47)		(131)	(178)
Usable Reserves - General Fund	a	(21,298)		152	(21,146)
Usable Reserves - JPUT	a	0		(815)	(815)

## Note a

The JPUT was originally treated as an investment in a separate entity. However following a review of the accounting treatment this has now been treated as a foreign branch. This means that the assets and liabilities of the JPUT are therefore brought on to the Balance Sheet of the Council.

## Balance Sheet

Line	Note	At the 31st March 2018 As originally presented £000		Hedging adjustment £000	JPUT adjustment £000	At the 31st March 2018 As restated £000
Property, Plant and Equipment	a	145,640			(255)	145,385
Unquoted Equity	a					0
Long term Debtors	a	173			247	420
Short Term debtors	a	10,679			3,195	13,874
Cash and Bank	a	10,813			849	11,662
Short Term creditors	a	(14,013)			(4,034)	(18,047)
Short Term Derivatives	b	(1,980)		1,980		0
Long Term Creditors	a	(85)			(154)	(239)
Usable Reserves - General Fund	a	(31,254)			152	(31,102)
Usable Reserves - JPUT	b	(9,135)		(1,980)		(11,115)

# NOTES TO THE ACCOUNTS



## Note a

The JPUT was originally treated as an investment in a separate entity. However following a review of the accounting treatment this has now been treated as a foreign branch. This means that the assets and liabilities of the JPUT are therefore brought on to the Balance Sheet of the Council.

## Note b

The Council entered in to a commitment in 2018/19 to take out a loan at a future date at a fixed interest rate. This was originally treated as a hedging instrument however following a review of the accounting treatment this is in fact a forward commitment and so the accounts have been restated to reflect this.

### Comprehensive Income and Expenditure Statement

Line	Note	At the 31st March 2018 As originally presented £000	Transfer of depreciation and pensions to services £000	Hedging adjustment £000	At the 31st March 2018 As restated £000
Business	a	1,174	2,014		3,188
Community	a	4,747	619		5,366
Corporate	a	1,472	149		1,621
Finance	a	1,780	245		2,025
Legal	a	516	10,151		10,667
Investment and development	a	(5,263)	(2,992)		(8,255)
Regulatory	a	(2,757)	860		(1,897)
Transformation	a	437	29		466
Financing income	a	(393)	400		7
Other	a	11,475	(11,475)		0
Revals - hedging	b	1,980		(1,980)	0

## Note a

Depreciation and IAS 19 Pension costs were not allocated to services in the 2017/18 accounts. This was adjusted for in the 2018/19 resulting in a restatement.

## Note b

The Council entered in to a commitment in 2018/19 to take out a loan at a future date at a fixed interest rate. This was originally treated as a hedging instrument however following a review of the accounting treatment this is in fact a forward commitment and so the accounts have been restated to reflect this.

# COLLECTION FUND

## 47. COLLECTION FUND

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

	2018/19			2017/18		
	Business Rates	Council Tax	Total	Business Rates	Council Tax	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>INCOME</b>						
Council Tax Receivable		71,371	71,371		67,765	67,765
Business Rates Receivable	37,182		37,182	37,609		37,609
	<b>37,182</b>	<b>71,371</b>	<b>108,553</b>	<b>37,609</b>	<b>67,765</b>	<b>105,374</b>
<b>EXPENDITURE</b>						
<b>Apportionment of Previous Year Surplus/(Deficit)</b>						
Central Government	1,817		1,817	1,028		1,028
Surrey Heath Borough Council	1,454	380	1,834	822	239	1,061
Surrey County Council	363	2,242	2,605	205	1,500	1,705
Surrey Police Commissioner		378	378		261	261
	<b>3,634</b>	<b>3,000</b>	<b>6,634</b>	<b>2,055</b>	<b>2,000</b>	<b>4,055</b>
<b>Precepts, Demands and Shares</b>						
Central Government	0		0	17,251		17,251
Surrey Heath Borough Council	10,846	8,724	19,570	13,801	8,154	21,955
Surrey County Council	25,307	52,981	78,288	3,451	49,691	53,142
Surrey Police Commissioner		8,881	8,881		8,381	8,381
	<b>36,153</b>	<b>70,586</b>	<b>106,739</b>	<b>34,503</b>	<b>66,226</b>	<b>100,729</b>
<b>Charges to the Collection Fund</b>						
Transitional Protection Payments due to Central Government	240		240	1,076		1,076
Less: Write off for uncollectible amounts		87	87		61	61
Less: Increase/Decrease in Bad Debt Provision	(210)	242	32	733	(541)	192
Lees: Increase/Decrease in Provision for Appeals	(5,000)		(5,000)	2,874		2,874
Lees: Cost of Collection	125		125	123		123
	<b>(4,845)</b>	<b>329</b>	<b>(4,516)</b>	<b>4,806</b>	<b>(480)</b>	<b>4,326</b>
<b>Total Expenditure</b>	<b>34,942</b>	<b>73,915</b>	<b>108,857</b>	<b>41,364</b>	<b>67,746</b>	<b>109,110</b>
<b>Surplus/(Deficit) arising during the year</b>	<b>2,240</b>	<b>(2,544)</b>	<b>(304)</b>	<b>(3,755)</b>	<b>19</b>	<b>(3,736)</b>
<b>Surplus/(Deficit) b/fwd 1st April</b>	<b>(188)</b>	<b>2,405</b>	<b>2,217</b>	<b>3,567</b>	<b>2,386</b>	<b>5,953</b>
<b>Surplus/(Deficit) c/fwd 31st March</b>	<b>2,052</b>	<b>(139)</b>	<b>1,913</b>	<b>(188)</b>	<b>2,405</b>	<b>2,217</b>

## Non-Domestic Rates (NDR)

NDR is organised on a national basis. The Government specifies the rate poundage, and subject to the effects of transitional arrangements, the rates payable are calculated by multiplying the rateable values by the rate poundage. As at 31st March 2019, the total non-domestic rateable value of properties owned

# COLLECTION FUND

by the Council was £2.148m. The 2018/19 national non-domestic rate multiplier was 48p for small businesses and 49.3p for other businesses.

## Calculation of Council tax base

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

The calculation of the 2018/19 tax base is shown below:

2018/19			
Band	Number of chargeable homes less exemptions and discounts	Factor	Band D equivalents
A*	0	5/9	0
A	336	6/9	224
B	1,354	7/9	1,053
C	4,550	8/9	4,045
D	8,285	9/9	8,285
E	5,932	11/9	7,251
F	5,359	13/9	7,740
G	4,787	15/9	7,979
H	470	18/9	939
<b>Total</b>	<b>31,073</b>		<b>37,516</b>
New properties Band D equivalent			114
MOD properties			475
Less: allowance for non-collection			(564)
<b>Council tax base</b>			<b>37,541</b>
<b>Collection rate assumed</b>			<b>98.50%</b>



