

STATEMENT OF ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2020



SURREY HEATH BOROUGH COUNCIL

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1. NARRATIVE STATEMENT

1.1. Surrey Heath as a place

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

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

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

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

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

1.2. Finance Service

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



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

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

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

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

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

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

Place

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

Our priorities are:

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

Prosperity

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

Our priorities are:

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



People

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

Our priorities are:

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

Performance

We will deliver effective and efficient services better and faster

Our priorities are:

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

1.4. Council Performance

Achievements 2019/20

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

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

1.5. Financial Performance

Financial context of the Council

Surrey Heath Borough Council had gross service expenditure of £95m. This is funded by income from investments, charges, grants, business rates and council tax as set out in the budget paper presented to members in February each year.

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

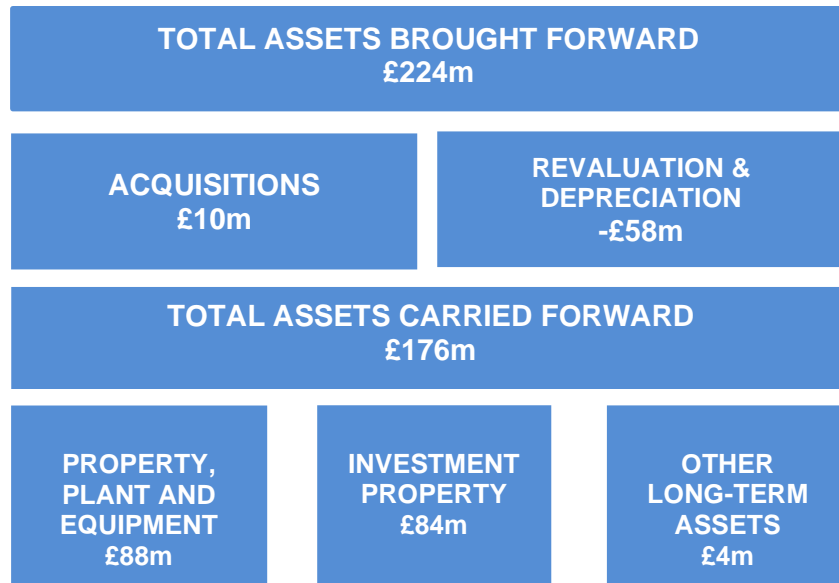
Government funding to the Council has fallen by £2.7m in cash terms since 2010/11 and the Council has made up the gap by increasing efficiency and generating income through investment. This has meant that despite this reduction in funding, coupled with the impact of inflation, the Council has been able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

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

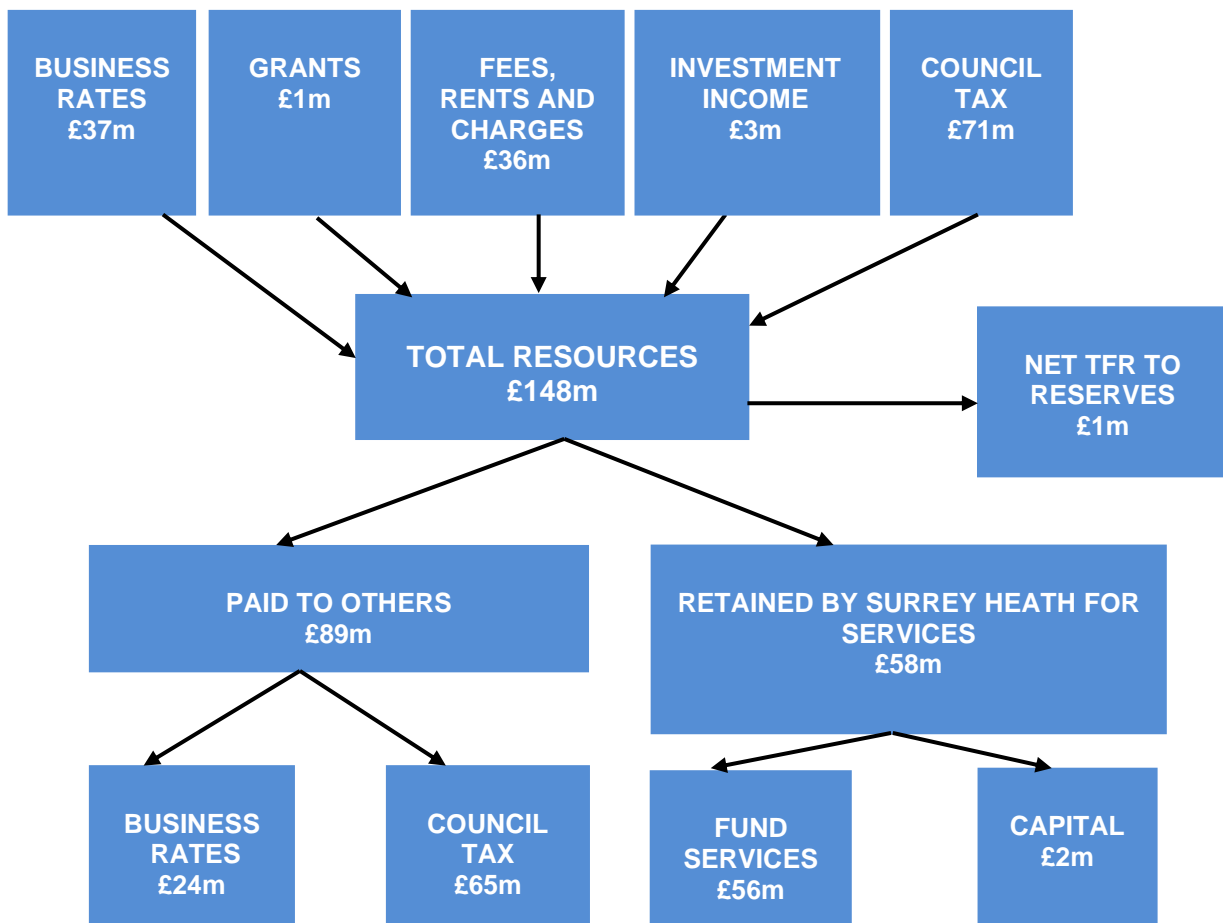
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Capital Cash Flows



Revenue Cash Flows

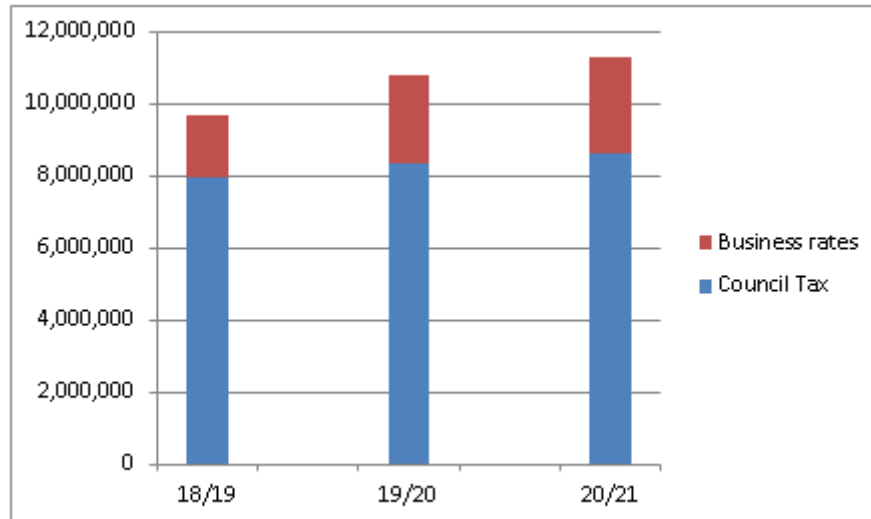


SURREY COUNTY COUNCIL £63m
 DLUHC £16m SURREY POLICE £10m
 (PAID TO OTHERS-£89m)

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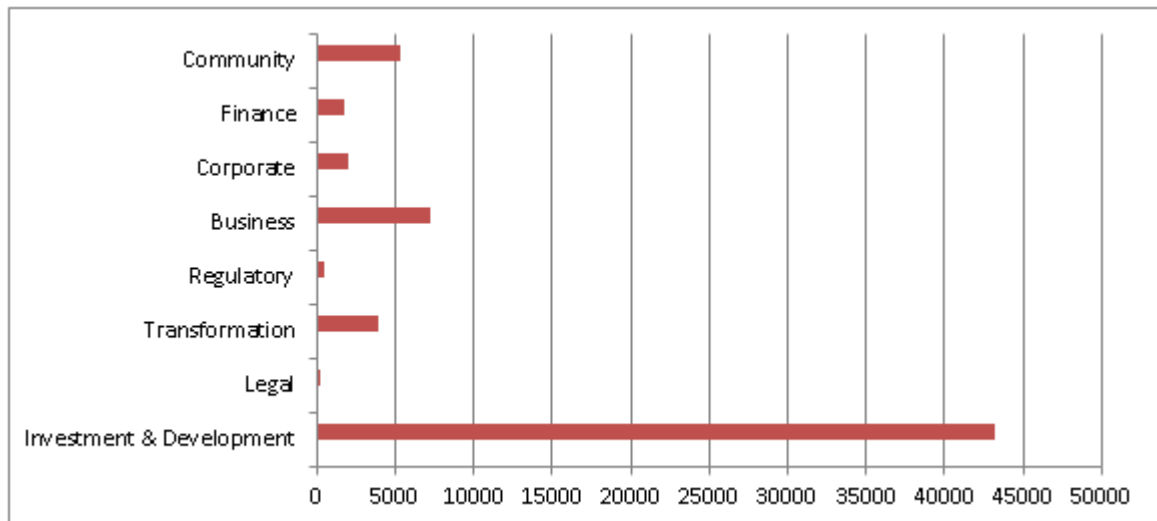
In common with the rest of Local Government, Surrey Heath has seen a steady reduction in its core funding which has had to be replaced in part by Council Tax.



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

Council Spending 2019/20

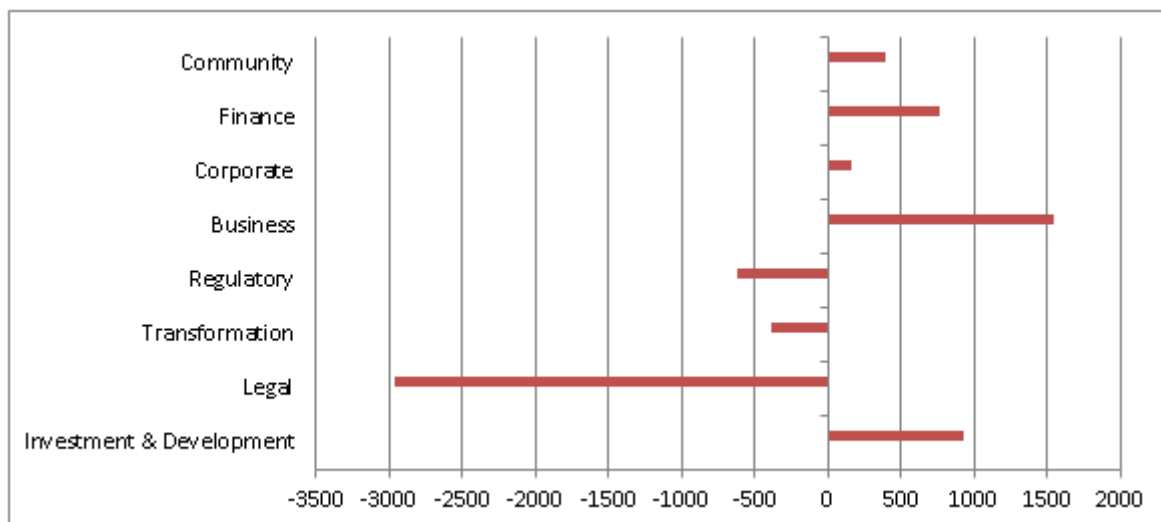
Expenditure by service was as follows (in £'000):



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Controllable variances to budget (which exclude asset charges, some elements of severance costs and pensions) were as follows (in £'000):



Major variances were driven by:

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



Council Tax and Business Rates

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

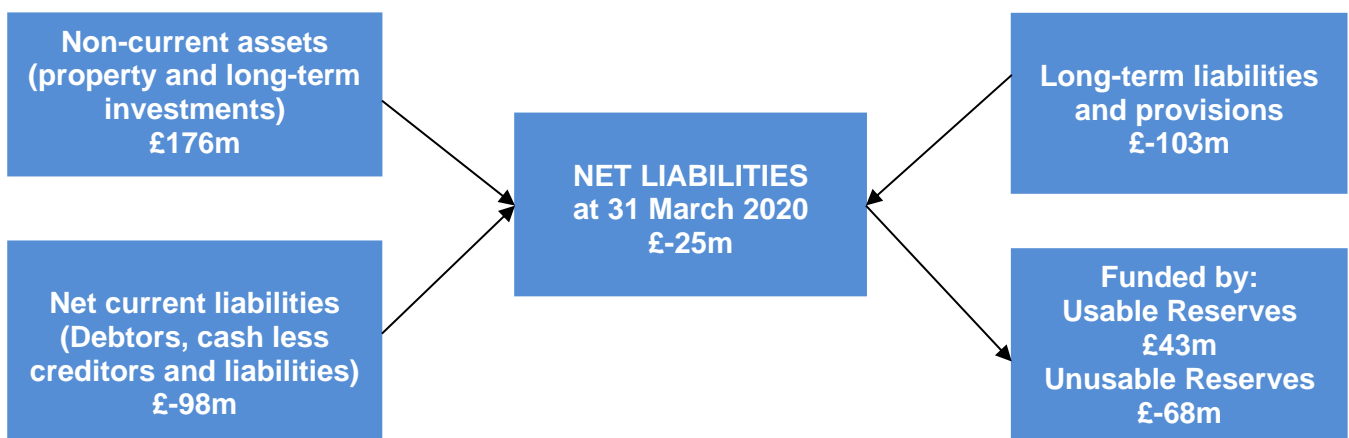
Pension Liability

The pension liability, calculated in accordance with accounting standards, is £45m as at 31 March 2020 (2018/2019: £46m). One factor accounting for the insignificant overall movement in the year-on-year liability is that gilt rates continue to remain low, and this increases the cost of future liabilities.

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

Financial Position

The Council's Balance Sheet:



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

Changes to Accounting Policies

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

Current Borrowing Facilities and Capital Borrowings

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

Internal and External sources of funds available for the Capital Programme

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The Council has £43m of usable reserves, of which £11m could be used to support the Capital Programme. The Council could also borrow up to its Capital Funding requirement of £196m if the need arose.

Impact of the current economic climate upon the Authority

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

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

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

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

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

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

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



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

1.6. Who Works for the Council

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

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

1.7. Corporate Risks

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

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

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

Summary Position

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

Receipt of Further Information

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

Acknowledgements

The production of the Statement of Accounts would not have been possible without the exceptionally hard work and dedication of staff across the Council. I would like to express my gratitude to all colleagues,

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particularly from the Finance team, who have worked hard on the preparation of these financial statements and to thank them for all their support and assistance during the year.

A handwritten signature in black ink, appearing to read 'Bob Watson'.

Bob Watson
Strategic Director - Finance and Customer Service

3 December 2024



Explanation of the Financial Statements

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

The **Core Statements** are:

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

The **Supplementary Financial Statements** are:

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

Statement of Responsibilities

The Authority is required to:

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

Assigned Responsibilities

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

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

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Local Authority Code;
- kept proper accounting records which are up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities and maintained such internal controls as they determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

I confirm that the Statement of Accounts presents a true and fair view of the financial position for the year to which it relates and of the income and expenditure for 2019/20.

A handwritten signature in black ink, appearing to read 'Bob Watson'.

Bob Watson
Strategic Director - Finance and Customer Service
3 December 2024

In accordance with the Accounts and Audit Regulations 2015, I certify that the Statement of Accounts was approved by the Audit, Standards and Risk Committee on 26 November 2024.

A handwritten signature in black ink, appearing to read 'Cliff Betton'.

Cliff Betton
Chairman of the Audit and Standards Committee
3 December 20224

ANNUAL GOVERNANCE STATEMENT

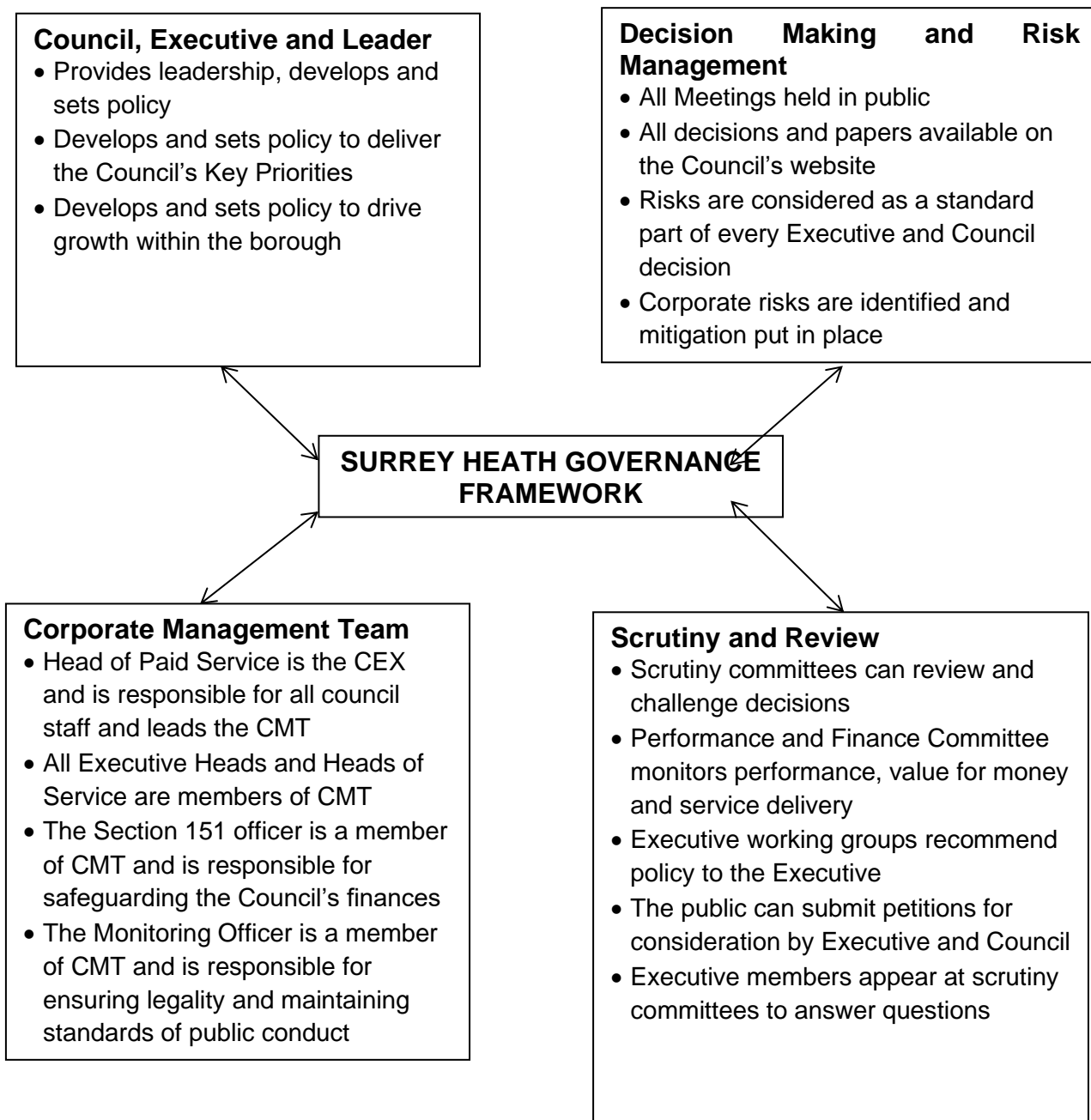


2. ANNUAL GOVERNANCE STATEMENT 2019/20

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

KEY ELEMENTS OF THE COUNCIL'S GOVERNANCE FRAMEWORK





HOW WE COMPLY WITH THE CIPFA/SOLACE FRAMEWORK

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

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

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

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

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

PRINCIPLE A

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

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

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



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

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

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

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

PRINCIPLE B

Ensuring openness and comprehensive stakeholder engagement

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

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

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



PRINCIPLES C AND D

Defining, optimising and achieving outcomes

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

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

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

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

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

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

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



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

PRINCIPLE E

Developing capacity and capability

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

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

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

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

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



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

PRINCIPLE F

Managing risks and performance

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PRINCIPLE G

Implementing good practices in transparency, reporting and accountability

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

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

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

REVIEW OF EFFECTIVENESS

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

Assurance from Internal and External Audit

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

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completed for the year include community transport, procurement and property, investment and development. No 'limited assurance' reports were issued for 2019/20. The audit team have raised 90 audit recommendations, 8 essential ones, and 82 desirable ones. No best practice recommendations were issued. Outstanding recommendations are periodically monitored and those that have not been actioned are reported to CMT and Members as appropriate.

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

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

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

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

Self-assessment and review of key outcome indicators

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

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

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

Follow up of issues identified in 2019/20

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

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

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

Issues for 2020/21

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

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

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

CONCLUSION

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

Tim Pashen
Interim Chief Executive

Cllr Alan McClafferty
Leader



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



4. ACCOUNTING POLICIES

4.1. General

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

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

4.2. Non-current assets

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

Assets are initially measured at cost and then are valued, as far as practicable, on the basis recommended by CIPFA. Property, plant and equipment are classified into the groupings required by the Code. The following basis has been used:

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

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

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



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

Where valuations of non-current assets have demonstrated a revaluation decrease at the Balance Sheet date, the value of the loss is first taken from the Revaluation Reserve if a balance for that individual asset exists. Any remaining loss is then charged to the Comprehensive Income and Expenditure Statement.

4.3. Heritage assets

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

4.4. Investment properties

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

4.5. Depreciation

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

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

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

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

4.6. Charges to revenue for non-current assets

In addition to depreciation, amounts set aside from revenue for the repayment of external loans, to finance capital expenditure or for transfers to earmarked reserves are disclosed separately in the Movement in Reserves Statement. These amounts are often set aside in line with statutory accounting requirements. These requirements specify that the Council is not permitted to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation.

4.7. Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the



Movement in Reserves Statement from the General Fund to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

4.8. Debtors and creditors

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

4.9. Provisions

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

4.10. Revenue recognition

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

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

4.11. Employee benefits

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

4.12. Termination benefits

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

4.13. Reserves

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

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

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



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

4.14. Leases

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

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

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

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

4.15. Pensions

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

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

4.16. Grants

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



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

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

4.17. Designation of pooled funds

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

4.18. Financial Instruments

Amortised Cost

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

Fair Value

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

4.19. Cash and Cash Equivalents

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

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

4.20. Business Improvement Districts

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

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



4.21. Community Infrastructure Levy

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

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

4.22. Contingent Assets and Liabilities

Contingent Assets

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

Contingent Liabilities

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

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

4.23. Impact of Accounting Standards issued but not yet adopted

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

The Council will assess the potential accounting impacts of IAS 19 Plan Amendment, Curtailment or Settlement upon the 2020/21 Statement of Accounts.

CORE FINANCIAL STATEMENTS



5. COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2019/20			Service	2018/19		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
10,713	(3,451)	7,262	Business	4,071	(4,353)	(282)
7,252	(1,914)	5,338	Community	7,452	(2,623)	4,829
2,294	(251)	2,043	Corporate	1,818	(67)	1,751
16,278	(14,508)	1,770	Finance	19,095	(16,699)	2,396
845	(870)	(25)	Legal	21,471	(962)	20,509
49,115	(9,106)	40,009	Investment and Development	7,055	(7,296)	(241)
4,461	(3,992)	469	Regulatory	3,727	(5,316)	(1,589)
4,182	(257)	3,925	Transformation	3,838	(82)	3,756
95,140	(34,349)	60,791	Cost of Services	68,527	(37,398)	31,129
598	0	598	Other operating expenditure (Note 19)	0	(792)	(792)
3,972	(5,272)	(1,300)	Financing and investment income and expenditure (Note 20)	2,985	(3,203)	(218)
0	(14,290)	(14,290)	Taxation and non-specific grant income and expenditure (Note 21)	0	(15,192)	(15,192)
99,710	(53,911)	45,799	(Surplus)/Deficit on Provision of Services	71,512	(56,585)	14,927
8,472	(926)	7,546	Surplus or deficit on revaluation of property, plant and equipment assets (Note 28.1)	1,811	(1,053)	758
0	0	0	Surplus or deficit on revaluation of available for sale financial assets (Note 28.6)	0	(34)	(34)
0	(3,885)	(3,885)	Remeasurement of the net defined benefit liability (Note 40)	3,974	0	3,974
8,472	(4,811)	3,661	Other Comprehensive Income and Expenditure	5,785	(1,087)	4,698
108,182	(58,722)	49,460	Total Comprehensive Income and Expenditure	77,297	(57,672)	19,625

CORE FINANCIAL STATEMENTS



6. MOVEMENT IN RESERVES STATEMENT

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

	General fund balance	Capital receipts reserves	Capital grants unapplied	Total Usable reserves	Unusable reserves (Note 28)	Total Authority reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31st March 2019	(33,634)	(3,930)	(3,746)	(41,310)	17,267	(24,043)
<u>Movement in Reserves during 2019/2020</u>						
(Surplus)/deficit on provision of services	45,799	0	0	45,799	0	45,799
Other comprehensive income and expenditure	0	0	0	0	3,661	3,661
Total comprehensive income and expenditure	45,799	0	0	45,799	3,661	49,460
Adjustments between Accounting Basis and Funding Basis under Regulations (Note 18)	(46,758)	159	(571)	(47,170)	47,170	0
Increase or decrease in 2019/2020	(959)	159	(571)	(1,371)	50,831	49,460
Balance at 31st March 2020 carried forward	(34,593)	(3,771)	(4,317)	(42,681)	68,098	25,417

Balance at 31st March 2018	(28,881)	0	(2,221)	(31,102)	(11,115)	(42,217)
<u>Movement in Reserves during 2018/2019</u>						
(Surplus)/deficit on provision of services	14,927	0	0	14,927	0	14,927
Other comprehensive income and expenditure	(392)	0	(1,059)	(1,451)	4,698	3,247
Total comprehensive income and expenditure	14,535	0	(1,059)	13,476	4,698	18,174
Adjustments between Accounting Basis and Funding Basis under Regulations (Note 18)	(19,288)	(3,930)	(466)	(23,684)	23,684	0
Increase or decrease in 2018/2019	(4,753)	(3,930)	(1,525)	(10,208)	28,382	18,174
Balance at 31st March 2019 carried forward	(33,634)	(3,930)	(3,746)	(41,310)	17,267	(24,043)

CORE FINANCIAL STATEMENTS



7. BALANCE SHEET

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

	Note	31st March 2020	31st March 2019
		£'000	£'000
Property, plant and equipment			
Other land and buildings	22	73,410	127,996
Vehicles, plant and equipment	22	3,596	4,005
Infrastructure assets	22	19	24
Community assets	22	3,193	3,285
Surplus assets not held for sale	22	961	998
Assets under construction	22	7,311	1,148
Total property, plant and equipment		88,490	137,456
Heritage assets	23	334	334
Investment properties	25	84,171	82,724
Long-term investments	43	2,106	2,185
Long-term debtors	30	414	1,312
Long term assets		175,515	224,011
Short-term investments		0	0
Inventories		19	28
Short-term debtors	30	18,702	16,699
Cash and cash equivalents	31	13,314	30,165
Current assets		32,035	46,892
Short-term borrowings	43	(107,893)	(119,512)
Short-term creditors	32.1	(21,799)	(20,208)
Current liabilities		(129,692)	(139,720)
Long-term creditors	32.1	(4,547)	(4,383)
Provisions	32.2	(1,116)	(534)
Long-term borrowings	43	(52,808)	(56,155)
Other long-term liabilities	40.3	(44,804)	(46,069)
Long-term liabilities		(103,275)	(107,141)
Net (liabilities)/assets		(25,417)	24,043
Usable reserves	6	(42,681)	(41,310)
Unusable reserves	28	68,098	17,267
Total reserves		25,417	(24,043)

Bob Watson
Strategic Director - Finance and Customer Service
3 December 2024

CORE FINANCIAL STATEMENTS



8. CASH FLOW STATEMENT

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

	Note	2019/20	2018/19
		£'000	£'000
Net surplus/(deficit) on the provision of services		(45,799)	(14,927)
Adjustments for non-cash movements	33	50,753	26,965
Adjustments for items that are investing and financing activities		0	1,753
Net cash inflows/(outflows) from operating activities		4,954	13,791
Investing activities	34	(6,838)	(47,196)
Financing activities	35	(14,967)	51,908
Net increase/(decrease) in cash and cash equivalents		(16,851)	18,503
Cash and cash equivalents at the beginning of the reporting period		30,165	11,662
Cash and cash equivalents at the end of the reporting period		13,314	30,165
Movement in cash	31	(16,851)	18,503



9. BASIS OF PREPARATION

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

10. ACCOUNTING POLICIES

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

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

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

11. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

In the case of Joint Waste Solutions Limited all parties share in the overall costs and the Council is acting as an agent so just discloses its own share of costs in the Comprehensive Income and Expenditure Statement but accounts for amounts due to/from other parties as debtors/creditors in the Balance Sheet.

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

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

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

The items in the Council's Balance Sheet at 31st March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

NOTES TO THE ACCOUNTS



Item	Uncertainties	Effect if actual results differ from assumptions
Pension Liability	Estimation of the net liability to pay pensions depends on a number of complex judgments relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the real discount rate assumption would result in an increase in the pension liability of £10.154m. However, the assumptions interact in complex ways. During 2019/20, the Council's actuary advised that the net pension liability had decreased by £1m.
Investment Properties and PPE Valuations	Investment properties and PPE are valued by professional valuers on the basis of available market yields and other market information.	If the market assumptions vary then this will impact on the valuation included within the financial statements.
NNDR Appeals Provision	The accounts include an estimate as to the level of future appeals in respect of Business Rates appeals outstanding at the Balance Sheet date.	If the assumptions vary then this would have an impact on the Income for Business Rates included within the CIES and the level of provision in the Balance Sheet.

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

13. EVENTS AFTER THE REPORTING PERIOD

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

The ongoing impact of the pandemic also generated unpredictability in relation to illiquid asset values. Accordingly, the Council's year-end Pension Fund and property asset valuations prepared by third party specialists since the end of 2019/20 have reflected greater uncertainty than would have typically been the case under standard market conditions.

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

NOTES TO THE ACCOUNTS



14. EXPENDITURE AND FUNDING ANALYSIS

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

2019/20			Service	2018/19		
Net expenditure chargeable to General Fund	Adjustments between Accounting Basis and Funding Basis	Net expenditure in Comprehensive Income and Expenditure Statement		Net expenditure chargeable to General Fund	Adjustments between Accounting Basis and Funding Basis	Net expenditure in Comprehensive Income and Expenditure Statement
£'000	£'000	£'000		£'000	£'000	£'000
1,298	5,964	7,262	Business	632	(914)	(282)
4,575	763	5,338	Community	4,100	729	4,829
1,747	296	2,043	Corporate	1,536	215	1,751
1,441	329	1,770	Finance	1,569	827	2,396
1,032	(1,057)	(25)	Legal	924	19,585	20,509
(1,648)	41,657	40,009	Investment and Development	(3,119)	2,878	(241)
(841)	1,310	469	Regulatory	(2,653)	1,064	(1,589)
3,419	506	3,925	Transformation	3,369	387	3,756
11,023	49,768	60,791	Net cost of services	6,358	24,771	31,129
598	0	598	Other operating expenditure	(792)	0	(792)
1,264	(2,564)	(1,300)	Financing and investment income	(1,877)	1,659	(218)
720	(720)	0	Adjustments between Accounting Basis and Funding Basis	6,762	(6,762)	0
(14,564)	274	(14,290)	Taxation and non-specific grant income	(14,812)	(380)	(15,192)
(959)	46,758	45,799	(Surplus)/Deficit	(4,361)	19,288	14,927
(33,634)			Opening General Fund	(28,881)		
(959)			Less/Plus Surplus or (Deficit) on General Fund in year	(4,753)		
(34,593)			Closing General Fund at 31st March	(33,634)		

NOTES TO THE ACCOUNTS



Adjustments between Accounting Basis and Funding Basis - 2019/20

Adjustments from General Fund to reconcile to Comprehensive Income and Expenditure Statement	Adjustments for Capital Purposes	Net change for Pension Adjustment	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000
Business	(5,663)	(301)	0	(5,964)
Community	(470)	(293)	0	(763)
Corporate	(14)	(282)	0	(296)
Finance	0	(329)	0	(329)
Investment and Development	(41,572)	(85)	0	(41,657)
Legal	1,275	(218)	0	1,057
Regulatory	(819)	(491)	0	(1,310)
Transformation	(96)	(410)	0	(506)
Net cost of services	(47,359)	(2,409)	0	(49,768)
Other operating expenditure	0	0	0	0
Financing and investment income	1,377	0	1,187	2,564
Adjustments between Accounting Basis and Funding Basis	720	0	0	720
Taxation and non-specific grant income	0	0	(274)	(274)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(45,262)	(2,409)	913	(46,758)

Adjustments between Accounting Basis and Funding Basis - 2018/19

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



Adjustments for Capital Purposes

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

Net Change for the Pension Adjustment

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

Other Differences

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

NOTES TO THE ACCOUNTS



15. EXPENDITURE AND INCOME ANALYSIS BY NATURE

Expenditure/Income	2019/20	2018/19
	£'000	£'000
Expenditure		
Employee benefits expenses	10,765	10,937
Other services expenses	36,338	35,719
Depreciation, amortisation, impairment	49,645	22,335
Interest payments	2,364	1,939
Precepts and levies	598	582
Total Expenditure	99,710	71,512
Income		
Fees, charges and other service income	(35,146)	(38,191)
Interest and investment income	(5,272)	(3,203)
Income from council tax, non-domestic rates, district rate income	(12,925)	(14,138)
Government grants and contributions	(568)	(1,053)
Total Income	(53,911)	(56,585)
Deficit/(Surplus) on the Provision of Services	45,799	14,927

16. MEMBERS' ALLOWANCES

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

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

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

NOTES TO THE ACCOUNTS



17. OFFICERS' REMUNERATION

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

Post-holder Information	Financial Year	Salary	Allowances	Expenses	Benefits in kind	Employers Pension Contributions	Sub Total	Returning Officer Amount	Total	Notes
		£	£	£	£	£	£	£	£	
Chief Executive Karen Whelan	2019/20	123,704	15,000	6,685	371	22,112	167,872	5,819	173,691	Additional Duties Allowance for 2019/20
	2018/19	120,687	37,500	7,034	8,301	24,230	197,752	178	197,930	
Executive Head of Finance	2019/20	83,834	2,815	2,203	371	13,076	102,299	0	102,299	S151 Allowance ceased in February 2020
	2018/19	85,949	3,000	1,509	5,683	13,609	109,750	0	109,750	
Executive Head of Corporate	2019/20	88,098	4,758	2,000	371	14,503	109,730	1,932	111,662	Monitoring Officer Allowance received in 2019/20
	2018/19	85,949	0	1,463	5,977	13,150	106,539	0	106,539	
Executive Head of Transformation	2019/20	88,098	0	2,457	0	13,479	104,034	0	104,034	
	2018/19	85,949	0	2,138	0	13,150	101,237	0	101,237	
Executive Head of Community	2019/20	86,677	6,303	2,105	371	14,443	109,899	0	109,899	Additional Duties Allowance as Interim Chief Executive
	2018/19	85,949	5,000	1,693	5,702	13,915	112,259	0	112,259	
Executive Head of Business	2019/20	91,312	0	2,000	371	13,970	107,653	0	107,653	
	2018/19	79,520	0	2,013	301	12,166	94,000	0	94,000	
Executive Head of Regulatory	2019/20	88,098	0	2,000	0	13,479	103,577	0	103,577	
	2018/19	88,949	0	2,199	0	13,609	104,757	0	104,757	
Head of Legal	2019/20*	19,344	2,117	0	0	3,445	24,906	0	24,906	For Period April 2019 to July 2019
	2018/19	70,516	7,500	0	0	11,936	89,952	0	89,952	
Head of Legal (Interim)	2019/20**	38,506	6,734	0	278	6,922	52,440	0	52,440	**Principal Solicitor covered the period July 19 to March 20 as Interim Head of Legal and received an acting-up allowance

NOTES TO THE ACCOUNTS



Remuneration Bands

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

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

NOTES TO THE ACCOUNTS



Exit packages

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

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

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

18. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

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

General Fund Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

NOTES TO THE ACCOUNTS



2019/20	Usable Reserves			
	General Fund balances	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000
Adjustments to the Revenue Resources				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements	(44,804)	0	14	44,790
Pension costs (transferred to (or from) the Pension Reserve)	(2,620)	0	0	2,620
Use of Capital Receipts reserve to finance new capital expenditure	(818)	0	0	818
Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	(746)	0	0	746
Total Adjustments to Revenue Resources	(48,988)	0	14	48,974
Adjustments between Revenue and Capital Resources				
Contribution from the capital receipts reserve towards the administration costs of non-current asset disposals	0	0	0	0
Use of Capital Receipts reserve to finance new capital expenditure	(817)	0	0	817
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	2,158	0	0	(2,158)
Capital expenditure financed from revenue balances (transfers to the Capital Adjustment Account)	0	0	0	0
Total Adjustments between Revenue and Capital Resources	1,341	0	0	(1,341)
Application of capital grants to finance capital expenditure				
Application of capital grants to finance capital expenditure	889	159	(585)	(463)
Cash payments in relation to deferred capital receipts	0	0	0	0
Total Adjustments to Capital Resources	889	159	(585)	(463)
Total Adjustments	(46,758)	159	(571)	47,170

NOTES TO THE ACCOUNTS



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

19. OTHER OPERATING EXPENDITURE

Other Operating Expenditure	2019/20	2018/19
	£'000	£'000
Parish Council precepts	598	582
Miscellaneous amounts	0	(1,374)
Total	598	(792)

NOTES TO THE ACCOUNTS



20. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

Financing and Investment Income and Expenditure	2019/20	2018/19
	£'000	£'000
Interest payable and similar charges	2,364	1,939
Net interest on defined benefit liability	1,126	1,046
Interest receivable and similar income	(206)	(212)
Income and expenditure in relation to investment properties	(3,207)	(2,991)
(Gains)/losses on the revaluation of investment properties	(1,377)	0
Total	(1,300)	(218)

21. TAXATION AND NON-SPECIFIC GRANT INCOME AND EXPENDITURE

Taxation and Non-specific Grant Income and Expenditure	2019/20	2018/19
	£'000	£'000
Council tax income	(9,020)	(9,105)
Non-domestic rates income and expenditure	(4,702)	(5,033)
Non-ringfenced government grants		
New Homes Bonus	(522)	(865)
New Burdens	(45)	(60)
Transition Grant	(1)	(129)
Total	(14,290)	(15,192)
Grant income credited to services		
Rent Allowance subsidy	(13,256)	(15,292)
Housing Benefit administration grant	(153)	(175)
Family Support	(225)	(222)
Other grants	(1,022)	(1,464)
Total	(14,656)	(17,153)



22. PROPERTY, PLANT AND EQUIPMENT

22.1. Depreciation

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

Class type	Useful life range
Other Buildings	10 to 60 years
Plant and Equipment	2 to 10 years
Vehicles	20% reducing balance
Intangible Assets	Written off in year of purchase
Infrastructure Assets	10 to 60 years

22.2. Capital Commitments

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

The major commitments are:

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

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

22.3. Revaluations

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

	Other Land and Buildings	Surplus Assets	Total
	£'000	£'000	£'000
Valued at current value as at:			
31-Mar-20	57,456	961	58,417
31-Mar-19	4,719	0	4,719
31-Mar-18	7,714	0	7,714
31-Mar-17	3,521	0	3,521
Total Cost or Valuation	73,410	961	74,371

NOTES TO THE ACCOUNTS



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

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

NOTES TO THE ACCOUNTS



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

23. HERITAGE ASSETS

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

	Museum	Civic Regalia	Other	Total
	£'000	£'000	£'000	£'000
Cost or Valuation 1st April 2019	175	111	48	334
31st March 2020	175	111	48	334
Cost or Valuation 1st April 2018	175	111	48	334
31st March 2019	175	111	48	334

23.1. Museum

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

NOTES TO THE ACCOUNTS



23.2. Other

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

24. REVENUE FROM CONTRACTS WITH SERVICE RECIPIENTS

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

25. INVESTMENT PROPERTIES

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

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

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

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

Investment property has been valued using a combination of yield and comparative market prices. Hence under the requirements of IFRS 13 they are all considered to be Level 2 investments.

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

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

NOTES TO THE ACCOUNTS



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

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

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

26. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

	2019/20	2018/19
	£'000	£'000
Opening Capital Financing Requirement	192,104	141,855
Capital investment		
Other land and buildings	2,976	7,571
Community assets	46	1,130
Investment assets	70	41,780
Vehicles, plant and equipment	462	2,732
Assets under construction	6,163	957
Revenue Expenditure Funded from Capital Under Statute (REFCUS)	818	717
Sources of finance		
Capital receipts	(183)	(827)
Government grants and other contributions	(1,692)	(2,317)
Sums set aside from revenue	0	(94)
Unfinanced capital expenditure in year	8,660	51,649
Less: Statutory provision for the financing of capital investment	(2,159)	(1,400)
Closing Capital Financing Requirement	198,605	192,104
Explanation for movement in year		
Increase in underlying need to borrow	6,501	50,249

27. TRANSFERS (TO)/FROM EARMARKED RESERVES

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

NOTES TO THE ACCOUNTS



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

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



28. UNUSABLE RESERVES

Unusable Reserves	31st March 2020	31st March 2019
	£'000	£'000
Revaluation Reserve	(14,964)	(22,710)
Capital Adjustment Account	38,126	(5,401)
Pension Reserve	44,804	46,069
Collection Fund Adjustment Account	146	(600)
Accumulated Absences Account	93	93
Financial Instruments Revaluation Reserve	(107)	(184)
Total Unusable Reserves	68,098	17,267

28.1. Revaluation Reserve

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

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

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

Revaluation Reserve	2019/20	2018/19
	£'000	£'000
Balance at 1st April	(22,710)	(23,833)
Upward revaluation of assets	(926)	(1,053)
Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	8,472	1,811
Difference between fair value depreciation and historical cost depreciation	200	365
Balance at 31st March	(14,964)	(22,710)

28.2. Capital Adjustment Account

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

NOTES TO THE ACCOUNTS



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

Capital Adjustment Account	2019/20	2018/19
	£'000	£'000
Balance at 1st April	(5,401)	(26,532)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non-current assets	555	(554)
Revaluation losses/(gains) on property, plant and equipment	47,764	19,525
Revenue expenditure funded from capital under statute	817	718
Amounts of non-current assets written off on disposal or sale as part of the (gain)/loss on disposal to the Comprehensive Income and Expenditure Statement	0	3,798
	49,136	23,487
Adjusting amounts written out of the Revaluation Reserve	(200)	(365)
Net written out amount of the non-current assets consumed in the year	48,936	23,122
Capital financing applied in the year:		
Use of the capital receipts reserve to finance new capital expenditure	(183)	(827)
Capital grants and contributions credited to Comprehensive Income and Expenditure Statement that have been applied to capital financing	(1,425)	(1,116)
Capital Expenditure funded from Reserves	(266)	(1,201)
Capital Expenditure funded from Revenue	0	(93)
Statutory provision for the financing of capital investment charged against the General Fund Balance	(2,158)	(1,400)
Capital expenditure charged against the General Fund Balance	0	0
	(4,032)	(4,637)
Movements in the market value of investment properties debited or (credited) in the Comprehensive Income and Expenditure Statement	(1,377)	2,646
Balance at 31st March	38,126	(5,401)

28.3. Pension Reserve

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

NOTES TO THE ACCOUNTS



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

28.4. Collection Fund Adjustment Account

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

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

28.5. Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31st March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the account. There were no movements on this account during 2019/20.

Accumulated Absences Account	2019/20	2018/19
	£'000	£'000
Balance at 1st April	93	93
Balance at 31st March	93	93

28.6. Financial Instruments Revaluation Reserve

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

NOTES TO THE ACCOUNTS



Financial Instruments Revaluation Reserve	2019/20	2018/19
	£'000	£'000
Balance at 1st April	(184)	(151)
Loss/(gain) on revaluation of long-term investments	77	(33)
Balance at 31st March	(107)	(184)

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

29. LEASES

29.1. Finance Leases

The Council has no finance leases.

29.2. Council as Lessee – Operating Leases

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

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

Council as lessee - operating leases	2019/20	2018/19
	£'000	£'000
Not later than one year	34	32
Later than one year and not later than five years	60	100
Later than five years	0	2
Total	94	134

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

Operating lease expenditure charged	2019/20	2018/19
	£'000	£'000
Adult Social Care	22	22
Other services	17	12
Total	39	34

29.3. Council as Lessor – Operating Leases

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

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

NOTES TO THE ACCOUNTS



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

Council as lessor - operating leases	2019/20	2018/19
	£'000	£'000
Not later than one year	4,234	4,831
Later than one year and not later than five years	13,919	15,658
Later than five years	33,913	38,053
Total	52,066	58,542

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

30. DEBTORS

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

Short-Term Debtors	2019/20	2018/19
	£'000	£'000
Trade receivables	14,259	12,033
Other receivables	5,349	6,210
	19,608	18,243
Allowance for bad debts	(906)	(1,544)
Total	18,702	16,699

Long-Term Debtors	2019/20	2018/19
	£'000	£'000
Charges on properties	160	161
Other debtors	254	1,151
Total	414	1,312

31. CASH AND CASH EQUIVALENTS

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

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

NOTES TO THE ACCOUNTS



32. CREDITORS AND PROVISIONS

32.1. Creditors

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

Short-Term Creditors	2019/20	2018/19
	£'000	£'000
Trade payables	(15,977)	(10,698)
Other payables	(5,822)	(9,510)
Total	(21,799)	(20,208)
Long-Term Creditors	2019/20	2018/19
	£'000	£'000
Other entities and individuals	(4,547)	(4,383)
Total	(4,547)	(4,383)

32.2. Provisions

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

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

33. CASH FLOW STATEMENT – OPERATING ACTIVITIES

2019/2020		2018/2019
£'000		£'000
(206)	Interest received	(212)
2,364	Interest paid	1,939

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

2019/2020		2018/2019
£'000		£'000
1,234	Depreciation	1,365
47,763	Impairment and downward valuations	19,998
(638)	(Decrease)/increase in impairment for bad debts	637
1,755	Increase/(decrease) in creditors	9,535
(467)	(Increase)/decrease in debtors	(5,275)
9	Decrease/(increase) in inventories	26
2,620	Movement in pension liability	2,568
582	Increase/(decrease) in provisions	(2,178)
0	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	3,106
(2,105)	Other non-cash items charged to the net surplus or deficit on the provision of services	(2,817)
50,753		26,965

34. CASH FLOW STATEMENT – INVESTING ACTIVITIES

The cash flows for investing activities include the following items:

Cash Flow Statement - investing activities	2019/20	2018/19
	£'000	£'000
Purchase of property, plant and equipment, investment property and intangible assets	(9,717)	(54,169)
Proceeds from the sale of investments	79	2,018
Proceeds from the sale of property, plant and equipment and investment properties	2,800	4,955
Net cash flows from investing activities	(6,838)	(47,196)

35. CASH FLOW STATEMENT – FINANCING ACTIVITIES

The cash flows for financing activities include the following items:

Cash Flow Statement - financing activities	2019/20	2018/19
	£'000	£'000
Cash receipts of short-term and long-term borrowings	(14,967)	55,959
Other payments for financing activities	0	(4,051)
Net cash flows from financing activities	(14,967)	51,908

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36. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

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

37. AGENCY SERVICES

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

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

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

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



38. EXTERNAL AUDIT COSTS

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

	2019/20	2018/19
	£'000	£'000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	88	32
Fees payable for the certification of grant claims and returns for the year	13	10
	101	42

39. RELATED PARTIES

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

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

Central Government

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

Members

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

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

Officers

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



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

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

40. DEFINED BENEFIT PENSION SCHEMES

40.1. Participation in Pension Schemes

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

The Council participates in two post-employment schemes:

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

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

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

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

40.2. Transactions relating to Post-Employment Benefits

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

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	Local Government Pension Scheme	
	2019/20	2018/19
	£'000	£'000
Comprehensive Income and Expenditure Statement		
Service costs included in cost of services		
- current service cost	4,051	3,928
Included in financing and investment income and expenditure		
- net interest expense	1,126	1,046
Total post-employment benefits charged to the surplus or deficit on the provision of services	5,177	4,974
Other post-employment benefits charged to Other Comprehensive Income and Expenditure		
Remeasurement of the net defined benefit liability comprising:		
- Return on plan assets (excluding the amount included in the net interest expense)	(8,856)	2,569
- Actuarial gains and losses arising on changes in financial assumptions	9,114	(6,454)
- Changes in demographic assumptions	2,894	0
- Other experience	733	(89)
Total Post-employment Benefits charged to Other Comprehensive Income and Expenditure	3,885	(3,974)

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

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

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

40.4. Reconciliation of fair value of the scheme assets

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

NOTES TO THE ACCOUNTS



Closing fair value of scheme assets	73,263	80,916	0	0
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Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

40.5. Reconciliation of present value of the scheme liabilities

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

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40.6. Local Government Pension Scheme assets

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

Asset category	Percentage of total assets	31st March 2020			31st March 2019		
		Quoted prices in active markets	Quoted prices not in active markets	Total	Quoted prices in active markets	Quoted prices not in active markets	Total
		£'000	£'000	£'000	£'000	£'000	£'000
Cash and cash equivalents							
All	3%	2,495	0	2,495	2,755	0	2,755
Equity Securities							
Consumer	3%	2,090	0	2,090	2,191	0	2,191
Manufacturing	2%	1,560	0	1,560	1,406	0	1,406
Energy and Utilities	1%	567	0	567	1,247	0	1,247
Financial Institutions	2%	1,234	0	1,234	1,255	0	1,255
Health and Care	2%	1,262	0	1,262	1,072	0	1,072
Information Technology	3%	2,391	0	2,391	2,396	0	2,396
Other	0%	42	0	42	214	0	214
Debt Securities							
Corporate Bonds (investment grade)	0%	0	0	0	0	0	0
Corporate bonds (non-investment grade)	0%	0	0	0	0	0	0
UK Government	6%	0	4,142	4,142	0	0	0
Other	0%	0	0	0	0	0	0
Private Equity							
All	8%	0	5,861	5,861	0	4,796	4,796
Real Estate							
UK Property	5%	1,268	2,399	3,667	1,461	2,377	3,838
Overseas Property	2%	0	1,610	1,610	0	1,404	1,404
Investment Funds and Unit Trusts							
Equities	52%	38,551	0	38,551	38,787	5,567	44,354
Bonds	12%	8,527	0	8,527	9,699	3,817	13,516
Other	0%	0	0	0	0	0	0
Derivatives:							
Interest Rate	0%	0	0	0	0	0	0
Foreign Exchange	-1%	(736)	0	(736)	472	0	472
	100%	59,251	14,012	73,263	62,955	17,961	80,916

40.7. Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions including mortality rates and salary levels as examples. Both the Local Government Pension Scheme and discretionary benefits

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liabilities have been assessed by Hymans Robertson LLP, an independent actuary, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 1st April 2019.

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

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

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

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

40.8. Impact on Council's cash flows

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

The scheme will need to take account of the national changes described in the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and other main



existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes and to pay pensions and other benefits.

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

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

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

41. CONTINGENT LIABILITIES

The Council has identified the following contingent liability:

- The Council was a member of Municipal Mutual Insurance Limited. The Council is party to a reserve scheme of arrangement with the company, which was entered into in October 1993 after the company ceased trading in September 1992. Following unfavourable litigation in the Supreme Court, the directors have triggered a contingent scheme of arrangement under Section 425 of the Companies Act 1985 as a solvent run-off could not be foreseen. The Council's total exposure under the scheme of arrangement is £172k, against which a total levy of 25% has been raised; £21k in 2014/15, £14k in 2015/16 and £9k in 2017/18. These amounts have been charged to the Comprehensive Income and Expenditure Statement in the respective financial years. The Council's remaining potential liability from unpaid claims at 31 March 2020 was £75k, which the Council holds as part of the earmarked Insurance Reserve Fund. Given the nature of these claims, projections remain uncertain and therefore no provision has been made and the Council is maintaining an earmarked reserve to fully cover its exposure.
- The Council also received notification of several potential legal claims. One such claim related to an employment issue (£50k), a personal injury claim of £25k and a vehicle claim for £2k. As of 31 March 2020, the Council has admitted no liability in respect of these claims.

42. CONTINGENT ASSETS

The Council has no contingent assets.

43. FINANCIAL INSTRUMENTS

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

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

Financial Assets	Long-Term		Current	
	2019/20	2018/19	2019/20	2018/19
	£'000	£'000	£'000	£'000
Investments				
At fair value through Other Comprehensive Income:				
Equity investments designated FVOCI	2,106	2,185	0	0
Total Investments	2,106	2,185	0	0
At amortised cost:				
Principal	0	0	13,286	30,159
Accrued interest	0	0	28	6
Total Cash and Cash Equivalents	0	0	13,314	30,165
Debtors				
At amortised cost:				
Financial Assets carried at contractual amount	414	1,312	18,702	12,816
Total Financial Assets	2,520	3,497	32,016	42,981

Financial Liabilities	Long-Term		Current	
	2019/20	2018/19	2019/20	2018/19
	£'000	£'000	£'000	£'000
Borrowings				
Loans at amortised cost:				
Principal sums borrowed	(52,808)	(56,155)	(107,350)	(118,845)
Accrued interest	0	0	(543)	(667)
Total Borrowings	(52,808)	(56,155)	(107,893)	(119,512)
Liabilities at amortised cost:				
Creditors	(4,547)	(4,383)	(21,799)	(10,698)
Total Financial Liabilities	(57,355)	(60,538)	(129,692)	(130,210)

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43.2. Income, expenses, gains and losses

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

2019/20						2018/19				
Financial liabilities measured at amortised cost	Financial assets: at amortised cost	Financial assets: Fair Value through OCI	Assets and liabilities designated to Fair Value through OCI	Total		Financial liabilities measured at amortised cost	Financial assets: at amortised cost	Financial assets: Fair Value through OCI	Assets and liabilities designated to Fair Value through OCI	Total
£'000	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000	£'000
2,279	0	0	0	2,279	Interest expense	1,819	0	0	0	1,819
75	0	0	10	85	Fee expenses	89	0	0	31	120
2,354	0	0	10	2,364	Total expense in surplus or deficit on the provision of services	1,908	0	0	31	1,939
0	(101)	0	0	(101)	Interest income	0	(101)	0	0	(101)
0	0	0	0	0	Increase in fair value	0	0	0	0	0
0	0	0	(105)	(105)	Dividend income	0	0	0	(111)	(111)
0	(101)	0	(105)	(206)	Total income in surplus or deficit on the provision of services	0	(101)	0	(111)	(212)
0	0	0	0	0	(Gains) on revaluation	0	0	0	(33)	(33)
0	0	0	77	77	Losses on revaluation	0	0	0	0	0
0	0	0	77	77	(Surplus)/deficit arising on revaluation of financial assets in other comprehensive income and expenditure	0	0	0	(33)	(33)
2,354	(101)	0	(18)	2,235	Net loss for the year	1,908	(101)	0	(113)	1,694

The Council has no soft loans.



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

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

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

43.4. Fair values of financial assets and liabilities

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

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

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

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

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

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, for instance bond prices.
- Level 2 – fair value is calculated from inputs based upon quoted prices for similar assets or liabilities in active markets, for example interest rates or yields for similar instruments.
- Level 3 – fair value is determined using unobservable inputs, for instance non-market data such as cash flow forecasts or estimated creditworthiness.

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

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

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

Property funds totalling £2.1m (2019 – £2.2m) have been moved from Level 1 to Level 2 of the hierarchy for 2019/20 to acknowledge that there is no longer an active market for these instruments. Fund managers have suspended redemptions reflecting market conditions for underlying properties caused by the economic consequences of the coronavirus pandemic.

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

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

	Fair value level	Balance Sheet 2019/20	Fair value 2019/20*	Balance Sheet 2018/19	Fair value 2018/19*
		£'000	£'000	£'000	£'000
Recorded in Balance Sheet as:					
Long-term debtors		414	414	1,312	1,312
Short-term investments		0	0	0	0
Short-term debtors		18,702	18,702	12,816	12,816
Cash and cash equivalents		13,314	13,314	30,165	30,165
Total Financial Assets		32,430	32,430	44,293	44,293

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

	Fair value level	2019/20		2018/19	
		Balance Sheet	Fair value*	Balance Sheet	Fair value*
		£'000	£'000	£'000	£'000
Recorded in Balance Sheet as:					
Short-term creditors		21,799	21,799	20,208	20,208
Short-term borrowings		107,893	107,893	119,512	119,512
Long-term creditors		4,547	4,547	4,383	4,383
Long-term borrowings		52,808	61,850	56,155	60,420
Total Financial Liabilities		187,047	196,089	200,258	204,523

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

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



44. NATURE AND EXTENT OF RISKS OF FINANCIAL INSTRUMENTS

44.1. Introduction

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

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

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

The main risks covered are:

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

44.2. Credit risk

Investments

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

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

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Approved investment counterparties and limits:

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

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Credit Risk exposure

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

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

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

Receivables

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

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

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

	2019/20		2018/19	
	Lease receivables	Trade receivables	Lease receivables	Trade receivables
	£'000	£'000	£'000	£'000
Neither past due nor impaired	324	16,151	1,267	11,297
Past due <3 months	38	1,346	23	869
Past due 3 - 6 months	27	62	19	162
Past due 6 - 12 months	14	394	3	258
Past due 12+ months	11	749	0	230
Total	414	18,702	1,312	12,816



Receivables - loss allowance

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

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

	2019/20			2018/19		
	%	£000	£000	%	£000	£000
Debt at 2020	5%	17,200	860	0	0	0
Debt at 2020	8%	0	40	0	0	0
Debt at 2020	100%	286	286	0	0	0
Debt at 2019	21%	717	153	4	11,540	461
Debt at 2019	n/a	0	0	90	527	473
Debt at 2018	n/a	0	0	30	199	60
Debt older than 2 years 2018	100%	411	411	0	0	0
Debt older than 2 years 2017	n/a	0	0	100	462	462
Gypsy Debts less than 2 years old	100%	58	58	100	58	58
Gypsy Debts more than 2 years old	100%	30	30	100	30	30
Total		18,702	1,838		12,816	1,544

44.3. Liquidity risk

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

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The maturity analysis of financial instruments is as follows:

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

44.4. Market Risks: Interest rate risk

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

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

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

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

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

	2019/20	2018/19
	£'000	£'000
Increase in interest payable on variable rate borrowings	1,045	1,178
Increase in interest receivable on variable rate investments	(111)	(22)
Impact on Surplus or Deficit on the Provision of Services	934	1,156
Increase in fair value of investments held at FVOCI	(45)	33
Impact on Comprehensive Income and Expenditure	889	1,189
Increase/(Decrease) in fair value of loans and receivables *	(25,492)	25,417
Increase/(Decrease) in fair value of fixed rate borrowings/liabilities *	289	41,994

* No impact on Other Comprehensive Income and Expenditure.

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

44.5. Offsetting financial assets and liabilities

Financial assets and liabilities are offset against each other where the Council has a legally enforceable right to set-off and it intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The table below shows those instruments that have been offset on the Balance Sheet. The Council had no other financial assets or liabilities subject to an enforceable master netting arrangement or similar agreement. Allowances for impairment losses have been calculated for any amortised cost assets, applying the expected credit losses model where applicable. Changes in loss allowances (including balances outstanding at the date of derecognition of an asset) are debited/credited to the Comprehensive Income and Expenditure Statement as appropriate. Changes in the value of assets carried at fair value are recognised in the Comprehensive Income and Expenditure Statement as they arise.

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

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

44.6. Market risks: Price risk

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

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

45. COLLECTION FUND

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

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

Non-Domestic Rates (NDR)

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

Calculation of Council Tax base

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

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

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