



ANNUAL FINANCIAL REPORT

Incorporating the Statement of Accounts

for the year ended 31 March 2020

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NARRATIVE REPORT

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The purpose of this Statement of Accounts (the Accounts) is to summarise the Council's financial performance for the year 2019/20 and the overall financial position at 31st March 2020. This Report aims to provide context for the information within the Accounts.

OVERVIEW AND EXTERNAL ENVIRONMENT

Our Borough

Reigate & Banstead covers an area of 12,914 hectares situated towards the east of the County of Surrey. The Borough contains mixed rural and urban land coverage, with the majority of the population living in the towns of Reigate, Redhill, Banstead and Horley.

Our People

According to the 2019 mid-year population estimates, Reigate & Banstead has a population of 148,748. This has increased steadily since the 2011 census and is higher than the average of the other districts and boroughs in Surrey, with Reigate & Banstead being the second most populated 2nd tier local authority in the county.

Our Environment

The external issues we face in line with many other local authorities across the country are:

- Challenging and uncertain financial environment; including ongoing demand pressures caused by cuts in public sector spending in the period following 2010
- Ageing population with associated demands on local services
- Increasing demand for housing outstripping supply; whilst at the same time land supply is constrained by policy and environmental designations
- Rising house costs, particularly in the private rental market
- High demand for affordable housing and increasing levels of homelessness; and
- Ensuring the necessary social and physical infrastructure to keep pace with the scale of growth.

The local economy is diverse, with a strong local service sector, city workers as most locations are easily within the London Commuter Belt, trades, a developed public/education sector and several farms concentrated towards cereal and root vegetable agriculture. There is an extent of woodland management. Several employers with an international renown are found in force in and around the two most commercial town centres of Reigate and Redhill: including Towers Watson, Kimberly Clark, Travelers Group (insurance), AXA Insurance breakdown, Black & Veatch and Esure. Pfizer UK headquarters is by the M25 motorway in Walton-on-the-Hill. Notably Sutton and East Surrey Water is headquartered in Redhill and SGN in Horley. A choice of hotels exists in and around Horley particularly, reflecting its proximity to London Gatwick Airport.

Housing Need

There are around 60,000 homes in the borough Unlike some Surrey authorities, Reigate & Banstead disposed of its housing stock several years ago and now has the highest number of homes owned by private registered providers of affordable housing in the county. Information about levels of home ownership (Census in 2011) suggests that levels of owner occupation in the borough are similar to those across Surrey as a whole, at around 73%, with 13% of households renting privately and 12% of households in social rented housing. In comparison to the national average, Reigate & Banstead has a higher proportion of home ownership and a lower proportion of both private sector and social rented accommodation. The average house price is above the South East average but below the Surrey average.

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COVID-19 Pandemic

The coronavirus (COVID-19) outbreak was declared a global pandemic by the World Health Organisation on 11 March 2020. Currently we are working closely with the Government, related agencies, the voluntary sector, the County Council, town and parish councils and the NHS to support businesses and residents.

Business rates relief and grants for businesses in the retail, hospitality and leisure sectors have been administered in line with government guidelines helping over 2,000 businesses in the borough. Additional council tax relief has been given to vulnerable people and households through the Government's hardship fund. A Community Hub was set up at the Council's Harlequin Theatre in collaboration with key partners and volunteers to support vulnerable residents, ensuring food and other essential items are delivered to those with particular health conditions as well as offering a wider support package where required. We are also working with partners to house all the borough's known rough sleepers.

During this period of heightened social distancing council meetings are being held virtually using video conferencing technology and broadcast online to maintain open and transparent decision making.

On 23 March the Government imposed a lockdown on the whole population, restricting all non-essential travel and contact with people outside of the home and closed almost all businesses, venues and facilities. This has had a considerable impact on the Council as many businesses in the borough have been forced to close temporarily which has potential for longer-term impacts on the local economy which would in turn impact on our ability to collect income, both from taxpayers and services such as car parking and cultural facilities, as well as from investments. There will also be additional cost pressures as we respond to the outbreak and provide support to the most vulnerable residents.

Councils like this borough are category one responders under the Civil Contingencies Act 2004, which sets out the legislative framework for responding to emergencies such as the COVID-19 outbreak. As part of the Local Resilience Forum (LRF) Surrey councils are working work with local partner organisations to plan and activate their emergency responses. LRFs are based on police areas and so Reigate & Banstead, along with the other Surrey districts and boroughs, Surrey County Council, Surrey Police, Surrey Fire & Rescue Service and local NHS bodies are all Category 1 members of the Surrey Local Resilience Forum (SLRF). This means that this Council has played a key role in responding locally to COVID-19, to save lives, protect the NHS, and ensure our residents are protected wherever possible. We also have a duty to ensure that crucial council services continue to operate in these unprecedented times. Our response to the pandemic has been intense and wide ranging across a number of critical services.

We have activated our Borough Emergency Plan (as part of the declaration of a Major Incident across Surrey) and service business continuity plans to ensure we continue to deliver critical front-line services. Our critical front-line services include:

- Housing & Homelessness Services
- Waste, Refuse & Recycling
- Street Cleaning
- On-street parking management for Highways
- Family Support
- Bereavement Services,
- Licensing, Food Safety and Pest Control
- Business Rates, Council Tax and Benefits
- Emergency planning and response
- Customer Services and Communications.

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In addition, support services including HR, Finance and ICT made a key contribution to enable the continued provision of critical front-line services.

Where possible, other Council services (e.g. Planning) continued to operate where officers were able to work remotely at home. However, many services operated at reduced levels due to activity levels being lower than normal and the need to redeploy staff to support the emergency response. Some Council services, such as the Harlequin theatre and Community Centres were forced to close through government legislation. Due to a lack of demand and Government guidance, the Council also suspending car parking charges for a period of three months.

In supporting the Emergency response through the LRF, the Council introduced a number of new and enhanced services to support the most vulnerable individuals and communities and to respond to the pandemic emergency. This included:

- Establishing a 'locality hub' at the Harlequin theatre to coordinate measures to support vulnerable people in the borough and 'shield' them from the risk of COVID-19. This included providing food parcels, hot meals delivery, prescription collection and welfare calls
- Procuring and placing homeless households and rough sleepers in hotel and other temporary accommodation and providing meals and food parcels to them
- Expanded and scaled up operations at council cemeteries to deal with Excess Deaths
- Providing significant business rate relief and grants to local businesses in line with the government schemes
- Providing hardship funding for Council tax and administering an increase in claimants for the local council tax support scheme
- Providing general advice to the public and specific advice to individuals suffering hardship as a result of COVID-19
- Providing signposts and notices on our high streets to encourage social distancing as the lockdown was lifted.

From a Business Continuity perspective, the Council, like many other organisations, has had to rapidly enable officers and Councillors to work from home on a large scale. A proportion of the Council's officers are classed as Key Workers and continued to attend their normal places of work and carry out their roles if it was not possible to carry out their jobs from home. However, in order to ensure the safety and health of our staff, we have taken as many precautionary steps as possible to reduce the risk to their health of carrying out their roles. This included closing our offices and enabling officers to work from home wherever possible. We have also taken steps to ensure that where staff have to attend a place of work or are providing frontline services to the public, that we are able to implement, as far as possible, social distancing and provide appropriate personal protective equipment where risk assessments have identified a need to do so.

The Council has not seen a significant increase in sickness levels as a result of the COVID-19 crisis, this may in part be due to the ability for staff to work from home and were able to self-isolate effectively.

There was little direct financial impact on the 2019/20 financial position as the pandemic was declared late in March, but there will be significant challenges in the year ahead, and potentially future years, as the full financial impact becomes clearer and the Council deals with the ongoing crisis. Given the uncertainty around the full extent of the economic impact at this stage, it is difficult to estimate with any confidence the likely impact on our financial position.

The Government has allocated emergency COVID-19 funding to local authorities, but this may not be sufficient to cover the additional cost pressures or loss of income. We are closely monitoring COVID-related expenditure and assessing the potential loss of income and regular updates are being presented to Executive.

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As a billing authority the Council's cash flow is subject to pressure as it continues to pay precepting authorities their share of budgeted business rates and council tax income; this does not take into account any reduction in collection rates. The Government has introduced short-term measures to provide immediate relief and daily cash flow monitoring is being undertaken for early identification of pressure points, however additional pressures are expected following the reduction/winding-up of short-term support and financial stimulus measures.

The COVID-19 crisis will however have a significant impact on the financial position of the Council. The quarter one revenue budget monitoring and MTFP reports to Executive in July and September 2020 set out the forecast potential impact of the increased cost of service provision and the significant reduction in income as a result of a number of services being closed. The main areas of extra costs have been in relation to homelessness and welfare support for shielded residents. There has also been a significant reduction in fees and charges income from services, mainly car parking, planning and garden waste. The Council's investment property income has not seen a significant reduction, where necessary lease payments have been rescheduled but the risk of bad debts remains low.

Estimates for the financial impact on the Council's general fund at quarter one 2020/21 were additional unbudgeted expenditure of £0.889 million and income losses of £3.749 million. At that date funding support from the Government and Surrey County Council amounted to £1.614 million.

The in-year cash flow impact of business rate and council tax income shortfalls will be accounted for through the Collection Fund and eventually impact on the budgets of all precepting authorities (the County Council, the Police & Crime Commissioner and the Government), as well as this authority in 2021/22 onwards. The main risks to income levels relate to the ability of households and businesses to pay their taxes during a post-COVID-19 economic downturn. Over the short-term the Government has provided £0.737 million additional hardship funding for council taxpayers and £19.391 million additional business rates reliefs which have mitigated many of the immediate impacts. Over the medium to longer term it is difficult at present to forecast the impacts on collection rates. The Government has announced that recovery of 2020/21 Collection Fund deficits can be spread over three financial years and has indicated that funding may be made available to offset some of this loss, but the details are yet to be confirmed. At quarter one 2020/21 the forecast risk to the Collection Fund from COVID-19 was £10.6 million, comprising £3.4 million in potential business rate bad debts and £6.2 million council tax losses. The actual position will not be known until much later in the year.

Members have been advised that these forecasts are highly likely to change as the situation continues and regular updates are planned. The Council's Contingency budgets and Reserves are currently sufficient to accommodate the potential impact of COVID-19 however, there will be a consequent requirement to rebuild Reserves over the medium term. As a result, there is no immediate risk to the financial sustainability of the Council however the ongoing financial impacts of the pandemic (for example on income streams) remains uncertain.

A recovery framework has been developed and is aligned with the new Corporate Plan and focuses on key priorities:

- Maintain core services and essential statutory services
- Provide targeted support for those who need it most
- Draw on resources within our communities to help us
- Strengthen our place in the community and the role of councillors as community leaders
- Manage expectations about non-core activities and encourage personal responsibility
- Become more efficient by maintaining new and different ways of working
- Invest responsibly to help secure the future wellbeing and resilience of the borough.

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REIGATE & BANSTEAD BOROUGH COUNCIL

We carry out a wide range of services and activities to benefit those who live in, work in, and visit the borough.

- Waste and recycling collection
- Street cleaning
- Council car parks and parking enforcement
- Council green spaces and allotments
- Housing register and homelessness services
- Collection of local taxes and counter-fraud services
- Cultural and community centres
- Local Plan and planning applications
- Community safety
- Licensing and environmental health
- Community development and family support

In 2019/20 a typical (band D) household paid £227.46 a year through its Council Tax - less than £4.38 per week, covering all services provided.

Our Plans

Our new corporate five-year plan Reigate & Banstead 2025 reflects the borough's local characteristics, the needs of our residents and businesses, and the wider context in which we operate (for example, new and changing government legislation and regulation). We have developed it in consultation with local councillors, residents, businesses and other organisations with an interest in what happens in the borough.

GOVERNANCE

Political Leadership

The political leadership of the Council during the financial year 2019/20 was through the Executive which consisted of the Leader, Deputy Leader and a further eight Portfolio Holders. There are 15 wards and 45 Councillors representing the Borough. Political membership is currently:

- 29 Conservative group members
- 7 Residents' Association group members
- 5 Green Party group members
- 3 Liberal Democrat members; and
- 1 Vacancy.

The managerial leadership comprises the Corporate Management Team (Head of Paid Service and three Corporate Directors) supported by 15 Heads of Service.

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Governance Arrangements

Member / officer relations are underpinned by a Protocol which form part of the Council's Constitution. Regular briefings between senior officers and portfolio holders ensure that Executive members are up to date with developments, can discuss future reports and provide officers with political direction. Council strategies are member-led allowing officers to focus on operational delivery.

The Constitution is subject to regular review and the Monitoring Officer reports to Council each year if they consider that it requires revision.

Members other than Executive Portfolio holders sit on groups that consider key Council business. The Overview & Scrutiny Committee consider all financial papers ahead of their debate at Executive. This Committee also has an important and defined role in the budget making process and contributes to its formulation prior to consideration by Executive.

For 2020/21 onwards Council will have a dedicated Audit Committee which will consider the Annual Governance Statement, risk and audit reports and approve the Annual Statement of Accounts.

Further detail can be found within the Annual Governance Statement published with these Accounts.

OPERATING MODEL AND PERFORMANCE

Corporate Plan Achievements 2019/20

The Reigate & Banstead 2015-2020 Corporate Plan was adopted in 2015 ago as a result of substantial research and consultation. The core purpose of the Plan has been to put into action what is important to our residents, who are at the heart of everything we do. The Plan has ensured that our work and resources have been directed towards the issues that matter the most to our residents. The Plan has covered a challenging time, as government funding for local authorities has been removed, yet the need to support our communities has continued. Despite this, the Plan has been ambitious in its goals and has been supported by sound financial management, smart ways of working, and dedicated staff.

Key achievements during 2019/20 are set out in detail across the Plan's three themes in a report to the Executive (Five Year Plan Performance Report 2019/20) on 19 September 2020.

In summary:

1. PEOPLE - Supporting residents to enjoy healthy and happy lifestyles

Our priorities have been to support residents into employment, provide great services to help older people stay independent, encourage healthy lifestyles through use of our leisure centres and open spaces, and help keep our communities safe. We have also provided a broad range of support across areas such as homelessness, benefits payments, dealing with anti-social behaviour, money support and community development.

2. PLACE – A great place to live and work

Our priorities have been to encourage existing and new businesses in the borough, ensure our towns and public spaces are clean and attractive, and establish a local plan reflecting the needs of the borough. We have also provided a broad range of support across areas such as planning, economic development, refuse and recycling, parking enforcement and environmental health.

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3. ORGANISATION – A great organisation

Our priorities have been to work towards becoming financially self-sufficient without impacting our residents' priorities, communicate and engage with our residents and businesses, increase the value of and income from Council assets, and maximise the potential of our staff. We have also continued to promote transparency and openness, efficient practices, and moving towards greater environmental sustainability.

Risk Management

The Council has a regularly updated Risk Management Strategy and Methodology in place which is adopted each year by the Executive and reviewed by the Overview & Scrutiny Committee. Strategic and Operational Risks are identified and assigned a lead officer; strategic risks also have a lead Executive Member. All risks are scored and mitigating actions recorded. The Executive and Audit Committee receive quarterly updates on risk management. Additionally, key risks are outlined within Executive reports.

Financial risks are also detailed separately within the Revenue Budget, Capital Programme, Capital Investment Strategy and Medium-Term Financial Planning reports.

RESOURCE ALLOCATION

The Council has consistently planned its finances on a medium to long term basis ensuring reserves are maintained at a level which supports financial sustainability while protecting services from reductions.

Medium Term Financial Plan

The current Medium Term Financial Plan (MTFP) pushes the planning horizon to March 2024. The MTFP was reported to Council in November 2019 and significantly shaped the annual budget setting cycle for 2020/21. Similarly, the MTFP considered by Executive in November 2018 and the Draft Budget in November 2018 shaped the framework for the setting of a balanced budget for 2019/20.

The MTFP is the Council's key financial planning document. It defines the financial resources needed to deliver corporate objectives and priorities and covers the financial implications of other key strategies. It also enables us to carry out an early assessment of the financial implications of its approved policies and strategies as well as emerging external financial pressures. The objectives of the MTFP are to help us:

- Provide a robust financial framework to assist decision-making processes
- Manage council finances within the context of a forward-looking service & financial planning framework
- Prioritise resources to align spending plans with our vision and strategic objectives and resident priorities
- Recognise the ongoing funding challenges that will need to be addressed through changes to how services are delivered, realising new sources of income and delivery of cashable budget savings, or a combination of all three
- Maintain council tax resource levels
- Maintain a balanced budget and continue to strengthen that position
- Maintain the General Fund reserve at a minimum of 15% of the annual net Revenue Budget to cover significant unforeseen expenditure
- Maintain Earmarked Revenue Reserves for specific purposes, consistent with achieving our priorities and managing risks. The use of Earmarked Revenue Reserves will be in line with the Reserves Policy and will be reviewed annually

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- Help confirm the affordable level of capital investment required to support our strategic and financial priorities while remaining within prudential borrowing limits
- Ensure that fees and charges are set at an appropriate level and that they take into account comparative levels of charge and ability to pay, in line with the Policy at Appendix 5
- Demonstrate probity, prudence and strong financial control
- Manage financial risks
- Continually review budgets to ensure resources are targeted on key objectives
- Continue to improve our approach to commissioning and procurement to ensure value for money for local taxpayers
- Support new ways to ensure financial sustainability and maximise income to deliver our priorities. This includes the development of commercial projects to capture both revenue income and capital growth opportunities.
- Pursue opportunities for securing external funding
- Support opportunities for working in collaboration with partners where this will support our priorities and improve service value for money.

The MTFP forecasts a cumulative funding gap of £1.866 million in 2021/22 rising to £5.536 million over the lifetime of the MTFP (2021/22-20256/26).

Financial planning for both revenue and capital expenditure is integrated with Treasury Management as part of the annual budget setting process. We have adopted a strategic and integrated approach to asset management with a Commercial Ventures officer Board and Commercial Ventures Executive Sub-Committee overseeing the delivery of the Commercial Strategy.

- **Economic conditions.** The impact of the economic cycle will need to be considered particularly in relation to business growth, inflationary pressures and interest rate movements. The impact of changes and any impact on public finances will need to be fully evaluated on the financial model.
- Impact of **Brexit.** While the Government has underwritten EU, funding agreed prior to the 2016 Autumn Statement, the impact of the UK's departure from the EU is one that remains unclear and may impact both politically and economically.
- Impact of the **COVID-19** Pandemic.
- **Government Finance Legislation.** There are key pieces of government legislation which will impact upon the future financial position of the Council. In particular the impact of the localisation of business rates and any additional responsibilities will need to be fully evaluated as well as the Government's current Fair Funding Review of local Government finance which is due to be introduced in 2021.
- **Other Government Legislation.** There are a significant number of political initiatives particularly in relation to localisation and the role of local Government. These will need to be assessed for their relevance to Reigate and Banstead and the impact on future finances.
- Buoyancy of **Income Streams.** These will be sensitive to changes in consumer confidence and the economy so will need to be closely monitored.
- **Strategic Investments:** We are looking to continue to pursue developments that produce financial returns while at the same time supporting the delivery of housing and regeneration priorities.

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- **Commercial Ventures:** We will seek to take advantage of commercial opportunities wherever possible to cover costs and to review our fees and charges in order to maximise income in line with corporate objectives.
- A **Financial Review** of the historic budget outturn position and of our base budget to ensure maximum value is obtained from those resources already allocated – effectively to ensure financial discipline and good housekeeping are maintained.
- Using **Reserves** in a sustainable and prudent manner to support our strategies and priorities. This will be supported by the Reserves Policy. It is recognised that reserves can only be used on a 'one off' basis. However, they can play an important part in supporting initiatives or investments which can deliver future benefits.
- To maintain the Council's financial standing, it is important that it continues its proactive approach to **Service & Financial Planning** and ensures that budget plans are deliverable and that investments are focussed on securing our financial health.

Capital Investment Strategy

The requirement to prepare a Capital Investment Strategy was introduced as a consequence of revisions of the Ministry of Housing, Communities and Local Government (MHCLG) Investment Guidance, MHCLG Minimum Revenue Provision (MRP) Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code.

The purpose of the Strategy is to:

- Demonstrate how the Council's capital expenditure plans contribute to the achievement of corporate priorities
- Confirm how the Council will ensure that the Capital Programme is affordable and sustainable
- Describe the framework for decision-making and prioritisation relating to capital expenditure
- Set out the approach to evaluating and monitoring asset utilisation

It is intended to be read in combination with the Treasury Management Strategy

The Strategy covers:

- How the Council's capital investment plans will support delivery of corporate priorities and key strategies – including the Corporate Plan and Housing Delivery Strategy
- How capital investment options are evaluated – to demonstrate effective governance, robust decision-making and compliance with new regulations and guidance
- How the Council plans to achieve a balance between capital investment to support service delivery and investments that deliver a financial return to support the budget
- How the Council's capital expenditure plans contribute to the achievement of corporate priorities
- Confirm how the Council will ensure that the Capital Programme is affordable and sustainable
- Describe the framework for decision-making and prioritisation relating to capital expenditure
- Set out the approach to evaluating and monitoring asset utilisation

The Strategy is reviewed on an annual basis as part of service and financial planning.

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Revenue Budget & Capital Programme

The Draft Revenue Budget is considered by the Executive annually during the autumn along with initial Capital Programme proposals. Budgets are prepared with reference to Medium-Term Financial Plan forecasts and are the outcome of work by Directors and Heads of Service, supported by Finance, to identify Revenue and Capital budget growth and savings proposals to be considered by Members in setting a balanced budget. This approach has enabled us to arrive at a sustainable budget position focused on its Corporate Plan objectives.

A balanced Revenue budget was set for both 2019/20 and 2020/21. The outturn position for 2019/20 was an underspend against the approved budget (further details below).

Financial Monitoring

We have a strong track record of managing spending within approved resources. Budget Managers are responsible for submitting projections against the agreed budget each quarter. This information is reviewed by Finance and reports are prepared to ensure all levels of the organisation (Managers through to Members) have a clear understanding of the financial position throughout the year. The information is shared on a regular basis with Directors, Heads of Service and then to Overview & Scrutiny and Executive.

PERFORMANCE MANAGEMENT

The Council has an established Performance Management Framework. Key Performance Indicators (KPIs) are reviewed annually and monitored and reported to the Overview & Scrutiny Committee and Executive each quarter to ensure that policy objectives are achieved and that we focus on key priorities and those aspects that need to be monitored more closely, e.g. for service improvement purposes. Progress on the delivery of the Corporate Plan is reported annually to the Overview & Scrutiny Committee and the Executive.

The outturn performance against 2019/20 KPIs was reported to the June 2020 Executive meeting. Of the 15 Key Performance Indicators reported on the final quarter, 11 were on target or within the agreed tolerance. The main areas of focus included:

- KPI 4 - a contextual indicator that tracks the number of individuals/households that approach us for homelessness support. Whilst this figure is outside our direct control – and no target was therefore able to be set – it provides valuable context for the other homelessness performance indicators.
- KPI 12 - the primary reason for the reduction in the number of active trade waste accounts is the closure of accounts following the non-payment of invoices. Recovery of outstanding monies due follows established debt recovery processes.
- KPI 1 - this indicator reports the percentage of key transactions that are completed online. It was not possible to report on this indicator during the year pending a systems upgrade reported in the previous quarters is almost complete.
- KPI 15 – reporting business income as a % of gross budget was delayed due to the planned later deadline for production of the annual Accounts.

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FINANCIAL PERFORMANCE

Revenue Budget Outturn 2019/20

In February 2019 the Council approved a net Revenue Budget for 2019/20 of £16.3 million. Transfers from the Corporate Plan Delivery Fund and other grants received during the year resulted in a net increase to £17.5 million.

| Table 1: 2019/20 Gross Revenue Expenditure Budget | | |
|---|---------------|------------|
| | £m | % |
| Expenditure: | | |
| Employees | 23.038 | 32 |
| Premises | 2.810 | 4 |
| Transport | 1.352 | 2 |
| Supplies & Services | 11.318 | 16 |
| Transfer Payments (Housing Benefits) | 32.902 | 46 |
| Total | 71.420 | 100 |
| Funded by: | | |
| Fees and Charges | 15.188 | 21 |
| Council Tax Income | 14.287 | 20 |
| Property Income | 4.478 | 6 |
| Grants | 2.159 | 3 |
| NNDR income | 1.948 | 3 |
| Reserves | 0.819 | 1 |
| Housing Benefit Subsidy | 32.541 | 46 |
| Total | 71.420 | 100 |

The final outturn for Service budgets at the end of Period 12 was £0.470 million (3.5%) higher than the management budget however, the overall provisional outturn, including Central Items, was £2.09 million (11.9%) lower than budget.

| Table 2: REVENUE BUDGET OUTTURN 2019/20 | | | | | |
|---|-----------------------|------------------------|-------------------------|------------------------|-------------------------|
| | Original Budget £m | Total Variations £m | Management Budget £m | Year End Outturn £m | Year End Variance £m |
| Service Budgets | 12.148 | 1.458 | 13.606 | 14.076 | 0.470 |
| Central Budgets | 4.147 | (0.277) | 3.870 | 1.313 | (2.557) |
| Total | 16.295 | 1.181 | 17.476 | 15.389 | (2.087) |
| Depreciation | | | | 2.284 | |
| Accounting Adjustments | | | | 9.000 | |
| Net Service Cost | | | | 26.673 | |

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The most significant Revenue Budget variances for the year are summarised below:

- Finance: £0.640m over budget as a result of additional work required during the 2018/19 audit of the Statement of Accounts, additional work relating to major projects including the Horley Business Park land purchase, Marketfield Way and Baseball, and the use of interim staff to both cover vacancies and to improve finance processes.
- Benefits Team and Benefits Paid/Subsidy Received: £0.573m over budget due to reduced DWP grant, additional consultancy and printing costs, increased Bed & Breakfast placement costs, additional statutory costs and income shortfall due to suspension/cessation of Court recovery as a result of COVID 19 at year-end.
- Harlequin Theatre: £0.221m over budget due to delay in cinema opening and staff costs higher than budget.
- Development Services: £0.200m lower than budget due to underspends on Consultancy.
- Fleet: £0.219m above budget due to expenditure on spare parts to keep the ageing Fleet running.
- Projects & Assurance: £0.105m lower than budget due to vacant posts
- Headroom Contingency: £0.737m lower than budget because funds have not been required during the year.
- Interest on borrowing: £0.086m lower than budget.
- Senior Management Team: £0.202m lower than budget due to vacant Director post.
- Property and Facilities: £0.322m lower than budget due to new rental income from Salfords Industrial Units offset by lower income from Warwick Quadrant and Marketfield Way.
- Refuse and Recycling: £0.341m lower than budget net (income is £0.703m higher than budget, offset by overtime and temporary staff costs to cover sickness and additional staff costs for recycling service to flats and extra expenditure on new bins).

Executive agreed that the underspend would be transferred to Reserves, initially to fund our response to the COVID-19 pandemic with any remaining balance used to help rebuild the Pensions Reserve ready for the next revaluation in 2022.

The service & financial planning process for 2021/22 will include an assessment of whether any budgets require realignment to reflect historic outturn trends.

Use of Reserves

Earmarked reserves are created by appropriating amounts from the General Fund Balance in the Movement in Reserves Statement. They are set aside to fund future policy delivery or to cover MTFP contingencies.

Where expenditure has been incurred which is to be financed from an earmarked reserve, the expenditure is charged to the relevant service within the Surplus or Deficit on the Provision of Services

within the Comprehensive Income and Expenditure Statement. An amount is then transferred from the earmarked reserve to the General Fund via an entry in the Movement in Reserves Statement.

The final 2019/20 underspend of £1.77m was transferred to the General Fund Reserve. This amount is included in the Outturn Balance of the reserve. The closing balance on all Reserves will be £41.591m.

NARRATIVE REPORT

The table below provides a summary of Reserves at year-end:

| Table 3: Reserve Balances at 31 March 2020 | |
|--|--------------------------------------|
| Reserve | Balance at 31.3.20 £m |
| General Fund Balance | 7,939 |
| Earmarked Revenue Reserves | |
| Housing Delivery Strategy Reserve | 19,079 |
| Government Funding Reduction Risks Reserve | 2,432 |
| Business Rates Safety Net/Levy Reserve | 848 |
| Commercial Risks & Volatility Reserve | 4,000 |
| Pension Reserve | 1,507 |
| Corporate Plan Delivery Fund (CPDF) | 1,000 |
| Insurance Reserve | 250 |
| New Posts Reserve | 750 |
| Homelessness Prevention | 611 |
| Feasibility Studies (Commercial Ventures) Reserve | 1,898 |
| Feasibility Studies (Infrastructure Initiatives) Reserve | 250 |
| Environmental Sustainability | 250 |
| Economic Development Initiatives Reserve | 777 |
| Total Earmarked Reserves | 33,652 |
| Total Reserves | 41,591 |

Capital Programme Outturn 2019/20

At the start of the financial year the Council's five-year (2019/20 to 2020/24) capital investment programme was £219.33m. Significant progress has been delivered across a number of major projects which support the Council's objectives, including:

- Marketfield Way Redevelopment
- Cromwell Road Redevelopment
- Pitwood Park

The approved group Capital Programme at the start of the financial year 2019/20 was £45.93m, at year end the final outturn was £18.90m compared to the approved Budget of £49.11m; the £30.21m variance is 62% below the approved programme for 2019/20.

The £30.21m variance comprises £29.79m slippage and an £0.42m underspend. In June 2020 Members approved £29.49m carry forward. This will allow the completion of 2019/20 agreed projects in the 2020/21 financial year.

NARRATIVE REPORT

The table below summarises 2019/20 capital expenditure and how it was funded:

| Table 4: Capital Expenditure & Funding 2019/20 | |
|--|---------------|
| | £m |
| Regeneration | 3.219 |
| Leisure and Culture | 0.487 |
| Housing Development | 0.366 |
| Waste Management and Recycling | 0.015 |
| Environment | 0.011 |
| Capital Grants | 1.384 |
| Organisational Change | 0.156 |
| Rolling Programmes | 2.270 |
| | £m |
| Commercial Investments | 10.988 |
| Other Schemes | 0.001 |
| Total | 18.897 |
| Financed by: | |
| Capital Receipts | 2,120 |
| Grants | 4,090 |
| Council Resources | 0.759 |
| Borrowing | 11.866 |
| Section 106 | 0.062 |
| Total | 18.897 |

As the percentage of capital expenditure financed from borrowing increases, so does the revenue financing costs associated with the additional borrowing required which puts further pressure on the revenue budget. A further review of the existing capital programme will be undertaken in 2020/21 with management asked to carefully consider older schemes with the aim of freeing up capital resources to reduce the pressure caused by the additional capital financing costs from the 2020/21 capital programme.

The capital outturn is set out in the table below.

| Table 5: Group Capital Outturn 2019/20 | | | | |
|--|---|--|-----------------------|------------------------|
| | Original Capital Budget £m | Revised Capital Budget £m | Outturn £m | Variance £m |
| Regeneration | 7.125 | 7.556 | 3.219 | (4.337) |
| Leisure and Culture | 0.367 | 0.522 | 0.487 | (0.035) |
| Housing Development | 10.419 | 10.602 | 0.366 | (10.236) |
| Waste Management and Recycling | 0.010 | 0.046 | 0.015 | (0.031) |
| Environment | 0.084 | 0.109 | 0.011 | (0.098) |
| Capital Grants | 1.135 | 1.722 | 1.384 | (0.338) |
| Organisational Change | 0.000 | 0.191 | 0.156 | (0.035) |
| Rolling Programmes | 1.786 | 3.362 | 2.270 | (1.091) |
| Commercial Investments | 25.000 | 25.000 | 10.989 | (14.012) |
| Other Schemes | 0.000 | 0.000 | 0.001 | 0.001 |
| | 45.927 | 49.109 | 18.897 | (30.211) |

NARRATIVE REPORT

Council Investments - Companies

The Council held investments in two subsidiaries, a joint venture and an associate during the year over which it had control or significant influence.

- Pathway for Care Ltd - associate providing supported living to clients. The Council holds 10% ordinary and 1.1m preference shares.
- Horley Business Park Development LLP, joint venture to promote the borough as a place to do business, securing resources to maintain and improve business related infrastructure and to create new jobs for our residents
- Greensand Property Holdings Limited, wholly owned subsidiary holding property for commercial income and regeneration purposes
- RBBC Ltd, subsidiary for digital systems development.

ACHIEVING FINANCIAL SUSTAINABILITY

We aim to achieve financial stability through a commercial and collaborative approach. This is supported by our MTFP where we state that we will:

- Provide a robust financial framework to assist decision-making processes
- Manage council finances within the context of a forward-looking service & financial planning framework
- Prioritise resources to align spending plans with our vision and strategic objectives and resident priorities
- Recognise the ongoing funding challenges that will need to be addressed through changes to how services are delivered, realising new sources of income and delivery of cashable budget savings, or a combination of all three
- Maintain council tax resource levels
- Maintain a balanced budget and continue to strengthen that position
- Maintain the General Fund reserve at a minimum of 15% of the annual net Revenue Budget to cover significant unforeseen expenditure
- Maintain Earmarked Revenue Reserves for specific purposes, consistent with achieving our priorities and managing risks. The use of Earmarked Revenue Reserves will be in line with the Reserves Policy at Appendix 4.1 and will be reviewed annually
- Help confirm the affordable level of capital investment required to support our strategic and financial priorities while remaining within prudential borrowing limits
- Ensure that fees and charges are set at an appropriate level and that they take into account comparative levels of charge and ability to pay, in line with the Policy at Appendix 5
- Demonstrate probity, prudence and strong financial control
- Manage financial risks
- Continually review budgets to ensure resources are targeted on key objectives
- Continue to improve our approach to commissioning and procurement to ensure value for money for local taxpayers
- Support new ways to ensure financial sustainability and maximise income to deliver our priorities. This includes the development of commercial projects to capture both revenue income and capital growth opportunities.
- Pursue opportunities for securing external funding
- Support opportunities for working in collaboration with partners where this will support our priorities and improve service value for money.

NARRATIVE REPORT

OUR PLANS

Looking to the future, we have a new Corporate Plan, Reigate & Banstead 2025. In a similar way to the previous Plan, the new Plan explains our priorities for the next five years, and how we will deliver services to those living, working and spending time in the borough. The new Plan has been developed looking at local evidence, resident feedback, and what has changed and is likely to change in the borough in the five years. We will continue to report on the progress of the new plan, with the first progress report to come this time next year.

Some examples of our strategic plans which contribute towards a sustainable future include:

Climate Change - the new Corporate Plan commits us to operate in an environmentally responsible way and explains that the Council will publish a new Environmental Sustainability Strategy. In September 2019, Full Council referred a motion about climate change for consideration by the Executive. This motion suggested a number of action and workstreams that we should commit to in order to address the challenge of climate change. An Environmental Sustainability Strategy has now been adopted. It explains how we can help achieve positive change across the borough, working with residents, communities, businesses and other partners.

Housing Delivery - during 2019/20 a Housing Delivery Strategy was adopted and is now Progressing to implementation over the next three years, supported by £30 million of capital resources allocated for investment in new affordable housing schemes.

Regeneration - recent activities have included the completion of our compulsory purchase order and commencement of enabling works at Marketfield Way which will help us to bring forward its mixed use leisure scheme in Redhill town centre; completion of a comprehensive upgrade to Horley's pedestrian precinct; improvements to Preston Park, including path resurfacing and a new outside gym; and the installation of new playground equipment in Priory Park.

NARRATIVE REPORT ADDITIONAL INFORMATION

STATEMENT OF ACCOUNTS 2019/20

The Accounts and Audit Regulations 2015 require the Council to produce a Statement of Accounts for each financial year that includes specified information.

Narrative Report - provides a brief explanation of the Council's activities and draws attention to the main characteristics of its financial position.

Annual Governance Statement - accompanies the accounts and has been signed by the Chief Executive and Leader of the Council, after being approved by the Audit Committee. It explains the arrangements the Council has for the governance of its affairs and for ensuring that there is a sound system of internal control;

Independent Auditor's Report - includes the auditor's opinion on the Statement of Accounts and assesses the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Statement of Responsibilities - sets out the respective responsibilities of the Council, the Audit Committee and the Chief Finance Officer.

Comprehensive Income & Expenditure Statement - reports the accounting of providing services in accordance with generally accepted accounting. Councils raise Council Tax to cover expenditure in accordance with regulations; this may be different from the accounting cost.

Movement in Reserves Statement – sets out the movement on the various Reserves.

Balance Sheet - reports the value of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the Reserves held. Reserves are reported as two categories. Usable Reserves may be used to fund services, subject to the requirement to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The other type of Reserve includes 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 account for timing differences shown in the Movement in Reserves Statement section 'Adjustments between accounting basis and funding basis under regulations'.

Cash Flow Statement - sets out changes in cash and cash equivalents (investments that mature in three months or less) during the reporting period. The Statement classifies cash flows as operating, investing and financing activities. The Net Cash Flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded through Council Tax and grant income or from service users. Investing activities represent the cash outflows are intended to contribute to future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (borrowing).

Expenditure and Funding Analysis - shows how funding (from Government grants, council tax and business rates) has been used in the provision of services compared to resources that have been consumed or earned by in accordance with generally accepted accounting practices.

Notes - provide more detail about the Council's accounting policies and individual transactions

NARRATIVE REPORT ADDITIONAL INFORMATION

Collection Fund - records the Council Tax and Business Rates raised by the Council during the year and how they were distributed.

Group Accounts - include the group statements and associated notes Horley Business Park Development LLP (Joint Venture), Pathway for Care Ltd (Associate), RBBC Ltd (Subsidiary) and Greensand Property Holding Ltd (Subsidiary).

Glossary - of accounting and other relevant terms.

FURTHER INFORMATION

Further information on this report may be obtained from the Interim Head of Finance at the Town Hall, Castlefield Road, Reigate, RH2 0SH.

On completion of the audit, a copy of the Statement of Accounts will be published on the Council's website at www.reigate-banstead.gov.uk

Pat Main
Interim Head of Finance

ANNUAL GOVERNANCE STATEMENT

ANNUAL GOVERNANCE STATEMENT 2019/20

Scope

Corporate governance describes how organisations direct and control what they do. For local authorities this also includes how a council relates to the communities that it serves.

The changing needs of residents and communities, significant reductions in resources and central government reforms present a challenge to all councils. In addressing these challenges, the Council must ensure that governance arrangements support the effective delivery of services and management of risk.

This Council is committed to planning and delivering services to the residents of the borough in a way that demonstrates accountability, transparency, effectiveness, integrity and inclusivity.

The Council's Code of Corporate Governance outlines our governance principles:

- i. Focusing on the Council's purpose and community needs;
- ii. Having clear responsibilities and arrangements for accountability;
- iii. Requiring good conduct and behaviour;
- iv. Taking informed and transparent decisions which are subject to effective scrutiny and risk management;
- v. Developing the capacity and capability of members and officers to be effective;
- vi. Engaging with local people and other stakeholders.

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and provides value for money. It also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. That duty has grown in importance with the reduction in resources being made available for local government over recent years.

This Annual Governance Statement sets out how the Council has complied with the Code and also meets the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 which have revised the Accounts and Audit Regulations (England and Wales) 2015 this year.

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

It has established governance arrangements which are consistent with the seven principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) Framework - Delivering Good Governance in Local Government. It has adopted a Local Code of Corporate Governance which was refreshed during 2019/20 and is publicised on the Council's [website](#).

During 2019/20 the Councillor Code of Conduct was also reviewed and agreed by the Governance Task Group in March 2020. Planned approval in April 2020 was deferred due to COVID-19; it is now scheduled to be approved by Council in July. A copy is available on the Council's [website](#)

These arrangements are supported by the Council's Risk Management Strategy which is also available on the [website](#).

ANNUAL GOVERNANCE STATEMENT

Purpose

The Council's governance arrangements are designed to manage risk to a reasonable level. The arrangements cannot eliminate all risks but can provide reasonable assurance of our effectiveness.

The governance framework has been in place for the year to the date of approval of this annual governance statement.

Governance Framework

The Council's governance framework comprises the systems and processes, and culture and values that allow us to achieve our strategic objectives and establish the extent to which services are delivered in an appropriate and cost-effective way.

These are summarised below:

- The Council's Five Year Plan and other documents contained in the Budget and Policy Framework set out priorities and intended outcomes for residents and service users. In January 2020 a new 5 Year Plan, Housing Delivery Strategy and Environmental Sustainability Strategy were adopted.
- The Executive, Committees and Panels have been established to ensure democratic engagement and accountability and are central to our decision-making.
- The arrangements for oversight and scrutiny of decisions and policy development by Councillors.
- Establishment of the Commercial Ventures Executive Sub-Committee whose terms of reference include:
 - Consider and take decisions about the potential establishment of commercial ventures and the undertaking of other investment activities by the Council.
 - Exercise the function of the Council as a shareholder or partner, in relation to companies, partnerships or other commercial entities owned or part owned by the Council.
 - Monitor and review the performance of commercial ventures undertaken by the Council, and to take decisions on the management of those commercial ventures.
 - Monitor and review the performance of investment activities undertaken by the Council, and to take decisions on the management of those investments.
- Delegation and authorisation arrangements which document the roles and responsibilities of Executive and non-Executive councillors and our statutory (and other senior) officer functions.
- Risk, performance and accountability arrangements that measure the quality of services - ensuring they are delivered in accordance with our objectives and that they represent the best use of resources. Commercial decisions are subject to a due diligence process and risk analysis.
- Business plans and associated resource plans, role profiles, organisation vision, values and behaviours and codes of conduct which underpin how Members and employees work.

ANNUAL GOVERNANCE STATEMENT

- Arrangements for consultation and engagement with the community.
- Independent internal audit service arrangements which provide risk-based assurance as well as supporting wider audit requirements.
- Independent oversight and challenge provided by our external auditors, the Information Commissioner, Freedom of Information (Act 2000) requests for information, General Data Protection Regulations and the Local Government Ombudsman;
- Procedures and internal management processes for:
 - Financial management
 - Procurement
 - Project management
 - Risk Management
 - Information governance & data security
 - Health & safety
 - Decision making
 - Whistleblowing
 - Complaints handling
 - Anti-fraud & corruption

Review of Effectiveness

We regularly review the effectiveness of the Council's governance arrangements through the officer Corporate Governance Group, by evaluating performance against the CIPFA/Solace framework (Delivering Good Governance in Local Government) and through independent audit reviews.

This includes considering decisions taken and matters considered by full Council, the Executive, the Management Team, the Overview & Scrutiny Committee, internal audits, work undertaken by external auditors and the annual report of the Local Government Ombudsman.

Self-Assessment

Our planning, performance and risk management framework has enabled us to focus on the delivery of our corporate priorities and provides the Overview & Scrutiny Committee and Executive with information to check and challenge attainment of our priorities.

An internal audit review of our Decision Making & Accountability was undertaken in 2019/20 which concluded there was 'substantial' assurance about the arrangements that are in place.

Overview & Scrutiny Committee and Executive Members have reviewed the register of the strategic business risks facing the Council. The Executive has received assurances about the operation of the arrangements for identifying and managing risk.

Financial Planning and Management

When the 2019/20 budget was approved it included growth of £2.620m, (mainly due to reduced funding from the Government), offset by £1.229m savings, resulting in net budget growth to £1.391m. Despite volatile economic conditions and in-year service pressures, expenditure was controlled, and the final outturn was an underspend equivalent to 11.9% of the revenue budget (£2.09m). The outturn position for the capital programme was £18.96m, representing £30.15m (61%) below the approved programme for the year. The variance was primarily as a result of £29.74m programme slippage and a £0.412m net underspend.

ANNUAL GOVERNANCE STATEMENT

The Chief Finance Officer has ensured that effective budget monitoring and reporting arrangements, involving the Management Team, Executive and Overview & Scrutiny Committee and Corporate Governance Group have remained in place.

The Overview & Scrutiny Committee (and its Budget Scrutiny Panel) reviewed 2020/21 budget proposals in depth as part of the budget preparation process in Autumn 2019. The Panel recognised and appreciated the significant amount of work that had gone into preparing the service and financial plans for 2020/21 and concluded that the budget proposals were sound, balanced and achievable. However, concern was expressed that the overall increase in the Revenue budget is unsustainable in the long term, unless additional revenue income sources are brought on stream. Overview & Scrutiny's report to Executive concluded that, while overall, there was a proposed £2.1m of investment and additional spending in service budgets with an overall a £1.256m call from reserves, it was anticipated that the forecast underspend from the current year's budget would in effect fund the majority of the call on Reserves in 2020/21. The Committee was supportive of this approach and its realistic approach to budget planning.

The new Capital Investment Strategy provides a framework within which investment decisions can be assessed.

Accountability

We have reviewed the Constitution to reflect legislative changes particularly in relation to procurement. We also continue to review the Scheme of Delegation for the Council and Executive responsibilities to reflect various legislative and organisational changes. The Scheme of Delegation was reviewed during 2019/20 and approved at Council in February 2020.

The Overview & Scrutiny Committee has agreed the Audit Plan and is scheduled to receive an end of year report from Internal Audit.

Conduct

The Standards Committee has operated in accordance with our published local arrangements, supported by the Monitoring Officer, since the abolition of the statutory requirement to have a Standards Committee.

The Council has a locally adopted Code of Conduct and all Councillors are given training regarding the conduct requirements. The latest Code of Conduct is scheduled for approval by Council in July 2020.

Councillor conduct complaint handling arrangements are approved by the Standards Committee and published on our [website](#). Emphasis is placed on a speedy informal resolution of concerns where possible. A set of principles has been agreed by the Political Group Leaders who work together to support this process. The Monitoring Officer maintains a register of complaints and resolutions and provides, as a minimum, an annual report to the Standards Committee.

Registers of Interest for Elected Members and senior Employees are maintained, and arrangements are in place for the declaration of interests when decisions are taken. We have also appointed a pool of Independent Persons, (shared with six other local authorities in Surrey) for four years up to 2023 to provide resilient support to meet this statutory responsibility.

Decision-Making

Our decision-making arrangements are one of our significant governance controls, linking to all of the governance principles that are set out in our Code of Corporate Governance. We continue to review these key principles on an ongoing basis and will recommend consideration of changes to reflect new working arrangements as identified.

ANNUAL GOVERNANCE STATEMENT

Positive assurances have been given by all Managers and by the Statutory Officers on risk management activities.

Skills and Capacity

The Council is developing an Organisational Development Strategy which will set out the approach needed to help ensure officers are engaged and committed to deliver the Council's priorities and services. Personal development plans and investment in 'talent management' helps to ensure we have effective succession planning in place and that our workforce has the skills, capability and capacity to meet the challenges facing the Council.

We undertake regular staff engagement, including surveys, and action plans are put in place to address any themes emerging from staff engagement activities.

An induction and Member Learning and Development programme is in place for new and returning Councillors. In May 2019, following the review of ward boundaries and local elections, a full-day training event took place to induct all new and re-elected councillors. This included briefings on the requirements of the Member Code of Conduct, Data Protection and Council finances. This was followed up with skills training for regulatory functions before Members took up places on the Planning, Licensing and Regulatory Committees. A variety of other learning events took place during the year to ensure that Councillors were briefed on new initiatives and legislative changes.

Engagement

Consultation and engagement had taken place with local people and other stakeholders on a range of issues during the year to inform the plans and decisions taken by the Council. We have reviewed our approach to engagement and continue to improve our use of digital channels to reach audiences with an improved website and a greater use of social media.

Independent Review

The Chief Internal Auditor provides independent assurance on the adequacy and effectiveness of the system of internal financial control. The Internal Audit Annual Report for 2019/20 included the following conclusion:

| |
|---|
| <p><i>Annual Internal Audit Opinion 2019-20</i></p> <p><i>"I am satisfied that sufficient assurance work has been carried out to allow me to form a reasonable conclusion on the adequacy and effectiveness of Reigate & Banstead Borough Council's internal control environment.</i></p> <p><i>In my opinion, Reigate & Banstead Borough Council's framework of governance, risk management and control is 'Adequate' and audit testing has demonstrated controls to be working in practice.</i></p> <p><i>Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement."</i></p> |
|---|

Internal audit reviews that were assessed as providing 'substantial' assurance included our work around development of the Corporate Plan and Decision Making & Accountability while Ethical Governance and development of the Housing Delivery Strategy were found to provide 'adequate' assurance.

ANNUAL GOVERNANCE STATEMENT

The ISA260 Report (from our external auditors - Deloitte LLP) summarises the finding of the audit of the Council each year. The most recent report, received by the Council, in September 2019, in respect of the 2018/19 financial year, contained the following conclusions:

- *On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, Reigate and Banstead Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.*

In our opinion the financial statements of Reigate and Banstead Borough Council ('the Authority') and its subsidiaries ('the group'):

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

A copy of the Report can be found on the Council's [website](#).

Coronavirus Pandemic Response

This AGS focuses on the governance in place during 2019/20 therefore the majority of the year was unaffected by coronavirus. However, there were impacts experienced as a consequence of the pandemic at the end of March 2020 and that remain at the time of finalising this AGS. Therefore, it is important to make reference to some of the more significant governance impacts in this year's AGS, which include:

- Changes to decision-making arrangements and the conduct of meetings online.
- Impacts on business as usual in the delivery of services
- Introducing new areas of activity as part of the national response to coronavirus and any governance issues arising
- Adopting new policies and processes
- Managing the logistical consequences of delivering the local government response
- Establishing new collaborative working arrangements with other public bodies and the voluntary and community sector
- Funding and cash flow challenges as a consequence of carrying out new unbudgeted activities, reduced demand for our income generating services, pausing some services and significant changes to cashflows in council tax and business rates collection
- New risks have been identified and some existing risks escalated.

Over the longer term the disruption and consequences arising from the coronavirus pandemic are expected to continue for some time, however planning for a Recovery phase is now in progress, including a lessons-learnt assessment.

Draft Statement of Accounts 2019/20 Publication

The Draft Statement of Accounts for 2019/20 was published on the Council's website on 05/10/2020. This was 35 days after the 31 August publication deadline specified in the revised Accounts & Audit Regulations for 2020. The primary reasons for the delay were the competing demands on Finance team resources as a consequence of the pandemic and the additional work that was carried out during this closedown to ensure that all matters raised in the 2018/19 audit were addressed, primarily in relation to fixed asset record-keeping and accounting.

ANNUAL GOVERNANCE STATEMENT

Senior Management Changes

This AGS covers 2019/20 when the former Chief Executive was in post. There was subsequently a change in the Council's senior management structure meaning that the Chief Executive was no longer in post when the AGS was finalised. It has therefore been signed by the Acting Head of Paid Service who was previously Director for People and is therefore aware of all relevant matters relating to the AGS.

Significant Governance Issues

The independent opinions of our internal and external auditors provide considerable assurance in respect of the Council's arrangements. These have identified no significant issues or areas for improvement.

The outlook for local government over the next few years has increased challenges, related to growing demand and declining resources, and managing recovery following the Coronavirus pandemic. However, the Council is confident that it has arrangements in place to ensure that resources are directed toward identified priorities and to ensure that it will continue to seek innovative ways of securing financial sustainability.

Summary

The Council has in place strong governance arrangements which protect its interests and provide necessary assurances to our residents and stakeholders. We are committed to continuing to review and develop the supporting arrangements and take action as necessary to ensure this continues.

.....

Councillor Mark Brunt

Leader of the Council

Date: 30 September 2020

.....

Mari Roberts-Wood

Acting Head of Paid Service

Date: 30 September 2020

STATEMENT OF RESONSIBILITIES

STATEMENT OF RESPONSIBILITIES

This statement is given in respect of the Statement of Accounts 2019/20.

COUNCIL RESPONSIBILITIES

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers (the Chief Finance Officer) has responsibility for the administration of those affairs;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts.

CHIEF FINANCE OFFICER RESPONSIBILITIES

The Interim Head of Finance is the acting Chief Finance Officer, and 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 Chief Finance Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code;
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

CERTIFICATION OF ACCOUNTS

I confirm that the Statement of Accounts gives a true and fair view of the financial position of Reigate & Banstead Borough Council at 31st March 2020 and its income and expenditure for the year then ended.

Pat Main, CPFA

Interim Head of Finance

Date: 30 September 2020

APPROVAL OF ACCOUNTS

In accordance with the Accounts and Audit Regulations 2015, I certify that the Statement of Accounts was approved by the Audit Committee on [date].

Signed:

Councillor Jill Bray

Chair, Audit Committee

Date: [date]

MAIN STATEMENTS

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost of providing services rather than the amount to be funded from taxation. This statement is different from the Council's reported revenue costs.

| 2018/19 | | | | 2019/20 | | |
|----------------------|------------------|--------------------|---|----------------------|------------------|--------------------|
| Gross Expenditure | Gross Income | Net Expenditure | | Gross Expenditure | Gross Income | Net Expenditure |
| £000's | £000's | £000's | | £000's | £000's | £000's |
| 297 | (12) | 285 | Economic Prosperity | 354 | (3) | 351 |
| 822 | (47) | 775 | Organisational Development | 1,054 | (42) | 1,012 |
| 39,146 | (38,432) | 714 | Revenues, Benefit & Fraud | 35,313 | (34,466) | 847 |
| 1,972 | (448) | 1,524 | Housing | 3,157 | (574) | 2,583 |
| 2,152 | (31) | 2,121 | Projects & Performance | 1,858 | (18) | 1,840 |
| 2,493 | (16) | 2,477 | Community Partnerships | 1,471 | (24) | 1,447 |
| 104 | (39) | 65 | Place Delivery | 356 | (35) | 321 |
| 12,990 | (8,609) | 4,381 | Neighbourhood Operations | 13,554 | (8,406) | 5,148 |
| 1,799 | (1,368) | 431 | Wellbeing & Intervention | 2,125 | (1,435) | 690 |
| 1,868 | (1,001) | 867 | Planning | 2,361 | (1,009) | 1,352 |
| | | | Communications & Customer | | | |
| 823 | (1) | 822 | Contact | 947 | (3) | 944 |
| 2,034 | (1) | 2,033 | ICT | 1,993 | (1) | 1,992 |
| 2,411 | (409) | 2,002 | Legal & Governance | 2,963 | (764) | 2,199 |
| 7,749 | (944) | 6,805 | Finance & Assets | 8,420 | (2,474) | 5,946 |
| 76,660 | (51,358) | 25,302 | Cost of services | 75,926 | (49,253) | 26,672 |
| | | | Other operating expenditure | | | |
| 382 | (5,127) | (4,745) | (note 3) | 404 | (2,405) | (2,001) |
| | | | Financing and investment | | | |
| 7,422 | (3,886) | 3,536 | income and expenditure (note 4) | 3,457 | (4,119) | (662) |
| | | | Taxation and non-specific grant | | | |
| 14,434 | (42,021) | (27,587) | Income and expenditure (note 5) | 20,995 | (51,223) | (30,228) |
| 98,898 | (102,392) | (3,494) | (Surplus) or deficit on provision of services | 100,782 | (107,000) | (6,219) |
| | | | (Surplus) or deficit on revaluation of property, plant and equipment assets | | | (204) |
| | | 3,130 | Remeasurement of the net defined benefit liability/(asset) | | | (3,080) |
| | | 7,453 | Other comprehensive income and expenditure | | | (3,284) |
| | | 3,959 | Total comprehensive income and expenditure | | | (9,503) |

MAIN STATEMENTS

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves (that cannot).

2019/20

| | General Fund Balance | Capital Receipts Reserve | Capital Grants Unapplied Account | Total Usable Reserves | Total Unusable Reserves | Total Authority Reserves |
|--|-------------------------|-----------------------------|--|--------------------------|----------------------------|-----------------------------|
| | £000's | £000's | £000's | £000's | £000's | £000's |
| Balance at 31 March 2019 | 37,589 | 627 | 16,038 | 54,254 | 112,088 | 166,342 |
| Movement in reserves during 2019/20 | | | | | | |
| Total comprehensive income and expenditure | 6,219 | - | - | 6,219 | 3,284 | 9,503 |
| Adjustments between accounting basis and funding basis under regulations (note 14) | (2,217) | (46) | 7,884 | 5,621 | (5,621) | - |
| Other adjustments | - | - | - | - | - | - |
| Increase or decrease in 2019/20 | 4,002 | (46) | 7,884 | 11,840 | (2,337) | 9,503 |
| Balance at 31 March 2020 carried forward | 41,591 | 581 | 23,922 | 66,094 | 109,751 | 175,845 |

2018/19

| | General Fund Balance | Capital Receipts Reserve | Capital Grants Unapplied Account | Total Usable Reserves | Total Unusable Reserves | Total Authority Reserves |
|--|-------------------------|-----------------------------|--|--------------------------|----------------------------|-----------------------------|
| | £000's | £000's | £000's | £000's | £000's | £000's |
| Balance at 31 March 2018 | 34,250 | 15,810 | 13,308 | 63,368 | 106,933 | 170,301 |
| Movement in reserves during 2018/19 | | | | | | |
| Total comprehensive income and expenditure | 3,494 | - | - | 3,494 | (7,453) | (3,959) |
| Adjustments between accounting basis and funding basis under regulations (note 14) | (65) | (15,323) | 2,870 | (12,518) | 12,518 | - |
| Other adjustments | (90) | 140 | (140) | (90) | 90 | - |
| Increase or decrease in 2018/19 | 3,339 | (15,183) | 2,730 | (9,114) | 5,155 | (3,959) |
| Balance at 31 March 2019 carried forward | 37,589 | 627 | 16,038 | 54,254 | 112,088 | 166,342 |

MAIN STATEMENTS

BALANCE SHEET

This statement shows the value of the Council's assets and liabilities at the end of the financial year. The net assets (assets less liabilities) are matched by the reserves held by the Council.

| 31 March 2019 £000's | | Note | 31 March 2020 £000's |
|-------------------------|-------------------------------|------|-------------------------|
| 110,668 | Property, plant and equipment | 17 | 156,780 |
| 469 | Heritage assets | 19 | 905 |
| 95,013 | Investment Property | 20 | 50,525 |
| 17,099 | Long-term Investments | 22 | 31,975 |
| 482 | Long-term debtors | 27 | 1,523 |
| 223,731 | Long-Term Assets | | 241,708 |
| 35,298 | Short-term investments | 22 | 30,715 |
| 1 | Assets held for sale | | 1 |
| 49 | Inventories | | 42 |
| 9,863 | Short-term debtors | 26 | 17,201 |
| 3,818 | Cash and cash equivalent | | 4,002 |
| 49,029 | Current Assets | | 51,961 |
| (12,009) | Short-term borrowing | 22 | (9,000) |
| (11,764) | Short-term creditors | 28 | (18,501) |
| (23,773) | Current Liabilities | | (27,501) |
| (1,703) | Long term creditors | 29 | (1,704) |
| (717) | Provisions | 30 | (2,522) |
| (79,211) | Net Pension Liabilities | 31 | (80,083) |
| - | Long Term Borrowing | 22 | (5,000) |
| (834) | Grants receipts in advance | 12 | (834) |
| (180) | Other long-term liabilities | | (180) |
| (82,645) | Long-Term liabilities | | (90,323) |
| 166,342 | Net Assets | | 175,845 |
| (54,254) | Usable reserves | 15 | (66,094) |
| (112,088) | Unusable reserves | 16 | (109,751) |
| (166,342) | Total Reserves | | (175,845) |

MAIN STATEMENTS

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 flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash 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.

| 31 March 2019 £000's | | 31 March 2020 £000's |
|-------------------------------------|--|-------------------------------------|
| (3,494) | Net (surplus) or deficit on the provision of services | (6,219) |
| (13,162) | Adjustments to net surplus or deficit on the provision of services for non-cash movements | (12,007) |
| 11,646 | Adjustments to net surplus or deficit on the provision of services that are investing and financing activities | 10,990 |
| (5,010) | Net cash flows from operating activities (note 32) | (7,236) |
| 20,232 | Investing activities (note 33) | 3,996 |
| (12,009) | Financing activities (note 34) | 3,056 |
| 3,213 | Net increase or decrease in cash and cash equivalents | (184) |
| 7,031 | Cash and cash equivalents at the beginning of the reporting period | 3,818 |
| 3,818 | Cash and cash equivalents at the end of the reporting period | 4,002 |

EXPENDITURE AND FUNDING ANALYSIS

2018/19

2019/20

£33,296 of the General Fund balance of £41,591 million as at 31 March 2020 is held in reserves earmarked for specific purposes. The remaining £8,295 is held as unallocated funds.

NOTES TO THE ACCOUNTS

These notes support and supplement the information provided in the various statements.

1. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT ARE YET TO BE ADOPTED

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

2. EXPENDITURE AND INCOME ANALYSED BY NATURE

The Council's expenditure and income is analysed as follows:

| | 2018/19 £000's | 2019/20 £000's |
|--|-------------------|-------------------|
| Expenditure | | |
| Employee benefits expenses | 23,513 | 23,038 |
| Depreciation and impairments | 3,364 | 5,621 |
| Other services expenses | 49,783 | 48,402 |
| Investment property revaluation | 5,154 | 165 |
| Interest payments | 2,268 | 2,156 |
| Precepts and levies | 382 | 404 |
| Expenditure from council tax and business rates | 14,434 | 20,995 |
| Total Expenditure | 98,898 | 100,781 |
| Income | | |
| Fees, charges and other service income | (8,105) | (7,944) |
| Other Income | (43,254) | (41,309) |
| Gain on the disposal of assets | (5,127) | (2,405) |
| Interest and investment income | (3,886) | (4,119) |
| Income from council tax and business rates | (31,080) | (36,265) |
| Other grants and contributions | (10,941) | (14,958) |
| Total Income | (102,393) | (107,000) |
| Surplus or deficit on the provision of services | (3,495) | (6,219) |

3. OTHER OPERATING INCOME AND EXPENDITURE

| | 2018/19 £000's | 2019/20 £000's |
|--|-------------------|-------------------|
| Parish council precepts | 382 | 404 |
| Levies | | |
| Gains/losses on the disposal of non-current assets | (5,127) | (2,405) |
| Total | (4,745) | (2,001) |

NOTES TO THE ACCOUNTS

4. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

| | 2018/19 £000's | 2019/20 £000's |
|---|-------------------|-------------------|
| Interest payable and similar charges | 46 | 90 |
| Net interest on the net defined benefit liability (asset) | 1,872 | 1,929 |
| Impairment of trading company loans | 185 | 1,136 |
| Expenditure in relation to investment properties and their fair value | 5,319 | 302 |
| Total expenditure | 7,422 | 3,457 |
| Income in relation to investment properties and their fair value | (3,065) | (2,867) |
| Other investment income | (821) | (1,252) |
| Total Income | (3,886) | (4,119) |
| Total net Income/Expenditure | 3,536 | (662) |

5. TAXATION AND NON-SPECIFIC GRANT INCOME

| | 2018/19 £000's | 2019/20 £000's |
|---|-------------------|-------------------|
| Council tax expenditure | 69 | 62 |
| National Non-domestic rates expenditure | 14,365 | 20,933 |
| Total Expenditure | 14,434 | 20,995 |
| Council tax income | (13,798) | (14,287) |
| National Non-domestic rates income | (17,282) | (21,978) |
| Non-ring-fenced government grants | (4,104) | (4,560) |
| Capital grants and contributions | (6,837) | (10,398) |
| Total Income | (42,021) | (51,223) |
| | (27,587) | (30,228) |

NOTES TO THE ACCOUNTS

6. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

This note shows the breakdown of the funding adjustments column within the Expenditure and Funding Analysis (EFA)

2019/20

Adjustments from general fund to arrive at the comprehensive income and expenditure statement amounts

| | Adjustments for Capital Purposes | Net Change for Pension Adjustments | Other Statutory Differences | Total Statutory Adjustments | Non Statutory Adjustments | Total Adjustments |
|---|-------------------------------------|---------------------------------------|--------------------------------|--------------------------------|------------------------------|-------------------|
| | £000's | £000's | | £000's | £000's | £000's |
| Economic Prosperity | 0 | 45 | (3) | 42 | | 42 |
| Organisational Development | 0 | 129 | 10 | 139 | | 139 |
| Revenues, Benefits & Fraud | 0 | 426 | 21 | 447 | | 447 |
| Housing | 1,398 | 155 | 5 | 1,558 | | 1,558 |
| Projects and Performance | 0 | 263 | 12 | 275 | | 275 |
| Community Partnerships | 17 | 132 | 9 | 158 | | 158 |
| Place Delivery | 0 | 40 | 1 | 41 | | 41 |
| Neighbourhood Operations | 298 | 1,611 | (55) | 1,853 | | 1,853 |
| Wellbeing & Intervention | 0 | 243 | 9 | 252 | | 252 |
| Planning | 0 | 263 | (6) | 257 | | 257 |
| Communications & Customer Contact | 0 | 159 | 7 | 166 | | 166 |
| ICT | 274 | 217 | (1) | 491 | | 491 |
| Legal & Governance | 0 | 202 | (3) | 199 | | 199 |
| Finance & Assets | 3,896 | (1,862) | (3) | 2,031 | | 2,031 |
| Net cost of services | 5,883 | 2,023 | 3 | 7,909 | | 7,909 |
| Other income and expenditure from the expenditure and funding analysis | (13,868) | 1,929 | 1,813 | (10,126) | | (10,126) |
| Difference between general fund surplus or deficit and comprehensive income and expenditure statement surplus or deficit on the provision of service | (7,985) | 3,952 | 1,816 | (2,217) | | (2,217) |

NOTES TO THE ACCOUNTS

2018/19

| | Adjustments for Capital Purposes | Net Change for Pension Adjustments | Other Statutory Differences | Total Statutory Adjustments | Non Statutory Adjustments | Total Adjustments |
|---|-------------------------------------|---------------------------------------|--------------------------------|--------------------------------|------------------------------|-------------------|
| Adjustments from general fund to arrive at the comprehensive income and expenditure statement amounts | £000's | £000's | | £000's | £000's | £000's |
| Economic Prosperity | 0 | 37 | (1) | 36 | | 36 |
| Organisational Development | 0 | 120 | 2 | 122 | | 122 |
| Revenues, Benefits & Fraud | 0 | 369 | (2) | 367 | | 367 |
| Housing | 380 | 152 | 9 | 541 | | 541 |
| Projects and Performance | 0 | 354 | 1 | 355 | | 355 |
| Community Partnerships | 953 | 105 | 4 | 1,062 | | 1,062 |
| Place Delivery | 0 | 20 | 1 | 21 | | 21 |
| Neighbourhood Operations | 677 | 1,520 | 110 | 2,307 | | 2,307 |
| Wellbeing & Intervention | 9 | 205 | (15) | 199 | | 199 |
| Planning | 0 | 272 | (3) | 269 | | 269 |
| Communications & Customer Contact | 0 | 145 | (8) | 137 | | 137 |
| ICT | 278 | 211 | (3) | 486 | | 486 |
| Legal & Governance | 0 | 209 | (9) | 200 | | 200 |
| Finance & Assets | 2,336 | (1,827) | (1) | 508 | | 508 |
| Net cost of services | 4,633 | 1,892 | 85 | 6,610 | 0 | 6,610 |
| Other income and expenditure from the expenditure and funding analysis | (6,835) | 1,872 | (1,712) | (6,675) | 0 | (6,675) |
| Difference between general fund surplus or deficit and comprehensive income and expenditure statement surplus or deficit on the provision of service | (2,202) | 3,764 | | (65) | 0 | (65) |

NOTES TO THE ACCOUNTS

7. EXTERNAL AUDIT COSTS

During the year the Council incurred the following fees in relation to external audit and inspection:

| | 2018/19 £000's | 2019/20 £000's |
|--|-------------------|-------------------|
| Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year | 38 | 78 |
| Fees payable to external auditors for the certification of grant claims and returns for the year | 14 | 20 |
| Total | <u>52</u> | <u>98</u> |

8. MEMBERS ALLOWANCES

The following amounts were paid to Members of the Council during the year.

| | 2018/19 £ | 2019/20 £ |
|--------------|----------------|----------------|
| Salaries | 150,952 | 153,053 |
| Allowances | 277,811 | 255,560 |
| Expenses | 4,415 | 3,688 |
| Total | <u>433,178</u> | <u>412,301</u> |

The total value of the allowances paid to the Members and former Members of the Council between 31 March 2019 and 1 April 2020 was £412,301 (£433,178 in 2018/19).

Full details are published annually in the civic magazine 'Borough News' and on the Council's website.

The number of Councillors between 31 March 2019 to 7 May 2019 was 51.

The number of councillors after the 2019 election (from 7 May 2019) to 1 April 2020 was 45.

NOTES TO THE ACCOUNTS

9. OFFICER RENUMERATION

Detailed remuneration information for statutory officers is set out below.

| Name/Post Title | Year | Salary Fees and Allowances £000 | Bonus £000 | Allowances & Expenses £000 | Compensation for Loss of Office £000 | Pension Contribution £000 | 2019/20 Total £000 | 2018/19 Total £000 |
|--|----------------------|------------------------------------|---------------|-------------------------------|---|------------------------------|-----------------------|-----------------------|
| Chief Executive - John Jory | 2018/19 | 179 | 18 | 5 | - | - | | 202 |
| | 2019/20 | 183 | - | 16 | - | - | 199 | |
| (Interim) Head of Finance | 2018/19 | 103 | - | - | - | - | | 103 |
| | 2019/20 | 208 | - | - | - | - | 208 | |
| Director of People Services | 2018/19 | 96 | 8 | 1 | - | 16 | | 121 |
| | 2019/20 | 101 | 10 | 2 | - | 17 | 130 | |
| Director of Place Services | 2018/19 | 96 | 9 | 1 | - | 16 | | 122 |
| | 2019/20 | 101 | 10 | 2 | - | 17 | 130 | |
| Strategic Head of Neighbourhood Services | 2018/19 | 85 | 2 | - | - | 13 | | 100 |
| | 2019/20 | 89 | 2 | - | - | 14 | 105 | |
| Head of Legal and Governance ¹ | 2018/19 | 16 | - | - | - | 2 | | 18 |
| | 2019/20 | 90 | - | 2 | - | 13 | 105 | |
| Director of Finance & Organisation ² | 2018/19 | 117 | 9 | - | - | 19 | | 145 |
| | 2019/20 | 4 | - | - | 35 | 1 | 40 | |
| Director of Commercial and Investment ³ | 2019/20 | 9 | - | - | - | 1 | 10 | |
| | 2018/19 Total | 692 | 46 | 7 | - | 66 | | 811 |
| | 2019/20 Total | 785 | 22 | 22 | 35 | 63 | 927 | |

1. 19/20 Values included apply from: 01/04/2019 - 12/04/2019
2. Values included apply from: 01/04/2019 - 1/03/2020
3. 19/20 Values included apply from: 02/03/2020 - 31/03/20

Significant changes to management structure took place during 2018/2019. The new structure was effective from 1 September 2018.

Further details on the Council's management team structure are provided on the Council's website.

NOTES TO THE ACCOUNTS

The number of other employees whose remuneration was £50,000 or more is shown below (in bands of £5,000). Those compensated for loss of office are shown separately. All figures exclude employer's pension contributions.

| | 2018/19 | 2019/20 |
|--------------------|------------------|------------------|
| Remuneration Band | No. of Employees | No. of Employees |
| £50,000 to £54,999 | 13 | 8 |
| £55,000 to £59,999 | 7 | 8 |
| £60,000 to £64,999 | 8 | 1 |
| £65,000 to £69,999 | 5 | 4 |
| £70,000 to £74,999 | 1 | 10 |
| | 34 | 31 |

The number of exit packages with total cost per band and total cost of compulsory and other redundancies for 2019/20 is 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 | Total cost of exit packages |
|---|-----------------------------------|-----------------------------------|-------------------------------|-----------------------------|
| 2019/20 | No. | No. | No. | £000 |
| £0-£20,000 | - | 8 | 8 | 35 |
| £20,000-£40,000 | - | 3 | 3 | 77 |
| £40,000-£60,000 | - | - | - | - |
| £60,000-£80,000 | - | - | - | - |
| £80,000-£100,000 | - | - | - | - |
| 2018/19 | No. | No. | No. | £000 |
| £0-£20,000 | 1 | 2 | 3 | 35 |
| £20,000-£40,000 | - | 5 | 5 | 130 |
| £40,000-£60,000 | - | - | - | - |
| £60,000-£80,000 | - | 2 | 2 | 154 |
| £80,000-£100,000 | - | 1 | 1 | 83 |

10. TERMINATION BENEFITS

The Council terminated the contracts of 11 employees in 2019/20, incurring liabilities of £112,000 (£402,000 in 2018/19) Of this total, £35,000 is payable to the Director of Finance and Organisation in the form of compensation for loss of office and enhanced pension benefits, as disclosed in the Statutory Officers' Remuneration note.

NOTES TO THE ACCOUNTS

11. GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2019/20:

| | 2018/19 | 2019/20 |
|---|-----------------|-----------------|
| | £000's | £000's |
| Council Tax income | (13,798) | (14,287) |
| National Non-Domestic rates | (17,282) | (21,978) |
| Non ring-fenced government grants | (4,104) | (4,560) |
| Capital grants and contributions | (6,837) | (10,398) |
| Total credited to taxation and non-specific grant income | (42,021) | (51,223) |
| Total credited to services | | |
| Rent allowances | (36,256) | (32,029) |
| Council Tax support | (280) | (105) |
| Rent rebates | (178) | (218) |
| Refugee support grant | (90) | (137) |
| Individual electoral registration grant | (22) | (21) |
| National Non-Domestic rates and debt recovery | - | (175) |
| Supporting families grant | - | 139 |
| | (36,826) | (32,546) |
| Total Grant Income | (78,847) | (83,769) |

12. CAPITAL GRANTS RECEIPTS IN ADVANCE

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that may require the monies or property to be returned to the giver. The balances at the year-end are as follows:

| | 2018/19 | 2019/20 |
|--|----------------|----------------|
| | £000's | £000's |
| Developers' contributions unapplied - Horley Master Plan | (314) | (314) |
| Developers' contributions unapplied – Non-tariff | (520) | (520) |
| Total | (834) | (834) |

NOTES TO THE ACCOUNTS

13.AGENCY SERVICES

The council provides the following services on behalf of Surrey County Council and other local authorities:

Parking Services

The *Road Traffic Act 1991* provided for the decriminalisation of on-street parking offences with responsibility for enforcement passing from the local police authority to local traffic authorities. Surrey Police ceased enforcement of on-street parking controls with effect from 1 April 2004 when responsibility passed to Surrey County Council.

This Council entered into an agreement with Surrey County Council to take on responsibility for on-street parking enforcement within the Borough since 2004/05 on an agency basis with the net costs/income being fully recharged to the County Council.

The surplus of income over expenditure paid to Surrey County Council during 2019/20 amounted to £nil (£nil in 2018/19).

Revenue & Benefits Services

The council has entered into contracts with a number of local authorities and private entities to provide a range of Revenues & Benefits related services. This work includes:

Counter Fraud Investigations
Council Tax Processing
Business Rates Processing
Benefits Processing
Debt Recovery
Property Inspections
Benefits & Business Rates

A small loss arose on these activities during 2019/20 (n/a in 2018/19) although activities are likely to prove profitable in future years given current efforts to grow the contract base.

The council is currently investigating the most appropriate legal entity through which to deliver these services in the future.

NOTES TO THE ACCOUNTS

14. 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 arrive at the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

| 2019/2020 | General Fund Balance | Capital Receipts Reserve | Capital Grants Unapplied | Total Useable Reserves | Total Unusable Reserves |
|--|-------------------------|-----------------------------|-----------------------------|---------------------------|----------------------------|
| | £000's | £000's | £000's | £000's | £000's |
| Adjustment to the Revenue Resources | | | | | |
| Amounts by which income and expenditure included in the comprehensive income and expenditure statement are different from the revenue for the year calculated in accordance with statutory requirements: | | | | | |
| Pension costs (transferred to (or from) the pensions reserve) | 3,952 | - | - | 3,952 | (3,952) |
| Financial instruments (transferred to the financial instrument adjustments account) | | | | | |
| Council Tax and NNDR (transfers to or from the collection fund adjustment account) | 1,813 | - | - | 1,813 | (1,813) |
| Holiday pay (transferred to the accumulated absences reserve) | 3 | - | - | 3 | (3) |
| Reversal of entries included in the surplus or deficit on the provision of services in relation to capital expenditure (these items are charged to the capital adjustment account) | 6,047 | - | - | 6,047 | (6,047) |
| Total Adjustments to Revenue Resources | 11,815 | - | - | 11,185 | (11,815) |
| Adjustments Between Revenue and Capital Resources | | | | | |
| Transfer of non-current asset sale proceeds from revenue to the capital receipts reserve | (2,405) | 1,493 | - | (912) | 912 |
| Administrative costs of non-current asset disposals (funded by a contribution from the capital receipts reserve) | - | - | - | - | - |
| Statutory provision for the repayment of debt (transfer from the capital adjustment account) | (167) | - | - | (167) | 167 |
| Capital expenditure financed from revenue balances (transfer to the capital adjustment account) | (1,062) | - | - | (1,062) | 1,062 |
| Total Adjustments between Revenue and Capital Resources | (3,634) | 1,493 | - | (2,141) | 2,141 |
| Adjustments to Capital Resources | | | | | |
| Use of capital receipts reserve to finance capital expenditure | - | (2,099) | - | (2,099) | 2,099 |
| Application of capital grants to finance capital expenditure | - | - | (2,513) | (2,513) | 2,513 |
| Capital grants and contributions unapplied transferred to the capital reserve | ((10,398) | 560 | 10,398 | 560 | (560) |
| Total Adjustments to Capital Resources | (10,398) | (1,539) | 7,885 | (4,052) | 4,052 |
| Total Adjustments | (2,217) | (46) | 7,885 | 5,622 | (5,622) |

NOTES TO THE ACCOUNTS

2018/19

| | General fund balance £000's | Capital receipts reserve £000's | Capital grants unapplied £000's | Total Useable Reserves £000's | Total Unusable Reserves £000's |
|--|--------------------------------|---------------------------------------|---------------------------------------|-------------------------------------|--------------------------------------|
| Adjustment to the revenue resources | | | | | |
| Amounts by which income and expenditure included in the comprehensive income and expenditure statement are different from the revenue for the year calculated in accordance with statutory requirements: | | | | | |
| Pension costs (transferred to (or from) the pensions reserve) | (3,764) | - | - | (3,764) | 3,764 |
| Financial instruments (transferred to the financial instrument adjustments account) | - | - | - | - | - |
| Council Tax and NNDR (transfers to or from the collection fund adjustment account) | 1,712 | - | - | 1,712 | (1,712) |
| Holiday pay (transferred to the accumulated absences reserve) | (85) | - | - | (85) | 85 |
| Reversal of entries included in the surplus or deficit on the provision of services in relation to capital expenditure (these items are charged to the capital adjustment account) | (9,702) | - | - | (9,702) | 9,702 |
| Total adjustments to revenue resources | (11,839) | - | - | (11,839) | 11,839 |
| Adjustments between revenue and capital resources | | | | | |
| Transfer of non-current asset sale proceeds from revenue to the capital receipts reserve | 5,068 | - | - | 5,068 | (5,068) |
| Administrative costs of non-current asset disposals (funded by a contribution from the capital receipts reserve) | - | - | - | - | - |
| Statutory provision for the repayment of debt (transfer from the capital adjustment account) | - | - | - | - | - |
| Capital expenditure financed from revenue balances (transfer to the capital adjustment account) | - | - | - | - | - |
| Total adjustments between revenue and capital resources | 5,068 | - | - | 5,068 | (5,068) |
| Adjustments to capital resources | | | | | |
| Use of capital receipts reserve to finance capital expenditure | - | 15,323 | - | 15,323 | (15,323) |
| Application of capital grants to finance capital expenditure | 6,836 | - | (6,836) | - | - |
| Capital grants and contributions unapplied transferred to the capital reserve | - | - | 3,966 | 3,966 | (3,966) |
| Total adjustments to capital resources | 6,836 | 15,323 | (2,870) | 19,289 | (19,289) |
| Total adjustments | 65 | 15,323 | (2,870) | 12,518 | (12,518) |

NOTES TO THE ACCOUNTS

15. MOVEMENT IN GENERAL FUND RESERVES

Movements in the Council's usable reserves that include the General Fund are detailed in the movement in reserves statement. Additional details of Earmarked Reserves are shown below.

The Council voluntarily earmarks resources for future spending plans. This note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure.

| | Balance at 1 April 2018 | Transfers out 2018/19 | Transfers in 2018/19 | Balance at 31 March 2019 | Transfers Out 2019/20 | Transfers in 2019/20 | Balance at 31 March 2020 |
|---|----------------------------------|-----------------------------|----------------------------|-----------------------------------|-----------------------------|----------------------------|-----------------------------------|
| | £'000s | £'000s | £'000s | £'000s | £'000s | £'000s | £'000s |
| General Fund Balance | (12,547) | 1,969 | (1,969) | (12,547) | 9,293 | (4,685) | (7,939) |
| Earmarked Revenue Reserves | | | | | | | |
| Housing Delivery Strategy Reserve | - | - | - | - | - | (19,079) | (19,079) |
| Government Funding Reduction Risks Reserve | (800) | - | (1,219) | (2,019) | 9,658 | (10,071) | (2,432) |
| Business Rates Safety Net/Levy Reserve | - | - | - | - | - | (848) | (848) |
| Commercial Risks & Volatility Reserve | - | - | - | - | - | (4,000) | (4,000) |
| Pension Reserve | (1,507) | - | - | (1,507) | - | - | (1,507) |
| Corporate Plan Delivery Fund (CPDF) | (2,736) | 5,074 | (3,544) | (1,206) | 3,169 | (2,963) | (1,000) |
| Insurance Reserve | (550) | - | - | (550) | 300 | - | (250) |
| New Posts Reserve | - | - | (500) | (500) | - | (250) | (750) |
| Homelessness Prevention Feasibility Studies (Commercial Ventures) Reserve | (48) | 539 | (898) | (407) | 607 | (811) | (611) |
| Feasibility Studies (Infrastructure Initiatives) Reserve | - | - | (250) | (250) | 1,602 | (3,250) | (1,898) |
| Environmental Sustainability Reserve | - | - | - | - | - | (250) | (250) |
| Economic Development Initiatives Reserve | - | - | - | - | 590 | (1,367) | (777) |
| New Homes Bonus Reserve | (14,498) | 1,294 | (3,882) | (17,086) | 21,073 | (3,987) | - |
| Business Rates Equalisation Reserve | (1,000) | - | - | (1,000) | 1,000 | - | - |
| Growth Points Reserve | (286) | - | - | (286) | 286 | - | - |
| Business Support Scheme Reserve | (147) | - | - | (147) | 147 | - | - |
| High Street Innovation Reserve | (40) | - | - | (40) | 40 | - | - |
| Neighbourhood Improvement Reserve | (91) | 96 | (49) | (44) | 70 | (26) | - |
| Total Earmarked Reserves | (21,703) | 7,003 | (10,342) | (25,042) | 38,542 | (47,152) | (33,652) |
| Total Reserves | (34,250) | 8,972 | (12,311) | (37,589) | 47,835 | (51,837) | (41,591) |

NOTES TO THE ACCOUNTS

The most significant reserves are as follows:

| Reserve | Purpose of Reserve |
|--|---|
| General Fund Balance | Acts as a buffer against unpredicted budget pressures. The minimum level required is £2.6m |
| Housing Delivery Strategy Reserve | Established as part of budget-setting 2020/21 – to support delivery of the Council's Housing Delivery Strategy. Funded from the equivalent of the balance on previous years' New Homes Bonus grant allocations plus the 2020/21 allocation. |
| Government Funding Reduction Risks Reserve | Reviewed as part of budget-setting 2020/21 – earmarked for the purpose of mitigating the planned reduction in Government funding pending delivery of new sustainable income streams. |
| Business Rates Safety Net/ Levy Reserve | Established in 2019/20 to manage inter-year timing differences relating to Government reimbursement ('Safety Net') of shortfalls in NNDR receipts below the minimum level in the funding statement. |
| Commercial Risks & Volatility Reserve | New reserve created as part of budget-setting 2020/21 - earmarked for the purpose of mitigating the impacts of delays in delivery of new sustainable commercial income streams. |
| Pension Reserve | Established to manage increases in employer pension contributions. Previous balance has been used to fund the advance payment of the employer's secondary pension contribution for 2020 to 2023. Reserve to be re-built over the medium term ready for the next Pension Fund revaluation in 2022. |
| Corporate Plan Delivery Fund (CPDF) | Provides time-limited funding to deliver key priorities, Corporate Plan objectives and invest-to-save initiatives, including investment in new technology. |
| Insurance Reserve | Provides cover against uninsured losses. |
| New Posts Reserve | Established to provide initial funding for new permanent posts created during the year to support delivery of new corporate initiatives. Thereafter the intention is to build these posts into the approved budget in the following year. |
| Homelessness Prevention | Established to account separately for the funding set aside for homelessness prevention. |
| Growth Points Reserve | Established to account separately for Growth Points funding. |
| Feasibility Studies (Commercial Ventures) Reserve | Established to ensure that funding is available to prepare business cases and obtain external professional advice for new initiatives designed to deliver new sustainable commercial income streams. To be managed by the Commercial Ventures Sub-Committee. |
| Feasibility Studies (Infrastructure Initiatives) Reserve | Established as part of budget-setting 2020/21 – to fund the Council's contribution to councils in Surrey collectively funding the development of infrastructure feasibility studies so that bids can be made for full project funding when bidding rounds become available. |
| Environmental Sustainability | Established at the end of 2019/20 to fund Investment in delivery of the Environmental Sustainability Strategy. |
| Economic Development Initiatives Reserve | Established as part of budget-setting 2020/21 – to fund initiatives to raise awareness amongst local people of quality local employment opportunities. |

NOTES TO THE ACCOUNTS

16. UNUSABLE RESERVES

| | 31 March 2019 £000's | 31 March 2020 £000's |
|------------------------------------|----------------------------|----------------------------|
| Revaluation reserve | (52,684) | (52,617) |
| Capital adjustment account | (138,434) | (138,500) |
| Deferred capital receipts reserve | (560) | (912) |
| Pensions reserve | 79,211 | 80,083 |
| Collection fund adjustment account | (106) | 1,707 |
| Accumulated absences account | 485 | 488 |
| | (112,088) | (109,751) |

Revaluation Reserve

The Revaluation Reserve contains the gains arising from increases in the value of 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 1 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.

| | 31 March 2019 £000's | 31 March 2020 £000's |
|--|----------------------------|----------------------------|
| Balance at 1 April | (56,770) | (52,684) |
| Upward revaluation of assets | (3,379) | (3,756) |
| Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services | <u>6,509</u> | <u>3,552</u> |
| Surplus or deficit on revaluation of non current assets not posted to the surplus or deficit on the provision of services | (53,640) | (52,888) |
| Difference between fair value depreciation and historical cost depreciation | 956 | 271 |
| Accumulated gains on assets sold or scrapped | <u>-</u> | <u>-</u> |
| Amount written off to the capital adjustment account | <u>956</u> | <u>-</u> |
| Balance 31 March | (52,684) | (52,617) |

NOTES TO THE ACCOUNTS

Capital Adjustment Account

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

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

| | 2018/19 £000s | 2019/20 £000s |
|--|------------------|------------------|
| Balance at 1 April | (122,991) | (138,434) |
| Prior year adjustment | (6) | - |
| Reversal of items relating to capital expenditure debited or credited to the comprehensive income and expenditure account | | |
| Charges for depreciation and impairment of non-current assets | 3,125 | 2,284 |
| Revaluation (gains) losses on property, plant and equipment | 240 | 2,201 |
| Revenue expenditure funded from capital under statute | 1,269 | 1,397 |
| 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 | (54) | - |
| Movements in the market value of investment properties debited or credited to the comprehensive income and expenditure statement | 5,128 | 165 |
| | 9,708 | 6,047 |
| Adjusting amounts written out of the revaluation reserve | (956) | (271) |
| Net written out amount of the cost of non-current assets consumed in the year | 8,752 | 5,776 |
| Capital financing applied in the year: | | |
| Use of the capital receipts reserve to finance new capital expenditure | (20,133) | (2,099) |
| Capital grants and contributions credited to the comprehensive income and expenditure statement that have been applied to capital financing | - | (1,016) |
| Application of grants to capital financing from the capital grants unapplied account | (3,966) | - |
| Prior year adjustment capital grants applied | - | 1,335 |
| Statutory provision for the financing of capital investments charged against the general fund | - | (167) |
| Additional provision for reducing borrowing requirement | - | (2,833) |
| Capital expenditure charged against the general fund | (90) | (1,062) |
| Balance at 31 March | (138,434) | (138,500) |

NOTES TO THE ACCOUNTS

Deferred Capital Receipts Reserve

The deferred capital receipts reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the capital receipts reserve.

| | 31 March 2019 £000's | 31 March 2020 £000's |
|--|----------------------------|----------------------------|
| Balance at 1 April | (302) | (560) |
| Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the comprehensive income and expenditure statement | (258) | (352) |
| Transfer to the capital receipts reserve upon receipt of cash | | |
| Balance 31 March | (560) | (912) |

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions.

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

The debit balance on the Pensions Reserve therefore shows a shortfall in the benefits earned by past and current employees and the resources 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.

| | 31 March 2019 £000's | 31 March 2020 £000's |
|--|-------------------------------|----------------------------|
| Balance at 1 April | 71,124 | 79,211 |
| Remeasurement of the net defined benefit liability | 4,323 | (3,080) |
| 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 | 7,782 | 8,105 |
| Employer's pension contributions and direct payments to pensioners payable in the year | (4,018) | (4,153) |
| Balance 31 March | 79,211 | 80,083 |

NOTES TO THE ACCOUNTS

Collection Fund Adjustment Account

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

| | 31 March 2019 £000's | 31 March 2020 £000's |
|---------------------------|-------------------------------|-------------------------------|
| Balance at 1 April | 1,607 | (106) |

Amount by which council tax 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

| | | |
|-------------------------|----------------|--------------|
| Balance 31 March | (1,713) | 1,813 |
| | (106) | 1,707 |

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 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

| | 31 March 2019 £000's | 31 March 2020 £000's |
|---------------------------|-------------------------------|----------------------------|
| Balance at 1 April | 400 | 485 |

Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements

| | | |
|-------------------------|------------|------------|
| | 85 | 3 |
| Balance 31 March | 485 | 488 |

NOTES TO THE ACCOUNTS

17. PROPERTY, PLANT AND EQUIPMENT

Movements in 2019/20

| | Other land and buildings | Vehicles, plant, furniture & equipment | Assets under construction | Total property, plant and equipment |
|---|-----------------------------|--|------------------------------|---|
| | £000's | £000's | £000's | £000's |
| Movements in 2019/20 | | | | |
| At 1st April 2019 | 107,919 | 19,538 | - | 127,457 |
| Additions | 1,422 | 1,945 | 2,972 | 6,339 |
| Donations | - | - | - | - |
| Revaluation increases/(decrease) recognised in the revaluation reserve | (1,819) | - | - | (1,819) |
| Revaluation increases/(decrease) recognised in the surplus/deficit on the provision of services | (2,186) | - | - | (2,186) |
| Derecognition - disposals | - | (258) | - | (258) |
| Assets reclassified | 33,960 | - | 10,554 | 44,514 |
| Other movements in cost or valuation | - | - | - | - |
| As at 31st March 2020 | 139,296 | 21,225 | 13,526 | 174,047 |
| Accumulated Depreciation | | | | |
| At 1st April 2019 | 612 | 16,178 | - | 16,790 |
| Depreciation charge | 1,093 | 1,171 | 18 | 2,282 |
| Depreciation written out to the revaluation reserve | (1,570) | - | - | (1,570) |
| Depreciation written out to the surplus/deficit in the provision of services | - | - | - | - |
| Depreciation written out to the revaluation reserve | - | - | - | - |
| Impairment loss/(reversals) recognised in the surplus/deficit on the provision of services | - | - | - | - |
| Derecognition - disposals | - | - | - | - |
| Other movements in depreciation and impairment | 13 | (258) | 10 | (235) |
| | 148 | 17,091 | 28 | 17,267 |
| Net book value | | | | |
| At 31 March 2019 | 107,308 | 3,360 | - | 110,668 |
| At 31 March 2020 | 139,148 | 4,134 | 13,498 | 156,780 |

A number of the Council's assets have been reclassified in the year, as a result of the adoption of the Council's new 5 Year Plan (Reigate and Banstead 2025 – 'the Plan'). This places greater emphasis on using assets for community benefit. As a result, the Council's asset categorisation has been re-examined, resulting in a number of assets being transferred to property, plant and equipment.

NOTES TO THE ACCOUNTS

The Council has assets that are part-way through creation at year-end and that are not yet in a usable condition. The spend to date associated with these assets is classified as assets under construction. A significant part of the reported asset under construction expenditure is attributable to the Marketfield Way, Redhill Surrey project, to transform the western side of Marketfield Way into a vibrant destination.

At 31 March 2019

| | Other land and buildings | Vehicles, plant, furniture & equipment | Assets under construction | Total property, plant and equipment |
|---|--------------------------|--|---------------------------|-------------------------------------|
| | £000's | £000's | £000's | £000's |
| Movements in 2018/19 | | | | |
| Additions | | | | |
| At 1st April 2018 | 109,803 | 19,531 | - | 129,334 |
| Additions | 3,600 | 288 | - | 3,888 |
| Donations | - | - | - | - |
| Revaluation increases/(decrease) recognised in the revaluation reserve | (5,269) | - | - | (5,269) |
| Revaluation increases/(decrease) recognised in the surplus/deficit on the provision of services | (214) | - | - | (214) |
| Derecognition - disposals | - | (281) | - | (281) |
| Derecognition - other | - | - | - | - |
| Assets reclassified (to)/from held for sale | - | - | - | - |
| Other movements in cost or valuation | - | - | - | - |
| As at 31st March 2019 | 107,919 | 19,538 | - | 127,457 |
| Accumulated Depreciation | | | | |
| At 1st April 2018 | 612 | 15,467 | - | 16,117 |
| Adjustments to brought forward balance | 222 | (222) | - | - |
| Depreciation charge | 1,894 | 1,219 | - | 3,113 |
| Depreciation written out to the revaluation reserve | (2,154) | - | - | (2,154) |
| Depreciation written out to the surplus/deficit in the provision of services | - | - | - | - |
| Depreciation written out to the revaluation reserve | - | - | - | - |
| Impairment loss/(reversals) recognised in the surplus/deficit on the provision of services | - | - | - | - |
| Derecognition - disposals | - | (286) | - | (286) |
| Derecognition - other | - | - | - | - |
| Other movements in depreciation and impairment | - | - | - | - |
| As at 31st March 2019 | 612 | 16,178 | - | 16,790 |
| Net book value | | | | |
| At 31 March 2018 | 109,513 | 4,064 | - | 105,449 |
| At 31 March 2019 | 107,308 | 3,360 | - | 110,668 |

NOTES TO THE ACCOUNTS

18. CAPITAL COMMITMENTS

At 31 March 2020, the Council has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2019/20 and future years budgeted to cost £0.306m. Similar commitments at 31st March 2019 were £0.404m.

The major commitment is

| | |
|-----------------|---------|
| Marketfield Way | £0.250m |
|-----------------|---------|

19. HERITAGE ASSETS

The Council hold a number of assets categorised as 'Heritage' in the balance sheet. The Breakdown of items in this category includes

| Description | 31 March 2020 |
|------------------------------|------------------|
| | £000's |
| Art Collection | 476 |
| Civic Regalia | 189 |
| Other Miscellaneous items | 240 |
| Total Heritage Assets | 905 |

NOTES TO THE ACCOUNTS

20. INVESTMENT PROPERTIES

The following items of income and expense have been accounted for in the financing and investment income and expenditure line in the comprehensive income and expenditure statement.

| | 2018/19 £000's | 2019/20 £000's |
|--|-------------------|-------------------|
| Rental income from investment properties | (3,065) | (2,867) |
| Direct operating expenses arising from investment property | 191 | 137 |
| Net gain/(loss) | <u>(2,874)</u> | <u>(2,730)</u> |

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

| | 31 March 2019 £000's | 31 March 2020 £000's |
|--|-------------------------------|-------------------------------|
| Balance at the start of the year | 66,055 | 95,013 |
| Additions | 0 | 165 |
| Purchases | 34,069 | - |
| Disposals | 54 | - |
| Net gains/losses from fair value adjustments | (5,154) | (164) |
| Depreciation | (11) | - |
| Transfers | | |
| to/from inventories | - | - |
| to from property, plant and equipment | - | (44,489) |
| Other changes | - | - |
| Balance at the end of the year | <u>95,013</u> | <u>50,525</u> |

A number of the Council's assets have been reclassified in the year, as a result of the adoption of the Council's new 5 Year Plan (Reigate and Banstead 2025 – 'the Plan'). This places greater emphasis on using assets for community benefit. As a result, the Council's asset categorisation has been re-examined, resulting in a number of assets being transferred to property, plant and equipment.

21. FAIR VALUE HEIRACHY

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.

All investment property assets are valued at a price at which the property would have been sold on the valuation date, for its best use, after a period of suitable marketing to a buyer with no special interest where both parties have had sufficient advice or knowledge and are not under any duress to agree the sale/purchase. The valuer assessed this value by maximising the use of evidence of sales of similar properties around the valuation date, i.e. level 2 observable inputs. There were no transfers between levels of observable inputs during the year.

NOTES TO THE ACCOUNTS

22. FINANCIAL INSTRUMENTS

22.1 The following categories of financial instruments are carried in the balance sheet.

| | Non Current | | Current | |
|--|------------------|------------------|------------------|------------------|
| | 31 March 2019 | 31 March 2020 | 31 March 2019 | 31 March 2020 |
| | £000's | £000's | £000's | £000's |
| Financial liabilities at amortised cost | | | | |
| Borrowings | - | (5,000) | (12,009) | (9,000) |
| Creditors | - | 0 | (4,288) | (3,167) |
| Creditors that are not financial instruments | (1,703) | (1,704) | (7,476) | (15,334) |
| Total Financial Liabilities | (1,703) | (6,704) | (23,773) | (27,501) |
| Financial assets at amortised Cost | | | | |
| Fixed term deposits | 13,142 | 17,789 | 35,298 | 30,612 |
| Loans to trading companies | 3,957 | 14,186 | - | 102 |
| Debtors | - | - | 3,060 | 7,284 |
| Debtors that are not financial instruments | 482 | 1,523 | 6,803 | 9,917 |
| Cash & cash equivalents | - | - | 3,818 | 4,002 |
| Total financial Assets | 17,581 | 33,498 | 48,979 | 51,917 |

NOTES TO THE ACCOUNTS

22.2 GAINS AND LOSSES

The gains and losses recognised in the Income and Expenditure Account and the Movement in Reserves Statement for 2019/20 in relation to financial instruments are shown in the table below.

| | 2018/19 | | 2019/20 | |
|--|---|---|---|---|
| | Surplus or Deficit on the Provision of Services £'000s | Other Comprehensive Income and Expenditure £'000s | Surplus or Deficit on the Provision of Services £'000s | Other Comprehensive Income and Expenditure £'000s |
| Net gains/losses on: | | | | |
| Financial assets measured at amortised cost | - | - | - | - |
| Interest Income | (788) | - | (1,252) | - |
| Financial liabilities measured at Amortised cost | - | - | - | - |
| Interest expenses | 13 | - | 79 | - |
| Impairment – trading companies | 185 | - | 1,136 | - |
| Impairment - credit losses | 26 | - | 284 | - |
| Total net gains/losses | (564) | - | 247 | - |
| Interest revenue | | | | |
| Financial assets measured at amortised cost | (788) | | (1,252) | |
| Interest expenses | 13 | | 79 | |
| | (775) | | (1,173) | |

a. IFRS 9 – Classification and Measurement

As required by IFRS 9 (Financial Instruments) the financial instruments of the authority have been assessed for classification and measurement and impairment loss allowances during the financial year 2019/20. The majority of the financial instruments have been classified as 'hold to collect' to be measured using amortised cost. Sundry debtors and the other receivables are measured based on their invoiced value.

NOTES TO THE ACCOUNTS

22.3 IFRS 9 - Financial Instruments – Impairment loss allowance

A credit risk assessment was carried out during 2019/20 to determine the credit risk associated with each individual (material) financial instrument or group of financial instruments at 31 March 2020. As set out below, the impairment losses have been calculated based on the credit risk assessment outcomes.

| Financial Instrument | Approach - Credit Risk Assessment | Outcome |
|---|--|---|
| Loans & Receivables (Treasury Investment) | The impairment loss allowance is calculated based on the credit ratings of the counter parties and their historical risk of default rate. This information is readily available in the market. | The credit risk is very low therefore no impairment loss has been made for 2019/20 |
| Loans to Trading Companies (Subsidiaries and Joint Venture/Associate) | Credit ratings are not available in the market for these companies therefore risk assessed cash flow scenarios are used to derive an expected credit loss. | The increased impairment loss relating to Loans for Trading Companies reflects mainly the new loan to Greensand Property Holdings Ltd a wholly owned subsidiary of the Authority. An additional impairment loss has been made to recognise the potential cost of delays relating to COVID-19 and how this has affected the current economy. The indices used in calculating the figures are based on the professional economic predictions made at the time the impairment loss was made. |
| Sundry Debtors | Debtors with similar credit risks are grouped together to make the impairment loss allowance. | The standard model uses a default rate of 5% is for debts under 1 year and a default rate of 100% for the debts over 1 year. For 2019/20 an increased percentage of 9.2% has replaced the rate used for Debtors under 1 year to reflect the potential loss of GDP relating to COVID-19 issues using professional estimates available when the calculation was made. |

NOTES TO THE ACCOUNTS

22.4 FAIR VALUE OF ASSETS AND LIABILITIES

Financial liabilities, and financial assets represented by loans and receivables, are carried on the Balance Sheet at amortised cost.

Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans receivable, prevailing benchmark market rates have been used to provide the fair value.
- No early repayment or impairment is recognised.
- Where an instrument has a maturity of less than 12 months, the fair value is taken to be the principal outstanding or the billed amount.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The trade debtors and trade creditors figures shown below do not include any payables or receivables in respect of Central Government or local taxation, as these reflect statutory duties rather than contractual obligations (full information on Debtors and Creditors can be found in notes 26 to 29).

The fair values are shown below along with an explanation of their calculation

| | 31 March 2019 | | 31 March 2020 | |
|--|-----------------|-----------------|-----------------|-----------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| | £000s | £000s | £000s | £000s |
| Financial Liabilities at amortised cost | | | | |
| Short term borrowings | (12,009) | (12,012) | (9,000) | (9,022) |
| Long term borrowings | - | - | (5,000) | (4,958) |
| Long term creditors | - | - | - | - |
| Trade creditors | (4,288) | (4,288) | (3,167) | (3,167) |
| Total financial liabilities | (16,297) | (16,300) | (17,167) | (17,148) |

| | 31 March 2019 | | 31 March 2020 | |
|---|-----------------|---------------|-----------------|---------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| | £000s | £000s | £000s | £000s |
| Financial Assets | | | | |
| Fixed term deposits | 48,440 | 48,566 | 48,401 | 48,419 |
| Loans to trading companies (subsidiaries, joint venture and associates) | 3,957 | 3,957 | 14,288 | 14,288 |
| Money deposited in escrow account | - | - | - | - |
| Long term debtors | - | - | - | - |
| Trade debtors | 3,060 | 3,060 | 7,284 | 7,284 |
| Total financial assets | 55,457 | 55,583 | 69,973 | 69,991 |

NOTES TO THE ACCOUNTS

'Fair value', is defined in the Code of Practice as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date"

Under the Code (IFRS 13 Fair Value Measurement), all financial instruments are initially measured at fair value, with subsequent measurement depending on the nature of the asset or liability concerned

The Code states that fair value disclosures are not required for short term trade payables and receivables since the carrying amount is a reasonable approximation of fair value.

Trading company loans have been assessed through IFRS 09 (financial instruments) in arriving at the fair value and the long-term debtors' balances are reasonable approximation of their fair value.

22.5 FINANCIAL RISK

The Council's activities expose it to a variety of financial risks. The Council's Annual Treasury Management Strategy sets out its approach to managing risk. The key risks are:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- Re-financing risk – the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous rates or terms
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rate movements

22.6 PROCEDURES FOR MANAGING RISK

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council in the annual treasury management strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

22.7 CREDIT RISK

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

This risk is minimised through the Annual Investment Strategy, contained within the Annual Treasury Management Strategy which requires that deposits are not made with institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard and Poor's Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.

NOTES TO THE ACCOUNTS

The credit criteria in respect of financial assets held by the Council are detailed below:

- Credit ratings of Short Term F1, Long Term AA-, with the lowest available rating being applied to the criteria
- UK institutions provided with support from the UK Government.
- Building Societies with assets in excess of £1bn.

The full Treasury Management Strategy for 2019/20 was approved by Full Council on 11 April 2019 and is available on the Council's website.

22.8 LIQUIDITY RISK

The Council manages its liquidity position through the risk management procedures, as well as through a comprehensive cash flow management system, as required by the CIPFA Treasury Management Code of Practice. This seeks to ensure that cash is available when it is needed.

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need and the PWLB and Money Markets for access to longer term funds. The Council is also required to provide a balanced budget by the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure.

There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

22.9 REFINING AND MATURITY RISK

The Council maintains an investment portfolio. The key risk relates to managing the exposure in replacing financial instruments as they mature. This risk therefore relates to the maturing of longer - term financial assets. The approved treasury indicator sets limits on investments placed for greater than one year in duration and is the key control used to address this risk. Operationally, risks are mitigated by monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day-to-day cash flow needs, and by ensuring that the spread of longer-term investments provide stability of both maturities and returns in relation to the longer-term cash flow needs.

The maturity analysis of financial assets is set out below:

| | 2018/19 £000's | 2019/20 £000's |
|-------------------------------------|-------------------|-------------------|
| Less than 1 year | 35,298 | 30,715 |
| More than 1 year, less than 2 years | - | - |
| More than 2 years, less 3 years | 13,142 | 17,789 |
| More than 3 years | 3,957 | 14,186 |
| Total | 52,397 | 62,690 |

Trade Debtors of £7,284,000 (2018/19: £ 3,060,000) are not shown in the table above, because they do not pose a refinancing or maturity risk for the Council.

NOTES TO THE ACCOUNTS

The maturity analysis of financial liabilities are shown below:

| | 31 March 2019 | 31 March 2020 |
|----------------------------|--------------------------|--------------------------|
| | £000's | £000's |
| Less than one year | (12,009) | (9,000) |
| Between one and two years | - | (5,000) |
| Between two and five years | - | - |
| More than five years | - | - |
| | (12,009) | (14,000) |

Trade payables of £3,167,000 (2018/19: £4,288,000) are not included in the table above, as they do not pose a refinancing or maturity risk for the Council.

22.10 MARKET RISK

The Council is partially exposed to interest rate movements on its investments. As all its borrowings are fixed rate, the Council has no exposure to interest rate risk on its borrowings.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure.

In 2018/19 the Council had no variable rate investments. However, to increase liquidity, in 2019/20, the percentage of variable rate investments has increased to half, as fixed rate investments have matured.

Since all investments are classified as Loans and Receivables any change in the fair value resulting from changes in interest rates would have no effect upon the figures contained within the Accounts.

23. CASH AND CASH EQUIVALENTS

The balance of cash and cash equivalents is made up of the following elements:

| | 31 March 2019 | 31 March 2020 |
|---|--------------------------|--------------------------|
| | £000's | £000's |
| Cash held by the authority | 2 | 2 |
| Bank current accounts | 3,816 | 4,000 |
| Short-term deposits with building societies | - | - |
| | 3,818 | 4,002 |

NOTES TO THE ACCOUNTS

24. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), 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. The CFR is analysed in the second part of this note.

| | 31 March 2019 £000's | 31 March 2020 £000's |
|---|---|---|
| Opening Capital financing requirement | - | 18,826 |
| Capital investment | | |
| Property, plant and equipment | 3,888 | 6,339 |
| Investment properties | 34,069 | 165 |
| Intangible assets | - | - |
| Heritage assets | 8 | 1 |
| Revenue expenditure funded from capital under statute | 1,269 | 1,397 |
| Long term investments | 3,794 | 10,219 |
| Sources of finance | | |
| Capital receipts received and applied | (20,133) | (863) |
| Capital receipts reserve applied | - | (1,236) |
| Government grants and other contributions | (3,966) | (2,513) |
| Earmarked reserves | (90) | (304) |
| Other adjustments | (13) | - |
| Sums set aside from revenue | | |
| Direct revenue contributions | - | (759) |
| MRP/the statutory repayment of loans fund advances | - | (167) |
| Closing Capital financing requirement | 18,826 | 31,105 |
| Explanation of movements in the year | | |
| Increase/(decrease) in underlying need to borrow | 18,826 | 12,279 |
| Increase/(decrease) in capital financing requirement | 18,826 | 12,279 |

NOTES TO THE ACCOUNTS

25. LEASES

25.1 COUNCIL AS A LESSEE

Finance Leases

The Council has acquired use of 14 properties under finance leases which are carried as Property, Plant and Equipment and Investment Assets in the Balance Sheet at the following net amounts:

| | 2018/19 | 2019/20 |
|--|---------------|---------------|
| | £000's | £000's |
| Other land and buildings – freehold owned by the Council | 7,404 | 7,997 |
| Other land and buildings – freehold not owned by the Council | 2,761 | 9,893 |
| Total property plant and equipment | 10,165 | 17,890 |
| Investment property - freehold owned by the Council | 6,656 | 832 |
| Total value finance leases | 16,821 | 18,722 |

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts

Operating Leases

The Council rents two allotment sites and a library car park which are not treated as non-current assets as they are short term operating leases. In addition to this the Council has acquired a number of lease cars and machinery to replace those previously purchased by capital receipts.

Minimum Lease Payments

The Council holds 14 properties as finance leases. As the rents paid for these are nil or peppercorn, they have no material impact on the Council's accounts.

25.2 COUNCIL AS A LESSOR

Operating Leases

In order to achieve operational objectives, the Council has leased out land and property, providing £1,990,000 of income in 2019/20 (£393,000 in 2018/19). Similarly, other assets leased out for investment purposes provided rent of £2,867,000 in 2019/20 (£2,979,000 in 2018/19).

The estimated total of future minimum lease payments per annum under non-cancellable operating leases for each of the following periods are:

| | 2018/19 | 2019/20 |
|---|------------------|------------------|
| | £000's | £000's |
| Not later than one year | (4,271) | (4,053) |
| Later than one year and not later than five years | (10,026) | (12,257) |
| Later than five years | (180,664) | (144,892) |
| | (194,961) | (161,202) |

NOTES TO THE ACCOUNTS

These totals are subject to a number of assumptions and should be regarded as illustrative of future income streams rather than as targets. Despite being nominally non-cancellable they depend on a wide range of economic and policy variables which could materially affect the outcomes going forward.

26. SHORT TERM DEBTORS

| | 31 March 2019 £000's | 31 March 2020 £000's |
|---------------------------------------|----------------------------|----------------------------|
| Central government bodies | 2,339 | 4,916 |
| Other local authorities | 870 | 6,665 |
| NHS bodies | 35 | - |
| Public corporations and trading funds | - | - |
| Other entities and individuals | 9,079 | 8,364 |
| Total debtors | 12,323 | 19,945 |
| Less: credit losses allowance | (2,460) | (2,744) |
| Total | 9,863 | 17,201 |

£7.284m (2018/19 £3.060m) of receivables from contract revenue are included in the total debtor's balance of £17.201m (2018/19 £9.863m).

COVID-19 credit loss allowance

During the Covid-19 pandemic many business have been shut down temporarily, alongside widespread restrictions on travel and mobility. The pandemic has caused financial market turmoil, an erosion of confidence and heightened uncertainty.

Sharp contractions in the level of economic output, household spending, and corporate investment are expected to have an impact on the Council's ability to recover debt. The Council's 2019/20 credit loss allowance (shown in note 26 short term debtors) includes an assumption about the potential impact of the pandemic for the Council. Further information is shown in the Events after Reporting Date.

27. LONG TERM DEBTORS

| | 31 March 2019 £000's | 31 March 2020 £000's |
|-------------------------------|----------------------------|----------------------------|
| Community infrastructure levy | 472 | 1,430 |
| Other receivables | 10 | 93 |
| Total | 482 | 1,523 |

NOTES TO THE ACCOUNTS

28. SHORT TERM CREDITORS

| | 31 March 2019 £000's | 31 March 2020 £000's |
|--------------------------------|----------------------------|----------------------------|
| Central government bodies | (696) | (6,997) |
| Other local authorities | (5,318) | (6,595) |
| Other entities and individuals | (5,750) | (4,909) |
| | <u>(11,764)</u> | <u>(18,501)</u> |

£3.167m (2018/19 £4.288m) of liabilities from contracts are included in the total creditors balance of £18.501m (2018/19 £11.764m).

Payment of invoices within 30 days

For the year ending 31 March 2020, 96.3% of undisputed purchase invoices were paid within 30 days of the invoice date £494.59 was paid in late payment interest.

29. LONG TERM CREDITORS

The only long-term creditors held by The Council are a number of Trust Funds, for which The Council acts as trustees. The Funds are held largely to ensure the continued provision of specific areas of land and other facilities for use by the public. Brief details of each for the Trusts are also shown below.

| | 31 March 2019 £0 | Receipts in Year £0 | Payments in Year £0 | 31 March 2020 £0 |
|---|------------------------|------------------------|------------------------|------------------------|
| Trust Funds | | | | |
| Commons Trust ¹ | (779) | (8) | 8 | (779) |
| Reigate Baths Trust ² | (773) | (8) | 8 | (773) |
| Environmental Traffic Trust ³ | (78) | (1) | 0 | (79) |
| Reigate Priory & Park Hill Trust ⁴ | (48) | - | - | (48) |
| Redhill Memorial Sports Ground Trust ⁵ | (13) | - | - | (13) |
| Other trusts ⁶ | (12) | - | - | (12) |
| Total | (1,703) | (17) | 16 | (1,704) |

Notes

1. Established in 1922 to ensure the continuing provision of public open spaces.
2. Established in 1906 to ensure the continued provision of swimming facilities.
3. Established in 2000 to facilitate traffic surveys, traffic management and other environmental improvements in and around Walton on the Hill.
4. Established in 1921 to ensure the continuing provision of public open spaces.
5. Established in 1922 to ensure the continuing provision of sports and recreation grounds.
6. Miscellaneous sums to support the provision of parks and open spaces.

NOTES TO THE ACCOUNTS

30. PROVISIONS

2019/20

| | Relating to NNDR Appeals | Total Provisions |
|--|-----------------------------|---------------------|
| | £000's | £000's |
| Balance at 1 April 2019 | (717) | (717) |
| Reallocation of opening share of NNDR appeals fund | (239) | (239) |
| Additional provisions made 2019/20 | (2,087) | (2,087) |
| Amounts used in 2019/20 | 521 | 521 |
| Unused amounts reversed in 2019/20 | - | - |
| Balance at 31 March 2020 | (2,522) | (2,522) |

2018/19

| | Relating to the Collection Fund | Total Provisions |
|------------------------------------|------------------------------------|---------------------|
| | £000's | £000's |
| Balance at 1 April 2018 | (1,965) | (1,965) |
| Additional provisions made 2018/19 | 564 | 564 |
| Amounts used in 2018/19 | 684 | 684 |
| Unused amounts reversed in 2018/19 | - | - |
| Balance at 31 March 2019 | (717) | (717) |

31. DEFINED BENEFITS PENSION SCHEME

As part of the terms and conditions of employment of its employees, the Council offers retirement benefits. Although these benefits will not be paid until employees retire, the Council has a commitment to make the payments, disclosed here, at the time when the employees earn their future entitlement.

The Council is a contributor to the Local Government Pension Scheme administered by Surrey County Council. The Scheme is a funded defined benefit scheme. Both the Council and its employees pay contributions at a level intended to balance the pension liabilities with the pension assets.

In addition, there are 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, no investment assets have been built up to meet these pension's liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

The pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions committee at Surrey County Council. Policy is determined in accordance with the Pension Fund Regulations.

The principal risks to the Council are changes to financial assumptions (discount rate, pension increase rate and salary increase rate), longevity assumptions, bond yields and the performance of the equity investments, as well as any statutory changes to 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.

NOTES TO THE ACCOUNTS

Pensions Assets and Liabilities recognised in the Balance Sheet

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

| | 31 March 2019 | 31 March 2020 |
|---|------------------|------------------|
| | £000's | £000's |
| Present value of the defined benefit obligation | 245,506 | 192,553 |
| Fair value of plan assets | (166,295) | (112,470) |
| Sub-total | 79,211 | 80,083 |
| Other movements in the liability (asset) | - | - |
| Net liability arising from defined benefit obligation | 79,211 | 80,083 |

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets:

| | 2018/19 | 2019/20 |
|--|----------------|----------------|
| | £000's | £000's |
| Opening fair value of scheme assets | 159,512 | 166,295 |
| Interest income | 4,086 | 3,981 |
| Remeasurement gain/(loss): | | |
| Return on plan assets | 7,247 | (56,234) |
| Contributions from employees into the scheme | 4,018 | 4,153 |
| Contributions from employees into the scheme | 886 | 956 |
| Benefits paid | (9,454) | (6,681) |
| Closing fair value of scheme assets | 166,295 | 112,470 |

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

| | 2018/19 | 2019/20 |
|--|------------------|------------------|
| | £000's | £000's |
| Opening balance at 1 April | 230,636 | 245,506 |
| Current service cost | 5,136 | 6,176 |
| Administration Costs | 38 | - |
| Interest cost on defined benefit obligations | 5,958 | 5,910 |
| Contributions from scheme participants | 886 | 956 |
| Remeasurements (gains) & losses: | | |
| Actuarial gains/losses arising from changes in demographic assumptions | - | (4,716) |
| Actuarial gains/losses arising from changes in financial assumptions | 11,364 | (15,093) |
| Other experience | 206 | (39,505) |
| Past service cost (including curtailments) | 736 | - |
| Benefits paid | (9,454) | (6,681) |
| Total Liabilities as at 31 March | 245,506 | 192,553 |
| Total Assets as at 31 March | 166,295 | 112,470 |
| Total Liabilities as at 31 March | (245,506) | (192,553) |
| Net Assets & Liabilities | (79,211) | (80,083) |

NOTES TO THE ACCOUNTS

Local Government Pension Scheme Assets Comprised the Following:

| | 2018/19 | 2019/20 |
|--|---------|---------|
| Cash and cash equivalents: | | |
| All | 3% | 3% |
| Equity securities: | | |
| Consumer | 3% | 3% |
| Manufacturing | 2% | 2% |
| Energy and utilities | 2% | 1% |
| Financial institutions | 2% | 2% |
| Health and care | 1% | 2% |
| Information technology | 3% | 3% |
| Other | 0% | 0% |
| Debt Securities: | | |
| Corporate bonds (investment grade) | | |
| Corporate bonds (non-investment grade) | | |
| UK Government | | 6% |
| Other | | |
| Private equity: | 0% | |
| All | 6% | 8% |
| Property: | | |
| UK | 5% | 5% |
| Overseas | 2% | 2% |
| Investment funds and unit trusts: | | |
| Equities | 55% | 53% |
| Bonds | 17% | 12% |
| Other | | |
| Derivatives: | | |
| Interest rate | | |
| Foreign exchange | 1% | -1% |
| | 100% | 100% |

NOTES TO THE ACCOUNTS

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 estimated 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 1 April 2019.

The significant assumptions used by the actuary have been:

| | 2018/19 | 2019/20 |
|--|------------|------------|
| Long-term expected rate of return on assets in the scheme: | | |
| Expected return on assets | 7.20% | -10.70% |
| Mortality assumptions: | | |
| Longevity at age 65 for: | | |
| Current pensioners – Men | 22.5 years | 22.1 years |
| Current pensioners – Women | 24.6 years | 24.3 years |
| Future pensioners* – Men | 24.1 years | 25.7 years |
| Future pensioners* – Women | 26.4 years | 25.7 years |
| Rate of inflation (CPI) | 2.50% | 1.90% |
| Rate of increase in salaries | 2.80% | 2.80% |
| Rate of increase in pensions | 2.50% | 1.90% |
| Rate for discounting scheme liabilities | 2.40% | 2.30% |

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably 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 or decrease for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The simulations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Impact on the defined benefit obligation in the scheme:

| | Increase in assumption £000's | Decrease in assumption £000's |
|--|----------------------------------|----------------------------------|
| Rate of inflation (increase or decrease by 1%) | - | 0.60% |
| Rate of increase in salaries (increase or decrease by 1%) | - | - |
| Rate of increase in pensions (increase or decrease by 1%) | - | 0.60% |
| Rate for discounting scheme liabilities (increase or decrease by 1%) | - | 0.10% |

NOTES TO THE ACCOUNTS

Impact on Cash Flows

The objectives of the scheme are to keep employers' contributions at a constant rate. Surrey County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis and the most recent triennial valuation was completed on 31 March 2019. The next triennial valuation is due to be completed on 31 March 2022.

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 the 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 to certain public servants.

In 2019/20 the Council paid £ 3,819m (2018/19 £ 3,679m) to the Pension Fund in respect of retirement benefits, representing 15% (2018/2019 15%). The Council additionally made a lump sum settlement of £6,204m in April 2020, funded from the Earmarked reserve set aside for this purpose plus a contribution from the General fund reserve. This represented a saving of £0.397m compared to making the payment in three annual instalments from 2020/21 to 2023/24.

The weighted average duration of the defined benefit obligation for scheme members is 21 years.

The liabilities show the underlying commitments that the council has in the long run to pay for retirement benefits. The 2019/2020 estimated total liability of £ 80,083 m (2019/20 £ 79,211m) has a substantial impact on the Council's balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy; the deficit will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

NOTES TO THE ACCOUNTS

32. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

| 31 March 2019 £000's | | 31 March 2020 £000's |
|-------------------------------------|-------------------|-------------------------------------|
| (864) | Interest received | (1,252) |
| - | Interest paid | 71 |
| (864) | | (1,181) |

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

| 31 March 2019 £000's | | 31 March 2020 £000's |
|-------------------------------------|---|-------------------------------------|
| (3,125) | Depreciation | (2,284) |
| (5,368) | Impairment and downward valuations | (2,366) |
| (2,933) | (Increase)/decrease in creditors | (2,279) |
| 3,328 | Increase/(decrease) in debtors | (1,119) |
| (5) | Increase/(decrease) in inventories | (7) |
| (3,764) | Movement in pension liability | (3,952) |
| 59 | Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised | - |
| (1,354) | Other non-cash items charged to the net surplus or deficit on the provision of services | - |
| (13,162) | | (12,007) |

| 1 March 2019 £000's | | 31 March 2020 £000's |
|------------------------------------|---|-------------------------------------|
| - | Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investment in associates, joint ventures and subsidiaries) | - |
| 4,810 | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (2,405) |
| 6,836 | Any other items for which the cash effects are investing or financing cash flows | (8,585) |
| 11,646 | | (10,990) |

NOTES TO THE ACCOUNTS

33. CASH FLOW STATEMENT – INVESTING ACTIVITIES

| | | 31 March 2020 £000's |
|-------------------------|--|-------------------------------------|
| 5,047 £000's | | |
| 39,542 | Purchase of property, plant and equipment, investment property and intangible assets | 6,506 |
| (7,853) | Purchase of short-term and long-term investments | 10,293 |
| (4,810) | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (2,405) |
| (775) | Proceeds from short-term and long-term investments | - |
| (5,872) | Other receipts from investing activities | (10,398) |
| <u>20,232</u> | Net cash flows from investing activities | <u>3,996</u> |

34. CASH FLOW STATEMENT – FINANCING ACTIVITIES

| 31 March 2019 £000's | | 31 March 2020 £000's |
|---------------------------------|---|---------------------------------|
| (12,009) | Cash receipts of short- and long-term borrowing | (5,000) |
| - | Other receipts from financing activities | - |
| - | Repayments of short- and long-term borrowing | 3,009 |
| - | Other payments for financing activities | 5,047 |
| <u>(12,009)</u> | | <u>3,056</u> |

NOTES TO THE ACCOUNTS

35. 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.

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 and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in grant income analysis in note 11.

Members

Members & Officers of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2019/20 is shown in note 8. Details of all returned interests are recorded in the Register of Members' Interest, open to public inspection at the Town Hall. Due to the Covid-19 pandemic Council Offices are not currently open to the public so special arrangements will need to be considered on request. One Member declared an interest in organisations which shared transactions with the Council. These included YMCA (£139,155) and Banstead Commons Conservators (£85,500). One Officer declared an interest in two organisations including Gatwick Diamond (£28,310). The relevant Members & Officers did not take part in any discussion or decision relating to the core funding grants received by any of the listed entities.

Officers

During 2019/20 the Chief Executive was a director of

1. Pathway for Care Ltd, an associate of the Council.
2. Horley Business Park Development LLP, a joint venture of the Council
3. Property Holdings Limited, a subsidiary of the Council
4. RBBC Ltd, a subsidiary of the Council

Entities controlled or significantly influenced by the Council

The Council has investments in two subsidiaries, a joint venture and an associate during 2019/20, over which it has control or significant influence.

Pathway for Care Ltd

Pathway for Care Ltd was split into two separate businesses (supported living and digital) during the prior year 2018/19. Supported living was held with the original company with the following change of ownership; Council 10% (B Shares) and 1,100,000 Preference Shares, Transforming Healthcare Group Ltd (THC) 70% (A Shares) & 10% (B Shares), Ian Hutchinson 10% (B Shares). The digital business was held with RBBC Ltd (incorporated on 4 April 2018). After the split Pathway for Care Ltd became an associate of the Council over which it has significant influence.

NOTES TO THE ACCOUNTS

RBBC Ltd

The Company was incorporated in 2018/19 and the Council owns a 100% shareholding. This company is the holding vehicle for the remaining digital business of Pathway for Care Ltd. The company has now ceased operating and Members formally approved its dissolution on 27 February 2020. At the timing of preparing the Statement of Accounts dissolution has not yet been confirmed by Companies House due to delays as a consequence of the COVID-19 pandemic.

Horley Business Park Development LLP

The Council owns a 50% shareholding in the LLP. The other partners of the joint venture are Berwick Hill Properties Ltd (BHP) and Millhill Properties (Horley) Ltd. The purpose is to promote the borough as a place to do business, securing resources to maintain and improve business related infrastructure and to create new jobs for our residents. The Council did not make any additional loans to the company during the financial year 2019/20. The council has lent the company a total of £602,000 as at 31/03/2020.

Greensand Property Holdings Ltd

The Council owns a 100% shareholding in the company. The purpose is buying and selling real estate. The Council has lent the company an additional £10,988,471 in 2019/20.

36. CONTINGENT LIABILITIES

National Non-Domestic Rates (NNDR) and NHS Foundation Trusts: The Council has a possible future reduction in NNDR income of approximately £4,712,715 if the NHS Foundation Trust's application for mandatory rate relief, based upon being classed as a charity, is granted.

NOTES TO THE ACCOUNTS

37. EVENTS AFTER THE REPORTING PERIOD

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

The following non-adjusting events have taken place after the reporting period, and before the date when the Statement of Accounts is authorised for issue:

Non-Adjusting Events

- | | | |
|---|-----------------------|--|
| 1 | Business support | <p>As part of the COVID-19 response, the government announced two grant schemes to support businesses to be administered by local authorities</p> <ul style="list-style-type: none">• Small Business Grant Fund• Retail, Hospitality and Leisure Grant Fund <p>The majority of these funds were paid to local authorities for distribution in late March 2020; the balance of unallocated funds will be repayable to the Government.</p> |
| 2 | Rental income | <p>The Council has worked with its property tenants to agree rent deferrals where required, combined with payment plans to recover arrears. Failure to recover the full rent would have an impact on the minimum lease payments note in the 2020/21 statement of accounts.</p> |
| 3 | Collection fund | <p>The wider economic impacts of the pandemic are likely to have consequent impacts on council tax and business rates income recovery. Over the short term the authority is experiencing cashflow pressures while precepting authorities' income shares are paid in full regardless of collection performance. Closure of magistrates' courts during the early months 2020/21 will also impact recovery performance. Over the short-term Government financial support for low income households and the introduction of additional rate reliefs for businesses has mitigated some of these impacts however the longer-term impacts remain uncertain.</p> |
| 4 | Use of Council assets | <p>The Council's Harlequin Theatre was closed to the public during the lockdown period, with a consequent impact on income receipts. The premises were put to alternative use as part of the welfare support response. If long term adverse impacts on income are experienced when the venue reopens there is a risk of a reduction in the value of the assets the Balance Sheet in 2020/21.</p> |
| 5 | Council car parks | <p>Car parking fees and penalty charges were suspended for a period during lockdown with a consequent impact on income receipts. There may be longer term adverse impacts on income if demand for car parking fails to recover (e.g. reduced parking by commuters who are now home working), this may result in a reduction in the value of these assets in the Balance Sheet in 2020/21.</p> |

ACCOUNTING POLICIES

General Principles

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and shows its position at 31 March 2020. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the UK 2019.

The accounts are prepared on a going concern basis. The accounting convention adopted is to record information at historic cost, with the exception of certain categories of financial instruments and non-current assets.

Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when payments are made or received. In particular:

- Revenue from contracts with service recipients is recognised when the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract. An estimated creditor is created when the payment is received from the customers before the performance obligations are performed by the Council.
- Supplies are recorded as expenditure when they are consumed. Where there is a gap between receipt and consumption they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received, including those provided by employees, are recorded as expenditure when the services are received rather than when payments are made.
- Interest payable on borrowings and receivable on investments is accounted for, at the effective rate of interest, for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Cash and Cash Equivalents

Cash and Cash Equivalents are cash in hand and deposits repayable on demand. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts which are repayable on demand.

Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error.

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

ACCOUNTING POLICIES

Council Tax and National Non-Domestic Rates (England)

Billing authorities act as agents, collecting council tax and non-domestic rates (NNDR) on behalf of the major preceptors (including government for NNDR) and, as principals, collecting council tax and NNDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NNDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NNDR collected could be less or more than predicted.

Accounting for Council Tax and NNDR

The council tax and NNDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of accrued income for the year. However, regulations determine the amount of council tax and NNDR that must be included in the Council's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

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

Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. Redundancy costs are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council can no longer withdraw the termination of the employment or make an offer to encourage voluntary redundancy. Other staff settlements are charged to the service once agreement has been reached by both parties.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension

ACCOUNTING POLICIES

enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-Employment Benefits

Employees of the Council are members of the Local Government Pensions Scheme, administered by Surrey County Council. The Local Government Pension Scheme is accounted for as a defined benefit scheme.

The liabilities of the Surrey County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using the rate for discounting scheme liabilities shown in note 31 Basis for Estimating Assets and Liabilities.

The assets of Surrey County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities – current bid price.
- unquoted securities – professional estimate.
- unitised securities – current bid price.
- property – market value.

The change in the net pensions' liability is analysed into several components:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- administration cost – calculated as a percentage of current service cost, as provided within the annual actuarial report.
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.
- net interest on the net defined benefit liability/(asset), i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) arises from the passage of time charged to the Finance and Investment Income and Expenditure line on Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability/(asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Remeasurements comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- actuarial gains and losses – changes in the net pensions liability that arise because

ACCOUNTING POLICIES

events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

- contributions paid to the Surrey County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Asset and Liability Measurement

The Council's assets and liabilities carrying value were measured by the fair value hierarchy, where the fair value hierarchy is as follows:

Level 1:

- The carrying value in the statement of accounts is measured by quoted prices in active markets for identical assets. Information on measurement values is either publicly available or there is measurement information about actual events or transactions, or there is a quoted price. There were no properties categorised as being valued within level 1 of the fair value hierarchy during the year.

Level 2:

- The carrying value of assets or liabilities in the statement of accounts are measured using inputs that are not quoted prices (as described within level 1), but that are observable either directly or indirectly. This measurement is used when the market data is not available, and so valuations are developed using the best information available by considering market rental, sales values, yields, size, construction type, condition and other observable inputs of comparable assets.

Level 3:

- The carrying value of assets or liabilities in the statement of accounts is measured by unobservable inputs, which significantly draw on valuer's skill and judgement. There were no properties categorised as being valued within level 3 of the fair value hierarchy during the year.

Carrying Value Measurement Transfer Policy

Where assets and liabilities are subject to transfer between levels the transfer is deemed to have occurred at the end of the reporting period. This transfer policy is applied consistently between transfers into levels and transfers out of levels. There have been no such transfers in the 2019/20 financial year.

ACCOUNTING POLICIES

Financial Instruments

Financial Liabilities

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

Financial Assets

Financial assets are classified into one of three types:

- **Amortised cost** – these represent loans and loan-type arrangement where the objective would be collecting contractual cash flows (solely payment of principal and interest). Movements in amortised cost are debited/credited to the Surplus/Deficit on the Provision of Services. The amount presented in the balance sheet represents the outstanding principal and the accrued interest.
- **Fair value through other comprehensive income** – these instruments are measured and carried at fair value. The objective of these assets would be both collecting contractual cash flows and selling assets. Movements in amortised cost are debited/credited to the Surplus/Deficit on the Provision of Services. But movements in fair value are debited/credited to Other Comprehensive Income and Expenditure. Cumulative gain/losses on fair value are transferred to the general fund balance on derecognition.
- **Fair value through profit or loss (FVTPL)** – These assets are measured and carried at fair value. Movement in fair value, all gains and losses are posted to Surplus/Deficit on the Provision of Services as they arise.

Impairment – Expected Credit Losses Allowance for impairment losses have been calculated for amortised cost assets, applying the expected credit losses model. Credit risk plays a crucial part in assessing losses, particularly where risk has increased significantly since an instrument was initially recognised. Changes in loss allowances are debited/credited to the financing and investment income and expenditure line in the CIES.

Lifetime expected credit losses: where the credit risk on a financial instrument has increased significantly since initial recognition.

12 – month expected credit losses: where the credit risk on a financial instrument has not increased significantly since initial recognition.

Simplified approach for trade receivables

The trade debtors have used the simplified approach in calculating the expected loss allowance, under which impairment losses are automatically based on lifetime expected credit losses, removing the need to consider changes in credit risk since initial recognition and the possibility that the appropriate measure should be 12 – month expected credit losses.

Collective and individual assessment basis

A collective assessment has been done for the trade receivables as it might not be possible to identify significant changes in credit risk for individual financial instruments until they have actually become past due. However, it is probable that credit risk will have risen significantly

ACCOUNTING POLICIES

before such an instrument becomes past due.

Government Grants and Contributions

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

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

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

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

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Community Infrastructure Levy

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

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

Group Accounts

IFRS group accounting standards (IFRS10, IFRS 11, IFRS 12, IAS 27 and IAS 28) are applied by the Council when preparing the consolidated financial statements (Group Accounts).

Accounting policies are aligned where the subsidiary/joint venture/associate company's accounting policies are different from the Council's own policies.

Subsidiaries are consolidated using a 'line-by-line' consolidation method; joint ventures and associates are consolidated using an 'equity-basis' method.

ACCOUNTING POLICIES

Heritage Assets

The Council's heritage assets consist of paintings (oil and watercolour) and marble sculptures which have been donated to the Council and are held in the Town Hall, and the mayor's regalia. In addition, there are some wooden sculptures in local parkland.

These items are reported in the Balance Sheet at insurance valuation which is based on market values. These insurance valuations are updated on an annual basis. The collection is relatively static with donations being rare. Where they do occur, donations are recognised at valuation.

The Council also hold land and historical structures such as the Reigate Heath Windmill and the caves in the castle grounds.

Interests in Companies and Other Entities

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures and require it to prepare group accounts. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any impairment loss for losses.

Investment Property

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

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

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

Leases

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

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

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

The Council as Lessee

Finance Leases

Property, Plant and Equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the

ACCOUNTING POLICIES

present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

Operating Leases

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

The Council as Lessor Operating Leases

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

Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as property, plant and equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential

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to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located

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

- infrastructure, community assets and assets under construction – depreciated historical cost
- operational assets – Depreciated replacement cost (DRC) Existing Use Value (EUV) or Fair Value basis, determined by the characteristics of the asset
- all other assets – fair value, determined as the highest and best use amount that would be paid for the asset in an orderly transaction between market participants.

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

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

Assets included in the Balance Sheet are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their value at the year-end, but as a minimum every five years by a qualified external valuer. This year the Council decided to undertake a desktop exercise of revaluations in addition to the rolling five year programme.

Valuations are undertaken on 31 December and an impairment review carried out on 31 March. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

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

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

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may

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be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

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

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

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

Depreciation

Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain community assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- Buildings – straight-line allocation over the useful life of the property as set determined by the valuer;
- Vehicles, plant, and equipment – straight-line allocation over the useful life of the asset as set out below:
 - Vehicles and plant – 7 years
 - Equipment – 5 years

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

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

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other operating expenditure line in the comprehensive income and expenditure statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the surplus or deficit on provision of services. Depreciation is not charged on assets held for sale. If assets no longer meet the criteria to be classified as assets held for sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had

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they not been classified as held for sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale. When an asset is disposed of or decommissioned, the carrying amount of the asset in the balance sheet (whether property, plant and equipment or assets held for sale) is written off to the other operating expenditure line in the comprehensive income and expenditure statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the comprehensive income and expenditure statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the revaluation reserve are transferred to the capital adjustment account.

Amounts received for a disposal are categorised as capital receipts which is credited to the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

Provisions

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

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

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent Asset/Liabilities

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

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

Reserves

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

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

Revenue Expenditure Funded from Capital under Statute

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

Value Added Tax (VAT)

Income and expenditure exclude any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable

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

There are no changes in accounting requirements for 2020/2021 that are anticipated to have a material impact on the Council's financial performance or financial position.

Critical Judgements in applying accounting policies

In applying the accounting policies, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The Council has not made any critical judgements in applying accounting policies in the Statement of Accounts 2019/20.

Assumptions made about the future and other major sources of estimation uncertainty

Preparation of the Statement of Accounts requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and amounts reported for income and expenditure during the year. However, the nature of estimation means that actual outcome may differ from those estimates.

The key estimates of uncertainty that have a significant risk of causing a material adjustment to the value are:

- The wider economic impacts of the pandemic are likely to have consequent impacts on council tax and business rates income recovery. Over the short term the authority

ACCOUNTING POLICIES

is experiencing cashflow pressures while precepting authorities' income shares are paid in full regardless of collection performance. Closure of magistrates' courts during the early months 2020/21 will also impact recovery performance. Over the short-term Government financial support for low income households and the introduction of additional rate reliefs for businesses has mitigated some of these impacts however the longer-term impacts remain uncertain.

- The Pension Fund liability is calculated triennially by the appointed actuary with annual updates in the intervening years. The methodology used in the intervening years follows generally agreed guidelines and is in accordance with IAS 19. Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. The estimates are sensitive to changes in the underlying assumptions underpinning the valuations, as exemplified in note 31.
- Impairment losses associated with debtors and investments – an impairment allowance for debtors and investments has been estimated to cover all major items of income (see note 26) and the trading company loans (see note 22). Assumptions used include evaluation of the likelihood of possible outcomes to scenarios and evidence and patterns associated with items of similar risk. The allowances made are considered adequate to cover future impairments of financial instruments, but by their nature are estimates. The effect of COVID-19 on both individuals and businesses to pay debts is uncertain; an additional allowance has been included in the impairment losses.
- Asset valuations and impairments – the Council engages an external valuer in order to calculate valuations, useful lives and impairment reviews of its fixed assets in accordance with professional guidance. Revaluations for 2019/20 from the valuers have been provided on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case.
- Provisions – The NNDR appeal loss allowance is based upon past patterns of successful appeal history of each business category and existing appeal cases expected outcomes.

COLLECTION FUND

COLLECTION FUND

This account reflects the statutory requirement to maintain a separate Collection Fund, which shows the transactions of the Council as a billing authority in relation to National Non-Domestic Rates (NNDR) and Council Tax. The account includes the transactions of all precepting partners (Central Government, Surrey County Council, Surrey Police and Crime Commissioner, and Reigate & Banstead Borough Council).

Collection Fund for the Year Ended 31 March

| 2018/19 | | | | 2019/20 | | |
|--|-----------------|------------------|--|------------------|-----------------|------------------|
| Council Tax | Business Rates | Total | | Council Tax | Business Rates | Total |
| £000's | £000's | £000's | | £000's | £000's | £000's |
| INCOME | | | | | | |
| (113,344) | - | (113,344) | Council Tax receivable | (118,780) | - | (118,780) |
| - | (53,460) | (53,460) | Business Rates receivable | - | (52,850) | (52,850) |
| (113,344) | (53,460) | (166,804) | Total Income | (118,780) | (52,850) | (171,630) |
| EXPENDITURE | | | | | | |
| Precepts and Demands: | | | | | | |
| - | - | - | Central Government | - | 26,213 | 26,213 |
| 13,585 | 16,442 | 30,027 | Reigate & Banstead Borough Council | 14,107 | 20,970 | 35,077 |
| 84,368 | 38,366 | 122,734 | Surrey County Council | 87,563 | 5,243 | 92,806 |
| 14,142 | - | 14,142 | Surrey Police and Crime Commissioner | 15,704 | - | 15,704 |
| Distribution of Prior Years' Surplus: | | | | | | |
| 0 | (1,895) | (1,895) | Central Government | 0 | (475) | (475) |
| 213 | (1,516) | (1,303) | Reigate & Banstead Borough Council | 180 | 144 | 324 |
| 1,284 | (379) | 905 | Surrey County Council | 1,119 | 1,127 | 2,246 |
| 217 | - | 217 | Surrey Police and Crime Commissioner | 188 | - | 188 |
| Charges to the Collection Fund: | | | | | | |
| 108 | 117 | 225 | Increase/(decrease) in credit loss allowance | 432 | 350 | 782 |
| - | (2,523) | (2,523) | Increase/(decrease) in appeals provision | - | 3,915 | 3,915 |
| - | 172 | 172 | Cost of collection | - | 175 | 175 |
| 113,917 | 48,784 | 162,701 | Total Expenditure | 119,293 | 57,662 | 176,955 |

The NNDR distribution of prior year surplus/(deficit) is based upon the prior year estimated value. The difference between the estimated surplus/(deficit) and the actual surplus/(deficit) is settled in the forthcoming year.

COLLECTION FUND

Council Tax

Council tax income derives from charges raised according to the value of residential properties, which have been classified into eight valuation bands. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund in the forthcoming year by the Council and its preceptors (that is, authorities we collect council tax for).

The Council's preceptors are:

- Surrey County Council
- Surrey Police and Crime Commissioner
- Horley Town Council
- Salfords and Sidlow Parish Council.

The total council tax requirement is then divided by the council tax base.

The council tax base is calculated before the start of the year by estimating the number of dwellings in each valuation band (adjusted for discounts where applicable) and converting this into an equivalent number of "Band D" dwellings.

The calculation of the council tax base for 2019/20 (with comparative figures for 2018/19) is set out below.

| Band | Range of Values | Estimated Number of Properties | Multiplier | 2018/19 Band D Equivalent | 2019/20 Band D Equivalent |
|-----------------------------------|----------------------|---|------------|---------------------------------|---------------------------------|
| A | Up to £40,000 | 629.94 | 6/9 | 424 | 420 |
| B | £40,000 to £52,000 | 2,399 | 7/9 | 1,877 | 1,866 |
| C | £52,001 to £68,000 | 9,259 | 8/9 | 8,081 | 8,230 |
| D | £68,001 to £88,000 | 14,742 | 9/9 | 14,641 | 14,742 |
| E | £88,001 to £120,000 | 9,832 | 11/9 | 11,862 | 12,017 |
| F | £120,001 to £160,000 | 6,870 | 13/9 | 9,880 | 9,923 |
| G | £160,001 to £320,000 | 6,895 | 15/9 | 11,496 | 11,492 |
| H | More than £320,000 | 1,019 | 18/9 | 2,002 | 2,038 |
| Total | | | | 60,263 | 60,729 |
| Less Allowance for Non-collection | | | | (482) | (486) |
| Council Tax Base | | | | 59,781 | 60,243 |

The average "Band D" Council Tax for 2019/20 was £1,976.45 (£1,868.71 in 2018/19).

GROUP ACCOUNTS

Introduction

The Code of Practice on Local Authority Accounting sets out the comprehensive requirements for Group Accounts. These require local authorities to prepare a full set of group financial statements when they have material interests in subsidiaries, associates or joint ventures.

The group financial statements are intended to present financial information about the parent (the Council) and the subsidiaries, associates and joint ventures, by bringing together their results in a unified set of accounts.

The following table summarises the Council's interests in subsidiaries, associates and joint ventures.

| Group Company and Joint Venture/Associate Information | | | | |
|---|--|--|---|---|
| Company Name | Shareholding | Nature of Interest | In Year Activity 2019/20 | Purpose |
| Horley Business Park Development LLP (Joint Venture) | Council 50%, Millhill Properties (Horley) Ltd 49.99%, Berwick Hill Properties Ltd 0.01% | Ownership structure has not changed during the financial year 2019/20. The Council does not have any significant restrictions on its ability to access or use the assets and settle the liabilities of the group. | The Council did not lend any additional loans to the LLP during the financial year 2019/20. The interest charged in 2019/20 for the outstanding loan was £77,889. | The purpose is to promote the borough as a place to do business, securing resources to maintain and improve business related infrastructure and to create new jobs for our residents. |
| Pathway for Care Limited (Associate, previously a subsidiary) | Council 10% (B Shares) and 1,100,000 Preference Shares, Transforming Healthcare Group Limited (THC) 70% (A Shares) & 10% (B Shares), Ian Hutchinson 10% (B Shares) | Pathway for Care Ltd split into two separate businesses in the financial year 2018/19. The supported living business remained with Pathway for Care Ltd (see the shareholding) and the digital business was transferred to RBBC Ltd (see below) After the split Pathway for Care Ltd became an associate of the Council over which it has significant influence. | The Council did not make any loans to Pathway for Care Ltd in 2019/20 and continues to hold £1,100,000 Preference Shares. | Pathway is a home health care company that supports people across the borough and beyond to live as independently as possible in their own homes. |

GROUP ACCOUNTS

| Group Company and Joint Venture/Associate Information | | | | |
|---|--------------|--|--|---|
| Company Name | Shareholding | Nature of Interest | In Year Activity 2019/20 | Purpose |
| RBBC Limited (Subsidiary – being dissolved) | Council 100% | Was a fully owned subsidiary company for part of the financial year 2019/20. | RBBC Limited is in the process of being dissolved. | This company was incorporated in 2018/19, as a holding vehicle of the digital business of Pathway for Care Ltd. |
| Greensand Property Holdings Ltd (Subsidiary) | Council 100% | Ownership structure has not changed during the financial year 2019/20. | The Council has lent the company an additional £10,988,471 in 2019/20. Interest charged for all outstanding loans in 2019/20 was £438,758. | Greensand Property Holdings Ltd is a property company |
| | | The Council does not have any significant restrictions on its ability to access or use assets and settle liabilities of the group. | | |
| | | The Council does not have any contractual obligations towards Greensand Property Holdings Ltd and therefore no risk associated with its interest in the group. | | |

GROUP ACCOUNTS

GROUP COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT

| 2018/19 | | | 2019/20 | | |
|---------------------|---------------------|-------------------|---------------------|---------------------|-------------------|
| Gross Exp £000's | Gross Inc £000's | Net Exp £000's | Gross Exp £000's | Gross Inc £000's | Net Exp £000's |
| 297 | (12) | 285 | 354 | (3) | 351 |
| 822 | (47) | 775 | 1,054 | (42) | 1,012 |
| 39,146 | (38,432) | 714 | 35,313 | (34,466) | 847 |
| 1,972 | (448) | 1,524 | 3,157 | (574) | 2,583 |
| 2,152 | (31) | 2,121 | 1,858 | (18) | 1,840 |
| 2,493 | (16) | 2,477 | 1,471 | (24) | 1,447 |
| 104 | (39) | 65 | 356 | (35) | 321 |
| 12,990 | (8,609) | 4,381 | 13,554 | (8,406) | 5,148 |
| 1,842 | (1,368) | 474 | 2,125 | (1,435) | 690 |
| 1,868 | (1,001) | 867 | 2,361 | (1,009) | 1,352 |
| | | | | | |
| 823 | (1) | 822 | 948 | (122) | 826 |
| 2,034 | (1) | 2,033 | 1,993 | (1) | 1,992 |
| 2,446 | (409) | 2,037 | 2,963 | (764) | 2,199 |
| 7,656 | (944) | 6,712 | 8,513 | (2,474) | 6,039 |
| 76,645 | (51,358) | 25,287 | 76,019 | (49,373) | 26,646 |
| | | | | | |
| 382 | (5,127) | (4,745) | 404 | (2,405) | (2,001) |
| | | | | | |
| 7,524 | (4,048) | 3,476 | 3,919 | (4,084) | (165) |
| | | | | | |
| 14,434 | (42,021) | (27,587) | 20,995 | (51,223) | (30,228) |
| 98,985 | (102,554) | (3,569) | 101,337 | (107,085) | (5,748) |
| | | | | | |
| | | 155 | | | (108) |
| | | (1) | | | (17) |
| | | - | | | - |
| | | (3,415) | | | (5,873) |
| | | | | | |
| | | 3,130 | | | (204) |
| | | 4,323 | | | (3,080) |
| | | | | | |
| | | - | | | - |
| | | 7,453 | | | (3,284) |
| | | 4,038 | | | (9,157) |

GROUP ACCOUNTS

GROUP MOVEMENT IN RESERVES STATEMENT

| 2019/20 | General Fund Reserves | Capital Receipts Reserve | Capital Grants Unapplied | Usable Reserves | Unusable Reserves | Total Council' s Reserves | Council' s share of Reserves of subsidiary & Joint | Total Reserves attributable to the Council | Minority Interest | Group Reserve Total |
|--|--------------------------|-----------------------------|-----------------------------|-----------------|-------------------|------------------------------|--|--|-------------------|---------------------|
| | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's |
| Balance at 31 March 2019 | 37,589 | 627 | 16,038 | 54,254 | 112,088 | 166,342 | 66 | 166,408 | - | 166,408 |
| Movement in reserves during 2019/20 | | | | | | | | | | |
| Adjustment to opening balance | - | - | - | - | - | - | 112 | 112 | - | 112 |
| Total comprehensive income and expenditure | 5,752 | - | - | 5,752 | 3,284 | 9,036 | 121 | 9,157 | - | 9,157 |
| Other comprehensive income and expenditure | - | - | - | - | - | - | - | - | - | - |
| Adjustment between group and authority accounts | 467 | - | - | 467 | 0 | 467 | (467) | - | - | - |
| Adjustments between accounting and funding basis under regulations | (2,217) | (46) | 7,884 | 5,621 | (5,621) | - | - | - | - | - |
| Other Adjustments | - | - | - | - | - | - | - | - | - | - |
| Increase/Decrease in 2019/20 | 4,002 | (46) | 7,884 | 11,840 | (2,337) | 9,503 | (234) | 9,269 | - | 9,269 |
| Balance at 31 March 2020 | 41,591 | 581 | 23,922 | 66,094 | 109,751 | 175,845 | (168) | 175,677 | - | 175,677 |

GROUP ACCOUNTS

| 2018/19 | General Fund Reserves | Capital Receipts Reserve | Capital Grants Unapplied | Usable Reserves | Unusable Reserves | Total Council' s Reserves | Council' s share of Reserves of subsidiary & Joint | Total Reserves attributable to the Council | Minority Interest | Group Reserve Total |
|--|--------------------------|-----------------------------|-----------------------------|-----------------|-------------------|------------------------------|--|--|-------------------|---------------------|
| | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's |
| Balance at 31 March 2018 | 34,250 | 15,810 | 13,308 | 63,368 | 106,933 | 170,301 | (635) | 169,666 | (207) | 169,459 |
| Movement in reserves during 2018/19 | | | | | | | | | | |
| Adjustment to opening balance | - | - | - | - | - | - | 780 | 780 | 207 | 987 |
| Surplus (deficit) on provision of services | 3,450 | - | - | 3,450 | - | 3,450 | (35) | 3,415 | - | 3,415 |
| Other comprehensive income and expenditure | - | - | - | - | (7,453) | (7,453) | - | (7,453) | - | (7,453) |
| Adjustment between group and authority accounts | 44 | - | - | 44 | - | 44 | (44) | - | - | - |
| Adjustments between accounting and funding basis under regulations | (65) | (15,323) | 2,870 | (12,518) | 12,518 | - | - | - | - | - |
| Other Adjustments | (90) | 140 | (140) | (90) | 90 | - | - | - | - | - |
| Increase/Decrease in 2018/19 | 3,339 | (15,183) | 2,730 | (9,114) | 5,155 | (3,959) | 701 | (3,258) | 207 | (3,051) |
| Balance at 31 March 2019 | 37,589 | 627 | 16,038 | 54,254 | 112,088 | 166,342 | 66 | 166,408 | - | 166,408 |

GROUP ACCOUNTS

GROUP BALANCE SHEET

| 31 March 2019 | | 31 March 2020 |
|--------------------------|---|--------------------------|
| £000's | | £000's |
| 110,668 | Property, plant & equipment | 156,782 |
| 469 | Heritage assets | 905 |
| 97,605 | Investment property | 52,907 |
| - | Investment in associate & Joint venture | 52 |
| 14,663 | Long term investments | 18,717 |
| 482 | Long term debtors | 1,522 |
| 223,887 | Long term assets | 230,885 |
| 35,298 | Short term investments | 30,715 |
| 1 | Assets held for sale | - |
| 49 | Inventories | 10,983 |
| 9,804 | Short term debtors | 16,914 |
| 3,861 | Cash and cash equivalents | 4,171 |
| - | Current tax asset | - |
| 49,013 | Current asset | 62,783 |
| (12,009) | Short term borrowing | (9,000) |
| (11,792) | Short term creditor | (18,532) |
| (10) | Current tax liability | - |
| (23,811) | Current liabilities | (27,532) |
| (1,703) | Long term creditors | (1,840) |
| (717) | Provisions | (2,522) |
| (79,211) | Net pension liability | (80,083) |
| - | Long term borrowing | (5,000) |
| (834) | Capital grants in advance | (834) |
| (180) | Other long term liabilities | (180) |
| (36) | Deferred tax liability | - |
| (82,681) | Long term liabilities | (90,459) |
| 166,408 | Net assets | 175,677 |
| (54,063) | Useable reserves | (65,844) |
| (112,345) | Unusable reserves | (109,833) |
| (166,408) | Total reserves | (175,677) |

GROUP ACCOUNTS

GROUP CASH FLOW STATEMENT

| 31 March 2019 £000's | | 31 March 2020 £000's |
|----------------------------|--|----------------------------|
| (3,415) | Net (surplus) or deficit on the provision of services | (5,873) |
| - | Adjustment to opening balance | (112) |
| (13,061) | Adjustments to net surplus or deficit on the provision of services for non-cash movements | (2,425) |
| 11,491 | Adjustments to net surplus or deficit on the provision of services that are investing and financing activities | 10,990 |
| 1 | Deferred Tax | |
| (4,984) | Net cash flows from operating activities | 2,580 |
| 20,232 | Investing activities | (6,781) |
| (12,009) | Financing activities | 3,891 |
| 3,239 | Net increase or decrease in cash and cash equivalents | (310) |
| 7,100 | Cash and cash equivalents at the beginning of the reporting period | 3,861 |
| 3,861 | Cash and cash equivalents at the end of the reporting period | 4,171 |

NOTES TO THE GROUP ACCOUNTS

General

These notes should be read in conjunction with the explanatory notes to the Council's single entity accounts.

Subsidiary & Joint Venture

The operating expenditure and income of the wholly owned subsidiary companies, RBBC Limited and Greensand Property Holdings Limited has been included within Health and Wellbeing and Investment income and expenditure respectively.

FINANCING AND INVESTMENT INCOME AND EXPENDITURE

| | 2018/19 | 2019/20 |
|---|----------------|----------------|
| | £000's | £000's |
| Interest payable and similar charges | 46 | 115 |
| Net interest on the net defined benefit liability/(asset) | 1,872 | 1,929 |
| Impairment | 185 | 1,136 |
| Expenditure in relation to investment properties and their fair value | 5,421 | 739 |
| Total expenditure | 7,524 | 3,919 |
| Income in relation to investment properties and their fair value | (3,395) | (3,088) |
| Other investment income | (653) | (996) |
| Total income | (4,048) | (4,084) |
| Total net income/expenditure | 3,476 | (165) |

NOTES TO THE GROUP ACCOUNTS

INVESTMENT PROPERTY

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

| | 2018/19 £000's | 2019/20 £000's |
|--|-------------------|-------------------|
| Rental income from investment properties | (3,395) | (3,088) |
| Direct operating expenses arising from investment property | 358 | 154 |
| Net gain/(loss) | (3,037) | (2,934) |

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

| | 31 March 2019 £000's | 31 March 2020 £000's |
|--|----------------------------|----------------------------|
| Balance at the start of the year | 68,599 | 97,605 |
| Additions | - | 165 |
| Purchases | 34,117 | - |
| Disposals | - | - |
| Net gains/losses from fair value adjustments | 54 | - |
| Depreciation | (5,154) | (376) |
| Transfers | (11) | - |
| to/from inventories | - | - |
| to from property, plant and equipment | - | - |
| Other changes | - | (44,488) |
| Balance at the end of the year | - | - |
| | 97,605 | 52,906 |

A number of the Council's assets have been reclassified in the year, as a result of the adoption of the Council's new 5 Year Plan (Reigate and Banstead 2025 – 'the Plan'). This places greater emphasis on using assets for community benefit. As a result, the Council's asset categorisation has been re-examined, resulting in a number of assets being transferred to property, plant and equipment.

NOTES TO THE GROUP ACCOUNTS

PROPERTY, PLANT AND EQUIPMENT

The Group's property, plant and equipment is held by the Council. Greensands Property Holdings Ltd and the Council's dormant subsidiary, RBBC Limited hold no property, plant and equipment.

INVENTORIES

| | 2018/19 | 2019/20 |
|-------------|---------|---------|
| | £000's | £000's |
| Inventories | 49 | 10,983 |

Inventories relates to land held for development and resale and are stated at the lower of cost and net realisable value. Cost includes all directly attributable expenditure necessary to bring the inventories to their existing condition and location. Costs are assigned by specific identification and include the cost of acquisition and subsequent development costs

SHORT TERM DEBTORS

| | 31 March 2019 | 31 March 2020 |
|---------------------------------------|------------------|------------------|
| | £000's | £000's |
| Central government bodies | 2,339 | 4,915 |
| Other local authorities | 870 | 6,665 |
| NHS bodies | 35 | - |
| Public corporations and trading funds | - | - |
| Other entities and individuals | 9,020 | 8,078 |
| Total (gross) | 12,264 | 19,658 |
| Less: credit losses allowance | (2,460) | (2,744) |
| Total | 9,804 | 16,914 |

£7.349m (2018/19 £3.001m) of receivables from contract revenue are included in the total debtor's balance of £17.257m (2018/19 £9.804m).

SHORT TERM CREDITORS

| | 31 March 2019 | 31 March 2020 |
|--------------------------------|------------------|------------------|
| | £000's | £000's |
| Central government bodies | (696) | (6,997) |
| Other local authorities | (5,318) | (6,595) |
| Other entities and individuals | (5,778) | (4,940) |
| Total | (11,792) | (18,532) |

£3.198m (2018/19 £3.088m) of liabilities from contracts are included in the total creditors balance of £18.532m (2018/19 £11.792m).

NOTES TO THE GROUP ACCOUNTS

CASH AND CASH EQUIVALENTS

| | 31 March 2019 £000's | 31 March 2020 £000's |
|---|----------------------------|----------------------------|
| Cash held by the Council | 2 | 2 |
| Bank current accounts | 3,859 | 4,169 |
| Short-term deposits with banks and building societies | - | - |
| Total | 3,861 | 4,171 |

JOINT VENTURE AND ASSOCIATES

Horley LLP and Pathway for Care Ltd are accounted for on an equity basis.

SHARE OF INCOME AND EXPENSES

| | Council's Share | Horley LLP £000's | Pathway for Care Ltd £000's | RBBC Share £000's |
|--|--------------------|-------------------------|-----------------------------------|-------------------------|
| 2018/19 | | | | |
| Share of the other Comprehensive (income) and expenditure of joint venture | 50% | 8 | - | 4 |
| Tax expenses of joint venture | | - | - | - |
| Share of the other Comprehensive (income) and expenditure of associate | 10% | - | 1,512 | 151 |
| Tax expenses of associate | | - | - | - |
| Total | | 8 | 1,512 | 155 |

| | Council's Share | Horley LLP £000's | Pathway for Care Ltd £000's | RBBC Share £000's |
|--|--------------------|-------------------------|-----------------------------------|-------------------------|
| 2019/20 | | | | |
| Share of the other Comprehensive (income) and expenditure of joint venture | 50% | 10 | - | 5 |
| Tax expenses of joint venture | | - | - | - |
| Share of the other Comprehensive income and expenditure of associate | 10% | - | (1,134) | (113) |
| Tax expenses of associate | | - | - | - |
| Total | | 10 | (1,134) | (108) |

NOTES TO THE GROUP ACCOUNTS

COUNCIL'S INTEREST IN NET ASSETS

| | Council's Share | Horley LLP | Pathway for Care Ltd | RBBC Share |
|---------------------------------------|-----------------|------------|----------------------|------------|
| 2018/19 | | £000's | £000's | £000's |
| Fixed assets - associate | 50% | - | - | - |
| Fixed assets - joint venture | 10% | - | 10 | 1 |
| Current assets- associate | 50% | 1,153 | - | 577 |
| Current assets- joint venture | 10% | - | 178 | 18 |
| Current liabilities - associate | 50% | (256) | - | (128) |
| Current liabilities - joint venture | 10% | - | (600) | (60) |
| Long term liabilities - associate | 50% | (928) | - | (464) |
| Long term liabilities - joint venture | 10% | - | - | - |
| Total | | (31) | (412) | (56) |

| | Council's Share | Horley LLP | Pathway for Care Ltd | RBBC Share |
|---------------------------------------|-----------------|------------|----------------------|------------|
| 2019/20 | | £000's | £000's | £000's |
| Fixed assets - associate | 50% | - | - | - |
| Fixed assets - joint venture | 10% | - | 30 | 3 |
| Current assets- associate | 50% | 1,240 | - | 620 |
| Current assets- joint venture | 10% | - | 984 | 98 |
| Current liabilities - associate | 50% | (200) | - | (100) |
| Current liabilities - joint venture | 10% | - | (291) | (29) |
| Long term liabilities - associate | 50% | (1,080) | - | (540) |
| Long term liabilities - joint venture | 10% | - | 0 | 0 |
| Total | | (40) | 723 | 52 |

GLOSSARY

Accrual

The concept that income and expenditure are recognised when goods or services are provided, and not when cash is transferred.

Actuarial Gains and Losses

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- a) events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses) or
- b) the actuarial assumptions have changed.

Amortisation

A charge to revenue to reflect the consumption or use of an intangible asset over its useful economic life. There is a corresponding reduction in the value of the asset.

Asset

An item having value in monetary terms. Assets are defined as current or non-current.

- A current asset will be consumed or cease to have value within the next financial year, e.g. stock and debtors.
- A non-current asset provides benefits to the Council and to the services that it provides for a period of greater than one year.

Budget

A forecast of net revenue and capital expenditure over the accounting period.

Business Rates Tariff

Central government calculates a funding level for every council each financial year. Should a council expect to receive more in non-domestic rates than its funding level then a tariff payment is made to Central Government.

Business Rates Levy

Levies are charges on councils that experience “growth” and pay a tariff. “Growth” for levy purposes occurs when a council's Business Rates revenue increases faster than its funding level (which will increase with RPI). The levy limits the percentage increase in funding for a council so that it is no more than the percentage increase in Business Rates.

Capital Charge

A notional charge to service revenue accounts to reflect the cost of non-current assets used in the provision of services. The main elements are depreciation, amortisation and the revenue impact of downward revaluations.

Capital Expenditure

Expenditure on the acquisition, creation or enhancement of a non-current asset which will be used beyond the current accounting period.

GLOSSARY

Capital Financing Requirement

This represents the Council's underlying need to borrow for capital purposes. The capital financing requirement will increase whenever capital expenditure is incurred and not resourced immediately from usable capital receipts, capital grants/contributions or revenue funding.

Capital Receipts

The proceeds from the disposal of non-current assets.

CIPFA

The Chartered Institute of Public Finance and Accountancy.

Community Assets

Assets that the Council intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Parks are examples of community assets.

Community Infrastructure Levy

A levy charged on most new developments in the Borough with appropriate planning consent, which will be spent on infrastructure (such as transport, schools and social care facilities).

Consistency

The concept that the accounting treatment of like items within an accounting period and from one period to the next is the same.

Consumer Price Index (CPI)

A measure of inflation published monthly by the Office for National Statistics that measures the change in the cost of a basket of retail goods and services. Unlike the Retail Price Index (RPI), the CPI takes the geometric mean of prices to aggregate items at the lowest levels, instead of the arithmetic mean and excludes mortgage interest payments.

Contingent Rent

Contingent rent is the difference between the original rent and the revised rent following a rent review.

Contingency

A condition which exists at the balance sheet date, where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events. There can be Contingent Liabilities for uncertain items of expenditure and Contingent Assets for uncertain items of income.

Creditor

Amounts owed by the Council to an individual or company at the end of the accounting period.

Current Service Cost (Pensions)

The increase in the present value of defined benefit pension scheme liabilities expected to arise from employee service in the current period.

GLOSSARY

Current Value

The Current Value of Property, Plant and Equipment used to support service delivery will be based on existing use where there is an active market or Depreciated Replacement Cost where assets are specialised or rarely sold (for example a school).

Curtailment

A curtailment happens when a council significantly reduces the number of employees covered by a defined benefit pension plan and may arise as a result of an isolated event such as the closing of a part of a council, discontinuance of an operation or termination or suspension of a plan.

Debtor

Amounts owed to the Council by an individual or company at the end of the accounting period.

Defined Benefit Scheme

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

Defined Contribution Scheme

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Depreciation

A charge to revenue to reflect the consumption of a property, plant or equipment asset over its useful economic life. There is a corresponding reduction in the value of the asset.

Depreciated Replacement Cost

The current cost of replacing an asset, based on a modern equivalent asset less deductions for physical deterioration.

Discretionary Benefits

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under the Council's discretionary powers, such as The Local Government (Discretionary Payments) Regulations 1996, the Local Government (Discretionary Payments and Injury Benefits)(Scotland) Regulations 1998, or The Local Government (Discretionary Payments) Regulations (Northern Ireland) 2001.

Exceptional Items

Material items which derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

Fair Value

The Fair Value of an asset is the amount for which it could be exchanged between knowledgeable, willing parties in an arm's length transaction.

GLOSSARY

Financial Instruments

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term financial instrument covers both financial assets and financial liabilities.

Finance Lease

A lease that transfers substantially all the risks and rewards of ownership of a fixed asset to the lessee.

Government Grants

Assistance by Government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to a Council in return for past or future compliance with certain conditions relating to the activities of the Council.

Heritage Assets

Heritage Assets are assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations.

Impairment of Assets

Impairment is caused by the consumption of economic benefits e.g. physical damage to an asset, a fall in prices specific to an asset or bad debt and requires the value of an asset to be adjusted downwards.

Infrastructure Assets

Assets that are recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

Intangible Fixed Assets

Intangible fixed assets are defined as non-financial assets that do not have physical substance but are identifiable and controlled by the entity through custody or legal right. Examples are scientific or technical knowledge in order to produce new or improved materials, copyright, intellectual property rights and computer software licences.

Inventories

The amount of unused or unconsumed materials and supplies held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises. Inventories comprise the following categories:

- goods or other assets purchased for resale;
- consumable stores;
- raw materials and components purchased for incorporation into products for sale; and;
- finished goods.

Investment Properties

Investment Property comprises land and buildings held solely to earn rentals and/or for capital appreciation.

GLOSSARY

Investments (Non-Pensions Fund)

A long term investment is an investment that is intended to be held for use on a continuing basis in the activities of the Council. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

Investments, other than those in relation to the pensions fund, that do not meet the above criteria should be classified as current assets.

Investments (Pension Fund)

The investments of the Pensions Fund will be accounted for in the statements of that Fund. However, authorities are also required to disclose the attributable share of pension scheme assets associated with their underlying obligations.

Large Scale Voluntary Transfer (LSVT)

The voluntary transfer of public sector housing to other bodies, usually to a Registered Social Landlord.

Market Value

The estimated amount for which a property should exchange on the date of valuation between knowledgeable willing parties in an arm's-length transaction based on its highest and best use.

Minimum Revenue Provision (MRP)

The statutory minimum amount which is charged to revenue to provide for the repayment of debt.

Net Book Value

The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or Current Value less the cumulative amounts provided for depreciation and any impairments.

Net Interest Cost on The Net Defined Benefit Pension Liability

For a defined benefit scheme, the change in the net liability during the period because the benefits are one period closer to settlement.

Non Distributed Costs

These are overheads for which no user benefits and should not be apportioned to services.

Operating Leases

A lease where the risks and rewards of ownership of the asset remains with the lessor.

Past Service Cost

For a defined benefit scheme, the change in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or changes to, retirement benefits or a curtailment.

Pensions / IAS 19

The requirements of International Accounting Standard 19 "Employee Benefits" is based on a simple principle – that an organisation should account for retirement benefits when it is committed to give them, even if the actual giving will be many years into the future. The

GLOSSARY

important accounting distinction for pension schemes is whether they are “defined contribution” or “defined benefit”.

Events after the reporting period

Events that occur between the balance sheet date and the date when the Statement of Accounts is authorised for issue.

Prior Period Adjustment

A prior period adjustment is the material adjustment applicable to prior year figures arising from changes in accounting policies or from the correction of material errors. They do not include normal recurring correction or adjustments to accounting estimates made in prior years.

Projected Unit Method

An assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, and projections of projected earnings for current employees.

Prudence

The concept that revenue is not anticipated but is recognised only when realised in the form either of cash or of other assets the ultimate cash realisation of which can be assessed with reasonable certainty.

Related Parties

Two or more parties are related parties when at any time during the financial period:

- one party has direct or indirect control of the other party; or
- the parties are subject to common control from the same sources; or
- one party has influence over the financial and operational policies of the other party to an extent that the other party might always be inhibited from pursuing its own separate interest; or
- the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Remeasurements of the Net Defined Benefit Pension Liability

Comprised of actuarial gains and losses and any return on plan assets not already included in the net interest calculation.

Retirement Benefit

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either (i) an employer’s decision to terminate an employee’s employment before the normal retirement date or (ii) an employee’s decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

Revaluation Decrease

A downward movement in the current or Fair Value of an asset resulting from a general fall in prices at the time of valuation.

GLOSSARY

Revenue Expenditure Funded from Capital Under Statute

Expenditure which may properly be deferred, but which does not result in, or remain matched with a long term asset and is written out to revenue in the year it is incurred, e.g. home improvement grants.

Scheme Liabilities (Pensions)

The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

Section 106

Monies received from developers under section 106 of the Town & Country Planning Act 1990, as a contribution towards the cost of providing facilities and infrastructure which may be required as a result of their development.

Service Reporting Code of Practice for Local Authorities (SeRCOP)

Framework used by public sector finance officers and Central Government as a way of summarising council budgets and spending in a standard format. SeRCOP is maintained by CIPFA.

Subsidiary

An entity controlled by the Council.

Useful Life

The period over which the Council will derive benefits from the use of a non-current asset.

Vested Rights

In relation to a defined benefit pension scheme, these are:

- a) for active members, benefits to which they would unconditionally be entitled on leaving the scheme;
- b) for deferred pensioners, their preserved benefits;
- c) for pensioners, pensions to which they are entitled.

Vested rights include where appropriate the related benefits for spouses or other dependants