GUILDFORD BOROUGH

James Whiteman
Managing Director

www.guildford.gov.uk

Contact Officer:

John Armstrong, Democratic Services Manager
Tel: 01483 444102

22 July 2019

Dear Councillor

Your attendance is requested at a meeting of the **CORPORATE GOVERNANCE AND STANDARDS COMMITTEE** to be held in the Council Chamber, Millmead House, Millmead, Guildford, Surrey GU2 4BB on **TUESDAY, 30 JULY 2019** at **7.00 pm**.

Yours faithfully

James Whiteman
Managing Director

MEMBERS OF THE COMMITTEE

Chairman: Councillor Tim Anderson
Vice-Chairman: To be determined by Council on 23 July 2019

Councillor Jan Harwood	+Mrs Maria Angel MBE
Councillor Liz Hogger	Murray Litvak
Councillor Nigel Manning	Mr Charles Hope
Councillor Ramsey Nagaty	Ms Geraldine Reffo
Councillor John Redpath	Mr Ian Symes
Councillor James Walsh	^Tim Wolfenden

+Independent member

^ Parish member (subject to approval by Council on 23 July 2019)

Authorised Substitute Members:

Councillor Jon Askew	Councillor Gordon Jackson
Councillor Richard Billington	Councillor Masuk Miah
Councillor Ruth Brothwell	Councillor Jo Randall
Councillor Colin Cross	Councillor Deborah Seabrook
Councillor Angela Gunning	Councillor Patrick Sheard
Councillor Tom Hunt	Councillor Catherine Young

WEBCASTING NOTICE

This meeting will be recorded for live and/or subsequent broadcast on the Council's website in accordance with the Council's capacity in performing a task in the public interest and in line with the Openness of Local Government Bodies Regulations 2014. The whole of the meeting will be recorded, except where there are confidential or exempt items, and the footage will be on the website for six months.

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QUORUM 3

THE COUNCIL'S STRATEGIC FRAMEWORK

Vision – for the borough

For Guildford to be a town and rural borough that is the most desirable place to live, work and visit in South East England. A centre for education, healthcare, innovative cutting-edge businesses, high quality retail and wellbeing. A county town set in a vibrant rural environment, which balances the needs of urban and rural communities alike. Known for our outstanding urban planning and design, and with infrastructure that will properly cope with our needs.

Three fundamental themes and nine strategic priorities that support our vision:

Place-making	Delivering the Guildford Borough Local Plan and providing the range of housing that people need, particularly affordable homes
	Making travel in Guildford and across the borough easier
	Regenerating and improving Guildford town centre and other urban areas
Community	Supporting older, more vulnerable and less advantaged people in our community
	Protecting our environment
	Enhancing sporting, cultural, community, and recreational facilities
Innovation	Encouraging sustainable and proportionate economic growth to help provide the prosperity and employment that people need
	Creating smart places infrastructure across Guildford
	Using innovation, technology and new ways of working to improve value for money and efficiency in Council services

Values for our residents

- We will strive to be the best Council.
- We will deliver quality and value for money services.
- We will help the vulnerable members of our community.
- We will be open and accountable.
- We will deliver improvements and enable change across the borough.

A G E N D A

ITEM

1 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS

2 LOCAL CODE OF CONDUCT - DISCLOSURE OF INTERESTS

In accordance with the local Code of Conduct, a councillor is required to disclose at the meeting any disclosable pecuniary interest (DPI) that they may have in respect of any matter for consideration on this agenda. Any councillor with a DPI must not participate in any discussion or vote regarding that matter and they must also withdraw from the meeting immediately before consideration of the matter.

If that DPI has not been registered, you must notify the Monitoring Officer of the details of the DPI within 28 days of the date of the meeting.

Councillors are further invited to disclose any non-pecuniary interest which may be relevant to any matter on this agenda, in the interests of transparency, and to confirm that it will not affect their objectivity in relation to that matter.

3 MINUTES (Pages 1 - 8)

To confirm the minutes of the meeting of the Corporate Governance and Standards Committee held on 13 June 2019.

4 AUDIT FINDINGS REPORT FOR 2018-19 (Pages 9 - 50)

5 AUDITED STATEMENT OF ACCOUNTS 2018-19 (Pages 51 - 158)

6 FINANCIAL MONITORING 2019-20 PERIOD 2 (APRIL/MAY 2019) (Pages 159 - 218)

7 SUMMARY OF INTERNAL AUDIT REPORTS (OCTOBER 2018 TO MARCH 2019) (Pages 219 - 236)

8 WORK PROGRAMME (Pages 237 - 244)

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CORPORATE GOVERNANCE AND STANDARDS COMMITTEE

13 June 2019

* Councillor Tim Anderson (Chairman)

* Councillor Jan Harwood	Independent Members:
* Councillor Liz Hogger	* Mrs Maria Angel MBE
* Councillor Nigel Manning	* Mr Murray Litvak
Councillor Ramsey Nagaty	
* Councillor John Redpath	Parish Members:
* Councillor James Walsh	Mr Charles Hope
	* Ms Geraldine Reffo
	Mr Ian Symes

*Present

The Leader of the Council, Councillor Caroline Reeves, the Lead Councillor for Finance and Asset Management, Councillor Joss Bigmore, the Lead Councillor for Housing (social and affordable), Homelessness, Access and Disability, Councillor Angela Goodwin, together with Councillors Christopher Barrass, Chris Blow, and Tony Rooth were also in attendance.

CGS1 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS

Apologies for absence were submitted on behalf of Charles Hope and Ian Symes.

CGS2 LOCAL CODE OF CONDUCT - DISCLOSURE OF INTERESTS

There were no disclosures of interest.

CGS3 MINUTES

The Committee confirmed as a correct record the minutes of the meeting held on 28 March 2019. The Chairman signed the minutes.

CGS4 INTERNAL AUDIT PLAN 2019-20

The Committee considered a report on the Internal Audit Plan for 2019-20.

The Committee was informed that, in 2018-19, the Council's internal audit function had been outsourced to KPMG. The Audit and Business Improvement Manager was the client-side officer and a multi skilled team within Audit and Business Improvement, who had both audit and business improvement experience, had been retained. The new structure had produced year-on-year savings of approximately £90,000 for a similar level of audit coverage.

This solution had provided the Council with the necessary assurance, experience and flexibility while still retaining in-house audit expertise within the Business Improvement Team. The structure fulfilled both the governance and assurance obligations of the internal audit function, but was practical and sustainable and represented value for money.

The Committee noted that, in 2018-19, 36 audits had been completed, or were being working on, which represented 95% of the audit plan. The work carried out so far had shown that there was no indication of any material or significant issues arising.

The Plan for 2019-20, which was appended to the report, had been extracted from the audit planning system and showed a resource requirement for 400 days.

The report had also set out information on the findings of the Local Government Ombudsman in respect of the 24 complaints about the Council that had been lodged in 2018-19.

Having considered the report, the Committee

RESOLVED: That the internal audit plan for 2019-20, as set out in Appendix 1 to the report submitted to the Committee, be approved.

Reason:
To ensure an adequate level of audit coverage.

CGS5 EXTERNAL AUDIT 2019-20 FEE LETTER

The Committee considered the External Audit 2019-20 Fee Letter, which had been submitted by the Council's external auditors, Grant Thornton. The letter provided a broad summary of the programme of work that they intended to carry out during 2019-20.

The Committee noted that the overall fee for the core audit in 2019-20 would be £44,300, which was the same as 2018-19. The fee for grant certification work would be dealt with separately.

Having considered the report, and noted that the fee for the core audit could be managed within the overall budget for the finance directorate, the Committee

RESOLVED: That the external audit fee for 2019-20 submitted by Grant Thornton, in the sum of £44,300, be approved.

Reason:
To enable the Committee to consider and comment on the planned audit fee.

CGS6 CAPITAL AND INVESTMENT OUTTURN REPORT 2018-19

The Committee considered the Capital and Investment Outturn Report for 2018-19, which had included:

- a summary of the economic factors affecting the approved strategy and counterparty update
- a summary of the approved strategy for 2018-19
- a summary of the treasury management activity for 2018-19
- compliance with the treasury and prudential indicators
- non-treasury investments
- capital programme
- risks and performance
- Minimum Revenue Provision (MRP)
- details of external service providers
- details of training

The Committee was informed that total expenditure on the General Fund capital programme in 2018-19 had been £37.7 million, which was less than the revised budget by £99.6 million. Details of the revised estimate and actual expenditure in the year for each scheme were set out in Appendix 3 to the report. Although the budget for Minimum Revenue Provision (MRP) had been £1.2 million, the outturn had been £795,190, due to slippage in the capital programme in 2017-18.

Councillors noted that the Council's investment property portfolio stood at £161 million as at 31 March 2019. Rental income had been £9 million, and income return was 6.3% against the benchmark of 4.8%.

The Council's cash balances had built up over a number of years, and reflected the strong balance sheet, with considerable revenue and capital reserves. Officers carried out the treasury function within the parameters set by the Council each year in the Capital and Investment Strategy. As at 31 March 2019, the Council held £97.3 million in investments, of which £20 million was short-term borrowing.

The Council had borrowed short-term from other local authorities for cash flow purposes, but did not take out any additional long-term borrowing during the year. The Council had £212.9 million borrowing at 31 March 2019, of which £20 million was short-term borrowing for cash purposes.

The report confirmed that the Council had complied with its prudential indicators, treasury management policy statement, and treasury management practices for 2018-19.

The Committee noted that the slippage in the capital programme had resulted in a lower Capital Financing Requirement than estimated. Interest paid on debt had been lower than budget, due to less long-term borrowing taken out on the General Fund because of slippage in the capital programme.

The yield returned on investments had been lower than estimated, but the interest received had been higher due to more cash being available to invest in the year – a direct result of the capital programme slippage.

During the debate, the Committee noted the following points:

(a) The capital projects which were due to come forward in the 2018-19 financial year, but had been delayed were:

- Westfield Road/Moorfield Road, Slyfield – resurfacing scheme
- Chapel Street Public Realm scheme
- Rodboro Buildings Environmental Improvement
- New burial ground
- Guildford Park Car Park Redevelopment
- Guildford West Station

(b) In response to a question regarding the Council's proposals to address the empty industrial units at the Midleton Industrial Estate and the poor condition of the Estate, officers confirmed that the Council was deliberately letting units on a short-term tenure in order to provide flexibility for the longer term redevelopment. The scheme for the redevelopment of the Midleton Industrial Estate was now on the approved capital programme and had reached the stage at which a planning application was being developed in respect of the first phase. In terms of the redevelopment proposals and expected return on the Council's investment, the Director of Finance indicated that she would circulate the report submitted to the Executive last year on the business case.

(c) In respect of the Council's investment property fund portfolio, officers acknowledged the current risks associated with the retail sector, and noted that the Council received rent on the long leases granted in respect of the Friary and Tunsgate shopping centres. In respect of the Council's own tenants, there had been no increase in void properties currently. Officers were also aware of similar risks associated with the office sector and noted that two tenants had exercised break clauses within their respective leases in recent months. The situation was being monitored via the Property Review Group. The Council's current policy was to not acquire any additional retail units.

(d) In response to a question regarding the Council's strategy for addressing a reduced demand for retail units with an ever increasing supply, the Committee was informed that should any retail unit under the Council's direct control become vacant, all options would be examined, including refurbishment and redevelopment, and progressed subject to a sound business case.

The Committee, having noted that the outturn report would also be considered by the Executive at its meeting on 18 June 2019, and by full Council on 23 July 2019

RESOLVED: That the following recommendations to Council be supported:

(1) That the Treasury Management Annual Report for 2018-19 be noted.

(2) That the actual prudential indicators reported for 2018-19, as detailed in Appendix 1 to the report submitted to the Committee, be approved.

Reason:
To comply with the Council's treasury management policy statement, the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on treasury management and the CIPFA Prudential Code for Capital Finance in Local Authorities.

CGS7 REVENUE OUTTURN REPORT 2018-19

The Committee received a report setting out the final position on the General Fund and the Collection Fund revenue accounts, for the 2018-19 financial year.

Overall, the outturn on the General Fund had been £1,851,116 less than originally budgeted, which reflected the Council's continued sound financial management.

The report had set out the major reasons for the variance. At service level after adjustment for movements to and from reserve, the projected outturn was £168,000 higher than the latest estimate.

Net income from interest receipts had been £1,641,694 more than estimated and the minimum revenue provision (MRP) for debt repayment had been £405,453 lower than estimated.

In accordance with the authority delegated to the Chief Finance Officer, in consultation with the Leader of the Council and the Lead Councillor for Finance and Asset Management, the underspent balance had been used to make a transfer to the Invest to Save Reserve to support the transformation agenda.

Details of the closing balance on all the Council reserves were set out in the report, together with the ongoing policy for each.

The Committee noted that 2018-19 had been the fourth year of the Business Rates Retention Scheme (BRRS) and it had continued to cause volatility in the Council's accounts. The Business Rates balance on the Collection Fund was particularly susceptible to movements in the number and value of appeals that businesses had made against their rateable values. The Council had no control over these appeals, and had limited information from the Valuation Office to help assess the potential impact.

The Committee was advised that there was an overall deficit on the Collection Fund of £4.9 million, as detailed in the report.

The outturn position had been included in the Statement of Accounts signed by the Chief Finance Officer on 31 May 2019, which would be subsequently audited by the Council's external auditor, Grant Thornton. The Committee noted that the draft Statement of Accounts had been posted on the Council's website, and that the audited accounts would be reviewed by the Committee at its next meeting on 25 July 2019.

During the debate, the Committee noted the following points:

(a) The Collection Fund prudently made appropriate provision for business rates appeals.

(b) The reason for the increased provision for bad debt of £984,000 had been due partly to a change in accounting standards during the year, which introduced stricter rules on how provision for bad debt was calculated.

(c) The decrease in off-street meter income of £412,000 had been due in part to closure of Bright Hill Car Park due to health and safety issues.

(d) There was an error in the heading to the table in Appendix 3 (List of Earmarked Reserve Balances) in that the references to "£000" should be omitted.

Having noted that this matter would be considered by the Executive on 18 June 2019, the Committee

RESOLVED: That the following recommendations to the Executive be supported:

(1) That the Council's final revenue outturn position for 2018-19 be noted.

(2) That the decision, taken under delegated authority, to transfer £1.85 million to the Invest to Save Reserve to support the transformation agenda, be endorsed.

Reasons:

- To note the final outturn position and delegated decisions taken by the Chief Finance Officer, which have been included within the statutory accounts the Chief Finance Officer signed at the end of May.

- To facilitate the on-going financial management of the Council.

CGS8 HOUSING REVENUE ACCOUNT FINAL ACCOUNTS 2018-19

The Committee received a report setting out the final position on the Housing Revenue Account (HRA) for the 2018-19 financial year. The HRA recorded all the income and expenditure associated with the provision and management of Council owned residential dwellings in the Borough.

This report sets out the actual level of revenue spending on day-to-day services provided to tenants recorded in the HRA in 2018-19.

Rental income from dwellings had been £80,070 below the estimate. The actual net cost of revenue services in 2018-19 had been £369,394 lower than the budget of £14,406,490. This variation represented 1.15% of the total turnover of £31.991 million. The final outturn (subject to audit) had shown a surplus for the year of £10.35 million, compared to a budgeted surplus of £9.746 million, after taking into account various accounting adjustments. The HRA working balance at year-end remained at £2.5 million.

In accordance with the authority delegated to the Chief Finance Officer, in consultation with the Lead Councillors with responsibility for Housing and Finance, the surplus had been used to make a transfer of £2.5 million to the reserve for future capital programmes, with the balance of £7.85 million being transferred to the new build reserve.

Having noted that this matter would be considered by the Executive at its meeting on 18 June 2019, the Committee

RESOLVED: That the following recommendations to the Executive be supported:

(1) That the final outturn position on the Housing Revenue Account for 2018-19, be noted.

(2) That the decision, taken under delegated authority, to transfer £2.5 million to the reserve for future capital programmes, and £7.85 million to the new build reserve from the revenue surplus of £10.35 million in 2018-19, be endorsed.

Reason:
To allow the Statutory Statement of Accounts to be finalised and subject to external audit, prior to approval by the Corporate Governance and Standards Committee, on behalf of the Council.

CGS9 REVIEW OF THE CODE OF CONDUCT FOR STAFF

The Committee noted that, although there was a statutory requirement for the Council to adopt a Code of Conduct for Councillors, there was no such requirement for a Code of Conduct for Staff. However, it was considered good practice to have one and of benefit to staff to provide local guidance about acceptable behaviour and conduct.

The current Code of Conduct for Staff was set out in Part 5 of the Council's Constitution alongside the Councillors' Code of Conduct. However, the Constitution, as the Council's tool of governance, was not a day-to-day reference for many of the Council's employees. The Committee considered a report on the review of the Code of Conduct for Staff, which had sought to provide a more accessible document in terms of style and language and to contain links to other key sources of relevant employment policies and protocols and other online information for all employees.

Alongside a general modernisation, it was also proposed that the revised Code of Conduct should:

(a) become part of the line management process, including new employee induction and end of probation sign off; and

(b) be provided to all staff (new and existing), who would be required to confirm that they understood the behaviours and conduct expected of them.

A key aspect of the review process was a workshop of senior staff in February 2019 to review the current code of conduct to see which elements should be retained and which could be revised to bring it up to date to reflect current practice.

In considering the proposed revised code of conduct for staff, the Committee felt it was a clearer document, easier to read and to understand the important points.

However, there were a number of points on which further clarification/information was sought as follows:

- Paragraph 5.3 (use of media and social media) required further information to clarify that the code could apply to a member of staff making inappropriate comments on

social media not about the Council, but perhaps of a racist/homophobic nature, which could be detrimental to the reputation of the Council as an employer. It was suggested that wording similar to that in paragraph 5.2 could be included in paragraph 5.3.
- The fourth bullet point in paragraph 12.1 (personal interests) required clarification as to its meaning and practical application
- Whether paragraph 17 required clarification that any finding of a breach of the code *following an investigation* may be regarded as a disciplinary offence. The legal relationship between the Council and its staff was set out in the employment contract, particularly the duty of mutual trust and confidence. The formal disciplinary policy and procedure made provision for process to be followed in dealing with disciplinary matters, including the conduct of an investigation.

Having considered the matter and in view of the comments made at the meeting, the Committee

RESOLVED: That, subject to the clarification of the points referred to above, the revised Code of Conduct for Staff, attached as Appendix 2 to the report submitted to the Committee, be commended to full Council on 23 July for adoption.

Reason:
To provide up to date and fit for purpose guidance accessible to all staff.

CGS10 REVIEW OF THE COUNCILLORS DEVELOPMENT STEERING GROUP

The Committee noted that Council Procedure Rule 24 (v) required the appointing body to review annually, the continuation of task groups appointed by them. Although the Councillors' Development Steering Group had been set up originally as an Executive working group, it was agreed in 2015 that the Steering Group would report on its work to this Committee.

The Committee considered a report which reviewed the work carried out by the Steering Group over the past twelve months and the work they were likely to undertake over the next twelve months. The Committee was asked to agree that the Steering Group should continue its work and that all five political groups should be represented on it.

Having considered the report, the Committee

RESOLVED:

(1) That the Councillors' Development Steering Group should continue its work and that the numerical allocation of seats on the Steering Group to each political group be agreed as one member per group plus a nominated deputy.

(2) That political group leaders be asked to nominate one member to sit on the Steering Group for the 2019-20 municipal year, plus one nominated deputy.

Reason:
To comply with the requirement for this Committee to review the continuation of the Councillors' Development Steering Group, in accordance with Council Procedure Rule 24 (v).

CGS11 WORK PROGRAMME

The Committee considered its updated 12-month rolling work programme and felt that the number of items scheduled for the next meeting on 25 July was excessive and asked officers to identify whether any of the items which were not time sensitive could be put back to a subsequent meeting in order to ensure a more manageable agenda.

The Committee therefore

RESOLVED: That the updated 12 month rolling work programme, as set out in Appendix 1 to the report submitted to the Committee, be approved subject to further review in respect of the 25 July meeting to determine, in consultation with the chairman, whether any of the scheduled reports could be deferred to the September meeting.

Reason:
To allow the Committee to maintain and update its work programme.

The meeting finished at 9.25 pm

Signed .... Date ....

Chairman

Corporate Governance and Standards Committee Report

Ward(s) affected: n/a

Report of Director of Finance

Author: Vicky Worsfold

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Lead Councillor responsible: Joss Bigmore

Tel: 07974 979369

Email: joss.bigmore@guildford.gov.uk

Date: 30 July 2019

Audit Findings Report
Year Ended 31 March 2019

Executive Summary

The audit of the 2018-19 accounts is nearly complete and the independent auditor intends to issue an unqualified opinion on the financial statements, which the CFO will re-certify in accordance with the Accounts and Audit Regulations 2015 immediately after the Committee meeting. The auditors have issued an Audit Findings report, which is included in Appendix 1, along with a management action plan (Audit Findings Report, appendix A).

The auditors have not found any misstatements which affect the primary financial statements or financial position of the Council. The auditors found some areas that required adjusting and these are highlighted in the audit findings report. There are also some minor changes that are not individually significant enough to warrant separate disclosure in the findings report.

The auditors propose to give an unqualified Value for Money conclusion. Their recommendations relating to value for money are included in the action plan. The key points relate to the medium-term financial plan and the general fund capital programme.

The Chairman of the Corporate Governance and Standards Committee is required to issue a letter of representation on behalf of the Council to the auditors to provide assurance over the management framework operating at the Council and the disclosures in the accounts. A copy of the proposed letter is provided at Appendix 2.

Recommendation to Committee

(1) That the Audit Findings report submitted by Grant Thornton attached as Appendix 1 to this report, and the management responses provided in the action plan (Appendix A to Appendix 1), be noted.

(2) That the letter of representation, as set out in Appendix 2 to this report, be approved on behalf of the Council and that the Chairman be authorised to sign the letter on the Council's behalf.

<u>Reason for Recommendation:</u>
To allow the external auditor to issue his opinion on the 2018-19 accounts.

1. Purpose of Report

1.1 The report asks the committee to consider the external auditor's Audit Findings report (AFR) for the 2018-19 financial year and the issues it raises.

2. Strategic Framework

2.1 Good financial management underpins the achievement of the Council's Corporate Plan.

3. Background

3.1 Grant Thornton prepares its AFR to meet the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice by reporting on:

(a) the Council's financial statements; and
(b) whether the Council has made proper arrangements for securing value for money in its use of resources

3.2 The International Standard on Auditing 260 requires "those charged with governance" to consider the report before the external auditor can sign off his opinion on the accounts. The statutory deadline for issuing the audit opinion is 30 July.

3.3 Appendix 1 is the draft AFR for 2018-19. The auditors found three audit adjustments and some minor omissions.

3.4 In relation to the statement of accounts, the auditors concluded that the Council produced a good set of financial statements, supported by comprehensive working papers and met the statutory deadline for producing the accounts of 31 May. The Auditors did not identify any adjustments which impact on the primary statements. The auditors also concluded that the Annual Governance Statement and Narrative Report are consistent with the financial statements.

3.5 In relation to value for money, the auditors concluded that in all significant respects, the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

3.6 The auditor has made some recommendations relating to value for money; the action plan at Appendix A to the AFR gives the management responses. The external auditor will attend the meeting to present the report and answer any questions.

3.7 This committee has authority to approve the accounts on behalf of the Council. A separate report on this agenda considers the final statement of accounts, amended for the disclosure items raised in the AFR and includes and updated Annual Governance Statement.

3.8 To enable the auditor to conclude their audit, the Council is required to send a letter of representation to the auditors to provide assurance over the management framework and the disclosures made in the accounts. A copy of the proposed letter of representation is included at Appendix 2.

4. Financial Implications

4.1 There are no financial implications arising from this report.

5. Legal Implications

5.1 The International Standard on Auditing (UK and Ireland) 260 requires the external auditor to report any issues arising from the audit of the Financial Statements to those charged within governance. In the Council's case, this is the Corporate Governance and Standards Committee.

5.2 The International Standard on Auditing (UK and Ireland) 580 requires the Chief Financial Officer to send a letter of representation to the external auditor. Appendix 2 is a draft of the 2017-18 letter of representation, which officers recommend that the committee approve and that the chair of the meeting signs the letter of representation on the Council's behalf.

6. Human Resource Implications

6.1 There are no human resource implications arising from this report.

7. Conclusion

7.1 The audit of the 2018-19 accounts is nearly complete and the independent auditor intends to issue an unqualified opinion on the financial statements, which the CFO will re-certify in accordance with the Accounts and Audit Regulations 2015. The auditors did not find any adjustments that affected our reported financial position.

7.2 The auditors propose to give an unqualified Value for Money conclusion. Their recommendations relating to value for money are included in the action plan.

8. Background Papers

2018-19 Statement of Accounts

9. Appendices

Appendix 1: Draft Audit Findings report 2018-19
Appendix 2: Letter of Representation

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Grant Thornton

The Audit Findings for Guildford Borough Council

Year ended 31 March 2019

30 July 2019

Contents

Your key Grant Thornton team members are:

Sarah Ironmonger

Engagement Lead

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Marcus Ward

Senior manager

T: 020 7728 3350

E: marcus.ward@uk.gt.com

Headlines

This table summarises the key findings and other matters arising from the statutory audit of Guildford Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2019 for those charged with governance.

Financial Statements	Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements: • give a true and fair view of the financial position of the Council and its income and expenditure for the year; and • have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.	Our audit work was completed on site during June and July. Our findings are summarised on the next few pages. We have identified three adjustments to the financial statements that have resulted in a £3.2m adjustment to the Council's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B. The capacity of your finance and payroll teams has been impacted by the Future Guildford and ERP projects. This has resulted in delays to provision of supporting working papers for audit and response to queries. Your draft financial statements fell below your own high standards that you have set in previous years. In the context of the reduced hours available to work on the financial statements the finance team should be commended on being able to provide a set of financial statements for audit by the statutory deadline. As specified above, the demands on the finance and payroll teams from council-wide projects impacted the time available for audit queries, resulting in delays to the audit process. This was escalated to your finance director who took decisive action to free up people to provide the backlog of information on 12 July 2019. We are working closely with your finance team with the joint objective of completing the audit by the end of this month, however receiving this information so late in the timetable has put pressure on the achievement of this goal. There are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, subject to the following outstanding matters; - finalising our work on journals, payroll, operating expenditure, income, PPE revaluations, pension liability, HRA, Collection Fund debtors, creditors, related parties, financial instruments and reserves - Reviewing your AGS and Narrative Report - final internal quality review - receipt of management representation letter; and - review of the final set of financial statements. We anticipate providing an unqualified audit opinion.

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Agenda item number: 4
Appendix 1

Headlines

This table summarises the key findings and other matters arising from the statutory audit of Guildford Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2019 for those charged with governance.

Value for Money arrangements	Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').	We have completed our risk based review of the Council's value for money arrangements. We have concluded that Guildford Borough Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We therefore anticipate issuing an unqualified value for money conclusion.
Statutory duties	The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • To certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties We will certify the closure of the audit when all work is complete.

Agenda item number: 4
Appendix 1

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Acknowledgements
We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and others during our audit.

Summary

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and will be discussed with the Corporate Governance and Standards Committee on 30 July 2019.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of your business and is risk based. Highlights include:

- An evaluation of your internal controls environment, including your IT systems and controls;
- An evaluation of your judgement not to consolidate your subsidiary, North Downs Housing Limited into your financial statements; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have not had to alter or change our audit plan, as communicated to you on 28 March 2019.

Conclusion

Subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Corporate Governance and Standards Committee meeting on 30 July 2019.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality calculations remain the same as reported in our audit plan

Significant findings – audit risks

	Risks identified in our Audit Plan	Commentary
1	**The revenue cycle includes fraudulent transactions (rebutted)** Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.	**Auditor commentary** As reported in our Audit Plan we rebutted the risk that revenue may be misstated due to the improper recognition of revenue. There have been no circumstances that have caused us to change this assessment.
2	**Management override of controls** Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. You face external scrutiny of your spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	**Auditor commentary** Summary of work performed and audit findings: • We evaluated the design effectiveness of management controls over journals • We analysed the journals listing and determined the criteria for selecting high risk unusual journals • We tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • We gained an understanding of the accounting estimates and critical judgements made by management and considered their reasonableness with regard to corroborative evidence • We evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. Our audit work has not identified any issues in respect of management override of controls.

Significant findings – audit risks

Risks identified in our Audit Plan	Commentary
3 Valuation of land and buildings You revalue your land and buildings on a five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£739 million of property, plant and equipment in 2017/18) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used. We therefore identified valuation of land and buildings as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.	**Auditor commentary** Summary of work performed and audit findings: • We evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • We evaluated the competence, capabilities and objectivity of the valuation expert • We wrote to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met • We challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding • We tested revaluations made during the year to see if they had been input correctly into your asset register • We challenged management's judgement that assets not revalued at 31 March 2019 were fairly stated Our audit work has identified some matters which we have detailed in our action plan in Appendix A. There was also one agreed adjustment to the valuation figure included in the financial statements. Apart from these matters and subject to completion of work as detailed on page 3, there were no other issues in respect of the valuation of your land and buildings.
4 Valuation of pension fund net liability Your pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£90 million in your balance sheet in 2017/18) and the sensitivity of the estimate to changes in key assumptions. We therefore identified valuation of your pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.	**Auditor commentary** Summary of work performed and audit findings: • We updated our understanding of the processes and controls put in place by management to ensure that your pension fund net liability is not materially misstated and evaluated the design of the associated controls; • We evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • We assessed the competence, capabilities and objectivity of the actuary who carried out your pension fund valuation; • We assessed the accuracy and completeness of the information provided by you to the actuary to estimate the liability; • We tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • We undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report. There were two adjustments agreed with management which increased the overall pension liability. These are detailed later in this report. Other than these, our audit work has not identified any issues in respect of the valuation of your pension fund net liability.

Significant findings – audit risks

	Risks identified in our Audit Plan	Commentary
5	**Group accounts** In 2016, you set up North Downs Housing Limited, a subsidiary to enable you to provide homes across a range of tenures other than social rent. As at 31 March 2018, you held a 100% share ownership in the company and an intercompany balances (in the form of loans and equity) of £4.4m. Aside from capital acquisitions, the trading activities of North Downs Housing have been limited to date. However, as North Downs Housing continues to expand, the preparation of group accounts will need to be considered going forward. At present, management is not proposing to adopt Group Accounts on the basis that the rental income at North Downs Housing is not yet deemed to be financially significant. The Code of Practice requires Authorities with subsidiaries to publish group accounts unless their interest is considered not material and so there is an element of judgement in determining whether the presence of a subsidiary 'triggers' the need for Group Accounts.	**Auditor commentary** Summary of work performed and audit findings: • We updated our understanding of the capital and operational activity taking place within North Downs Housing; • We evaluated management's determination and disclosures over whether group accounts are required. We are satisfied that management's judgement not to consolidate North Downs Housing Limited into a group set of financial statements on the basis of materiality is appropriate in 2018/19.

Significant findings – key judgements and estimates

	Summary of management's policy	Audit Comments	Assessment
Net pension liability – £116m	Your net pension liability at 31 March 2019 is £116m (PY £90m) comprising the Surrey Local Government Pension Scheme. You use Hymans Robertson to provide actuarial valuations of your assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2016. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. Management amended the past service cost on the advice of your actuary due to additional liabilities resulting from recent court cases (GMP equalisation and McCloud) and the return on assets due to actual returns being lower than forecast. Both amendments were made between the draft and final set of financial statements.	• We have assessed your actuary, Hymans Robertson LLP, to be competent, capable and objective. • We have reviewed the 2018/19 roll forward calculation carried out by the actuary and have no issues to raise. • We have used an auditor's expert to assess the actuary and assumptions made by your actuary – see table below for our comparison of actuarial assumptions:	● (green)

Assumption	Actuary Value	Auditor comments	Assessment
Discount rate	2.4%	Assumption is reasonable but towards the more optimistic end of expected ranges	● (amber)
Pension increase rate	2.5%	Assumption sits towards the middle, slightly towards the higher, more prudent end of expected ranges	● (green)
Salary growth	1.00% to 2020	In line with public sector pay caps	● (green)
Life expectancy – Males currently aged 45 / 65	Pensioners: 22.5 Non-pensioners: 24.1	Assumption is based on the CMI 2013 model and allowance is towards more prudent end of expect ranges	● (green)
Life expectancy – Females currently aged 45 / 65	Pensioners: 24.6 Non-pensioners: 26.4	Assumption is based on the CMI 2013 model and allowance is towards more prudent end of expect ranges	● (green)

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Assessment

- ● (red) We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● (amber) We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- ● (yellow) We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- ● (green) We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Going concern

Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Going concern commentary

Management's assessment process	Auditor commentary
Management's assessment is based on the public sector interpretation of going concern as the continuation of the provision of services to support the preparation of the accounts on a going concern basis. Management has considered the Council's financial performance planning documents and cash flow expectations in considering that no material uncertainties need to be disclosed.	• We agree with management's assessments on the use of the going concern basis of accounting. • Management's processes for assessing going concern are adequate. • Forecasts are produced by your finance team and reviewed by your Director of Finance.
Work performed	**Auditor commentary**
We reviewed management's assessment of going concern provided to us, in conjunction with our knowledge and understanding of the Council. We reviewed your in year financial performance as well as your budget assumptions for the next 4 years in your Medium Term Financial Plan (MTFP).	• We did not identify any material uncertainties in relation to going concern. • Assumptions in your MTFP are reasonable and estimates are prudent. • The disclosures in relation to going concern in your financial statements are appropriate and in line with our understanding of your financial affairs.
Concluding comments	**Auditor commentary**
	• We are satisfied that management's assessment that the Council is a going concern and disclosure in the financial statements is reasonable.

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
1	**Matters in relation to fraud**	• We have previously discussed the risk of fraud with the Corporate Governance and Standards Committee. We have not been made aware of any material incidents in the period and no other issues have been identified during the course of our audit procedures.
2	**Matters in relation to related parties**	• Subject to completion of our work in this area, we are not aware of any related parties or related party transactions which have not been disclosed
3	**Matters in relation to laws and regulations**	• You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4	**Written representations**	• A letter of representation has been requested from the Council, which is included in papers.
5	**Confirmation requests from third parties**	• We requested permission from management to send confirmation requests to institutions with which you bank, invest or borrow. This permission was granted and the requests were sent were returned with positive confirmation. At the time of writing we are awaiting confirmations from Goldman Sachs, M&G and Santander
6	**Disclosures**	• Our review found some material omissions in the financial statements, particularly where notes had not been updated for 2018/19. management have agreed to amend the financial statements for these omissions – see Appendix C for details.
7	**Audit evidence and explanations/significant difficulties**	The capacity of your finance team has been affected by council wide projects such as Future Guildford and the preparation for implementation of your new ERP system. We understand that the Council has limited resources and has to prioritise demand. The effect of the reduction in the finance team's capacity has impacted the progress of the external audit in a number of ways: • A draft set of financial statements which is below your usual standard • Transaction listings which were previously agreed to be provided prior to the start of the audit in June were not forthcoming. • Working papers which were previously agreed to be provided at the start of the audit in the first week of June were not provided. • Delays in response times to audit queries.

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Other responsibilities under the Code

	Issue	Commentary
1	**Other information**	• We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. Subject to the completion of our work in this area, no inconsistencies have been identified. We plan to issue an unmodified opinion in this respect.
2	**Matters on which we report by exception**	We are required to report on a number of matters by exception in a numbers of areas: • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit • If we have applied any of our statutory powers or duties We have nothing to report on these matters
3	**Specified procedures for Whole of Government Accounts**	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. • Note that work is not required as the Council does not exceed the threshold;
4	**Certification of the closure of the audit**	We intend to certify the closure of the 2018/19 audit in the audit opinion.

Value for Money

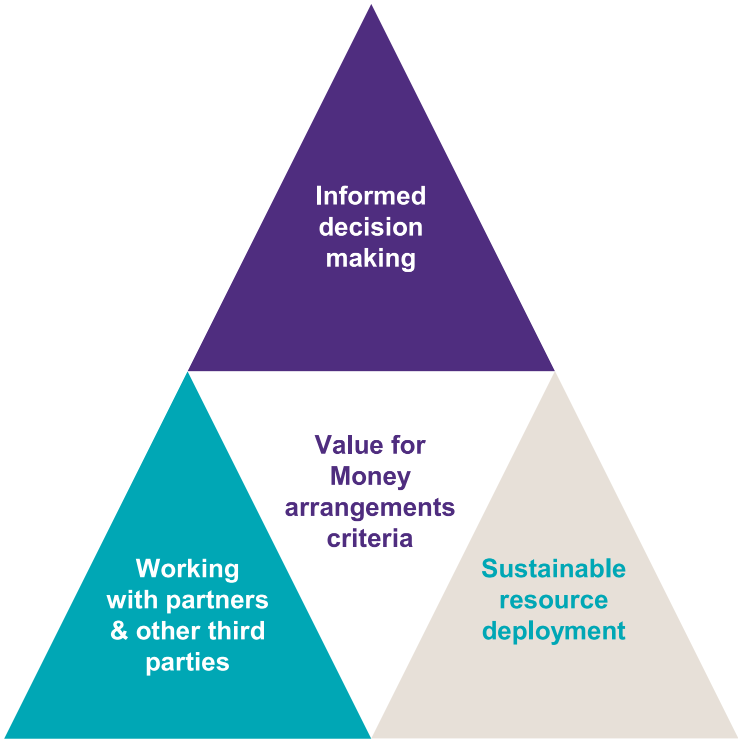
Background to our VFM approach

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2017. AGN 03 identifies one single criterion for auditors to evaluate:

"In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people."

This is supported by three sub-criteria, as set out below:



Risk assessment

We completed our initial risk assessment in January 2019 and identified two significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan on 28 March 2019.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

Value for Money

Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

You identified a £10.4 million budget gap for the four years from 2019/20 to 2022/23. In 2018 an external specialist was commissioned to review potential alternative operational modes. This resulted in a blueprint plan named 'Future Guildford' which was adopted by the Council on 26 February 2019.

At management's request, we performed a supplementary review of Value for Money arrangements, particularly with respect to the assumptions within the Medium Term Financial Plan. Based on fieldwork and interviews conducted in December 2018 and January 2019, we reported that while these assumptions were generally sound there were a number of areas for potential enhancement. These findings were considered by the Overview and Scrutiny Committee on 6 February 2019, and were also shared with the Executive and Council meetings later that month.

We made a number of good practice recommendations based on our review. We have followed up progress on these as part of this report and included this in an appendix.

Your capital programme and treasury management strategies have been combined in line with best practice under the revised CIPFA Prudential Code 2018. Although there remains considerable underspend against the approved plan, management are taking steps to mitigate this, including further reprofiling. There were a number of significant acquisitions that took place after our review period.

Following elections in May 2019, there is debate as to the extent to which members should be directly involved in the income generation process.

We have set out more detail on the risks we identified, the results of the work we performed, and the conclusions we drew from this work on the next few pages.

Overall conclusion

Based on the work we performed to address the significant risks, we are satisfied that you had proper arrangements for securing economy, efficiency and effectiveness in your use of resources.

Recommendations for improvement

We have not identified any areas for improvement. We have however followed up on recommendations that were raised as part of our Supplementary VfM findings as reported in February 2019. The results of this follow up process can be found in Appendix E.

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk

Medium Term Financial Planning

- You have identified a cumulative gap of £10.4 million between projected resources and budgeted expenditure over the four years to 2022/23. In part, this relies on continuing to deliver the budgeted level of savings from existing projects. You have identified a need for longer term transformation of service delivery to be able to deliver sustainable services in the period covered by the medium term financial strategy. You have engaged an external consultant (Ignite Consulting) who in November 2018 presented a report entitled “Guildford Borough Council Future Operating Model Blueprint”. It set out to provide the ‘blueprint’ for the delivery of an ambitious transformation programme for you including a refined business case, an organisational design and a costed implementation approach and plan. We will review your project management and risk assurance frameworks to establish how you are identifying, managing and monitoring these risks.
- In February 2019 we presented a supplementary finding reports in response to a specific request by the Authority. As part of this we reviewed your arrangements to achieve financial sustainability to support our statutory requirement to provide a conclusion your arrangements to deliver value for money.

Findings

- Our supplementary findings as reported in February 2019 were based on our review of the Medium Term Financial Plan to 2022/2023 (four year horizon), as it stood at the time, including the ten significant assumptions that were approved in July 2018. Ordinarily, revised assumptions would be being considered in July on an annual basis, although management have advised that this process is being deferred to Autumn this year to allow appropriate time for the new Executive to understand and discuss the financial strategy and position of the Council and also due to a lack of government funding update. As a result, the commentary we provided against these assumptions in February 2019 remains valid.
- Core to mitigating the £10.4m gap is ‘Future Guildford’; although the Council has a history of delivering transformation through fundamental service reviews, these have generally focussed on specific areas, whereas Future Guildford is more holistic in nature and larger in scope. As noted below, management have created specific project boards and monitoring arrangements to deal with the risks arising from a project of this scale.
- Our Supplementary VfM findings focused primarily on the validity of the assumptions used in identifying the £10.4m gap, as well as your strategic finance more broadly. As part of our findings, we made nine good practice recommendations in areas where we identified scope for improvement. We have obtained management’s updates on progress against these - this has been set out in Appendix E. Overall it can be seen that management’s future plans will embed these considerations into the 2020/21 budget setting process when it resumes in Autumn.
- Since February, planning for Future Guildford has taken the following developments:
  - Future Guildford was approved by Council on 26 February 2019 with Phase A starting in March.
  - As part of Phase A (Strategy and Resources Directorate), workshops have been taking place with staff. Information is being pulled together for a formal consultation process that will start on 18 July. Phase A is on-going, with some recruitment in process to help facilitate the next phases (B & C) due to start in the Autumn.
- At the time of writing, the extent of savings actually incurred is not quantifiable and not understood to be significant. However, this is in line with expectation; the opening stages of Future Guildford were intended to represent a series of actions, with the aim of benefits being realised from 2020/21 onwards when the restructure starts to take effect.

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Findings (continued)

- The Council has established governance arrangements to ensure the ongoing monitoring of progress. A 'Future Guildford' Board has been established, which meets on a monthly basis and includes member representation. It is planned that the output of this Board will be reported to the Overview and Scrutiny Committee, although as at the time of writing his has not yet occurred. Additionally, the Corporate Management Team receive weekly updates on progress from the Business Improvement Team.
- Alongside Future Guildford, which focusses primarily on expenditure and transformation, income generation remains a key part of the medium term strategy. In May 2019 Borough elections (in which all wards were contested) saw a significant change in the political make up and control of the Council. We challenged management as to whether this change could have an impact on the aggregate institutional attitude to income generation. From conversations with the Chief Finance Officer, this is not perceived to be a significant issue at Guildford Borough Council in so far as the new membership have not sought to significantly change or challenge the Council's wider approach to income generation, although the Chief Financial Officer also acknowledges that it may be difficult to form an objective assessment of this so early into the new members' tenure.
- As part of our publication *In Good Company* (September 2018) we commented that while Local Authority Trading Companies can represent an effective way of promoting commercialisation in a way that is consistent with a local authorities aims, there is an important balance to be struck to ensure that the governance structure is set up in such a way that member input is fostered positively, but in a sustainable way that is not disproportionately influenced by electoral cycles.

Conclusion

- **Based on the work performed, the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources.**

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk

General Fund capital programme

- You approved a General Fund Capital Programme for five years to 2022/23. This is an area of considerable spend, with a net cost of £96 million, and involves decision-making against a backdrop of many variables. The execution and timing of capital expenditure may also have revenue implications.

Findings

- We reviewed your capital programme to establish the arrangements you have in place to realistically forecast and monitor capital expenditure and associated revenue implications.
- The General Fund Capital Programme now falls within the wider Capital and Investment Strategy; the Strategy for 2019-20 to 2023-24 was approved at Council on 26 February 2019.
- Following re-profiling, the total expenditure against the General Fund Capital Programme in 2018-19 had been £37.7 million, which was less than the revised budget of £99.6 million, representing a 38% achievement against plan. This compares to 14% in 2017/18 (of £100 million), 55% in 2016/17 (of £98 million), 52% in 2015/16 (of £64 million) and 78% in 2014/15 (of £44 million). Therefore the rate of achievement is low compared to some of the earlier years, although in absolute terms is comparable to more recent years, echoing the ambitious growth of the capital programme in recent years.
- Underspending against capital budgets is not uncommon in Local Authorities. At Guildford, the key reason for slippage is due to difficulties in profiling the length of the project for budget and completion purposes. In 2018/19, the Council introduced training for service leaders on business case preparation, this training is on-going. The £99 million approved expenditure included £44 million for the main programme with minor and provisional schemes making up the remainder. The Council delivered 79% of the main programme.
- For the year ended 31 March 2019, the Council's investment property portfolio generated an average income return of 6.3% against a benchmark of 4.6%, which is in line with performance in previous years.
- As a consequence of slippage, the Minimum Revenue Provision outturn was £795,190, some way below the budgeted £1.2 million.
- Your Capital and Investment Strategy is governed in a way that seeks to align to your Corporate Plan and broader social agenda, a key aim of your strategy is to develop commercial returns on the your investments. Within this, identifying investment opportunities is a key element and governance structures are in place to support this as well as arrangements to divest investments with poor returns (in the case of investment properties) or identifying alternative uses for operational assets. Both types of assets are reviewed against your Asset Management Framework. Investment Properties are reviewed by a specific Group (Investment Property Fund Management Group) with representation from Finance and Asset Development staff and senior officers. Examples were provided of recent divestments / reallocations of use amongst both Investments and Operational property, such as Lysons, Cobbs; management determined that this property was management intensive and did not meet the Council's investment criteria, and as such has been disposed. Although the primary focus has tended to be on Investment Properties, the ongoing use of Operational property will fall within the scope of the 'Future Guildford' as part of the Phase B review (starting October 2019).

Conclusion

- **Based on the work performed, the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources.**

Action plan

We have identified eight recommendations as a result of matters identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2019/20 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

	Assessment	Matter arising	Recommendations
1	● (Medium)	Our work identified that your asset register includes some assets which are finance leased out. When entering into a finance lease arrangement the counterparty should recognise the asset on their balance sheet and it should no longer appear on your balance sheet. We are satisfied that this has not had a material affect on the financial statements in 2018/19, at a value of £45k.	• Management should review the fixed asset register and remove all assets which are leased out via a finance lease. **Management response** • Agreed. As part of the implementation of the new accounting standard for Leases for the 2019-20 accounts we will need to carry out a full review of how all of our leases are accounted for and will address the audit point as part of that review.
2	● (Medium)	The accounting for any profit or loss on disposal for a HRA asset is not correct. When a HRA asset is sold the current value should be taken out of the asset register and compared to the sale price, the difference gives you any profit or loss on disposal. We found that the sale price is taken out of the asset register meaning that no profit or loss is shown in the financial statements. As you revalue your HRA assets each year, any incorrect starting point due to profit or loss not being accounted for is taken through your accounts in the form of a revaluation. The impact of any profit or loss is therefore accounted for through revaluation rather than shown as profit or loss. We are satisfied that this has not had a material impact on your financial statements in 2018/19 at a value of £1m.	• Management should remove the current value of HRA assets when sold in order to correctly account for any profit or loss on disposal. **Management response** • The Council does not receive individual property level valuations for the HRA stock, however, we do receive average valuations for properties of a certain type with a certain number of bedrooms in different areas. We therefore propose in future years to use the average valuation of a property in that area as the current value which we will write out of the accounts on disposal and recognise the difference between the sale price and the average value as the profit / loss.
3	● (Medium)	One investment property was not revalued in year. Accounting standards mandate that assets held at fair value should be revalued annually. We are satisfied that this has not had a material impact on your financial statements in 2018/19. Asset value is £20k.	• Management should ensure that all investment property assets are revalued annually. **Management response** • Agreed. We recognise that all investment properties should be revalued each year and do normally revalue all properties, the fact that one was not revalued was a mistake which will be rectified in the 2019-20 accounts.

Controls

- ● High – Significant effect on control system
- ● Medium – Effect on control system
- ● Low – Best practice

Action plan

We have identified eight recommendations as a result of matters identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2019/20 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

	Assessment	Matter arising	Recommendations
4	●	Assets under construction were not revalued when brought into use in year. These assets should have been valued under the basis of 'existing use for social housing' instead of at cost. We are satisfied that this did not have a material impact on the financial statements in 2018/19.	• Management should revalue assets under construction when they are brought into use. **Management response** • It is our interpretation that the CIPFA code of practice allows assets under construction to be recognised at cost on the balance sheet. The issue appears to have arisen on HRA assets that were completed late in the financial year and therefore changed category at year end. As a result the assets were not included in the listing provided to the valuer for revaluation and were therefore not revalued. Whilst we accept that the code of practice would expect us to revalue assets as they move category, in practice it is not always possible to do this without undertaking bespoke valuations in year. As a result assets are still recognised at cost in the year they move category and then revalued in the following financial year. We believe this approach is consistent with the recognition of assets on acquisition at cost or market value, followed by the revaluation of assets as part of the annual rolling revaluation programme. We do not consider that the approach undertaken would lead to a material uncertainty in the accounts. However, for clarity we will update our accounting policies to reflect this for 2019-20.
5	●	During our payroll testing we found one incidence where an employment contract (statement of terms and conditions of service) had not signed by HR.	• As per your internal processes and procedures, an employment contract should be signed by HR. Management should ensure this control is in place and working effectively. **Management response** • Agreed. This was an oversight in one particular instance but not normal practice.
6	●	Your accrual de-minimis level (£1,000) is not currently stated in your accounting policies. Including this level would provide this information to the redder of the accounts.	• Your accrual de-minimis level should be included in your accounting policies. **Management response** • Agreed. The deminimis level principally applies to debtors and creditors. We will update our accounting policies accordingly.

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Controls
- ● High – Significant effect on control system
- ● Medium – Effect on control system
- ● Low – Best practice

Action plan

We have identified eight recommendations as a result of matters identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2019/20 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

	Assessment	Matter arising	Recommendations
7	● Low	Value for Money: we have considered progress against recommendations that were advised in February 2019 . To ensure continued monitoring of progress against these, we recommend that updates against those recommendations that are still listed as in progress (as per Appendix E) are reported to the Corporate Governance & Standards Committee at a future meeting.	• An update against VfM recommendations in progress should be provided to a future meeting of the Corporate Governance & Standards Committee. **Management response** • Agreed. We can update on this at the January 2020 Corporate Governance and Standards Committee.
8	● Low	Capacity issues in your finance team caused a deterioration in the quality of your draft financial statements presented for audit and delays to the external audit process. There is a risk of not achieving the statutory deadline for publishing audited accounts.	• Management should ensure that the finance team has enough capacity to produce a quality set of financial statements with an accompanying set of supporting working papers and transaction listings by the beginning of June. Officers should be available to respond to audit queries in a timely manner. **Management response** • Agreed. 2018-19 has been an exceptional year for us. The Director of Finance was not made fully aware of what the internal staff resource requirement for workshops as part of the Future Guildford Phase A design phase would be until fairly late at which point it was too late to bring in additional external resources. Similarly, once the ERP system had been procured, it became apparent that further design work shops would be required at the same time as the audit process. This all impacted on the preparation of the accounts and also on the availability of staff at the audit. That said, whilst additional external resource was not employed, in order to deliver the accounts by the statutory deadline, some members of the finance team have worked a significant amount of overtime both during the closedown process and over the audit process. The Director of Finance has ensured that the overtime and commitment of the staff involved has been recognised and is grateful for the positive comments from the auditors about having met the 31st May deadline. For 2019-20 we know that we will be going live with the new ERP system and so will plan to bring in additional external resource before the closedown period to ensure that the quality of the accounts and the working papers is better next year.

Controls
- ● High – Significant effect on control system
- ● Medium – Effect on control system
- ● Low – Best practice

Follow up of prior year recommendations

We identified matters in prior year audits, which resulted in recommendations being raised in our 2017/18 and 2016/17 Audit Findings reports. We have followed up on the implementation of our recommendations and note [progress in the table below.

	Date raised	Issue and risk previously communicated	Update on actions taken by management	Assessment
1	July 2018	• We recommend that management ensure that the classification of leases are monitored on an ongoing basis and that the classification and subsequent financial reporting treatment is consistent with the underlying nature of the transaction. This will be particularly relevant given the adoption of a new accounting standard IFRS 16, which will apply to public sector bodies for periods starting on or after 1 April 2019 (in the case of Guildford, financial year 2019/20)	• July 2018: Officers will review the lease treatment of assets held on the asset register by the end of February 2019. Finance will consider this in their preparation for IFRS 16. [Asset Development Manager / Financial Services Manager, February 2019] • July 2019: This is still in progress and will be addressed as per our response to recommendation 1 in Appendix A	X
2	July 2018	• We recommend that, as part of the closedown procedures for 2018/19, management explicitly confirm with the pension fund accountants that the correct inputs have been used in that year.	• July 2018: We will review the information provided to SCC and check the correct information has been included and interpreted correctly. [Senior Accountant, March 2019] • July 2019: Implemented – information was checked in 2018-19.	✓
3	July 2017	• Review IT policies at least annually or when significant changes occur to ensure their continuing suitability, adequacy, and effectiveness. Once reviewed and approved by management, the policy should be published and communicated to all employees and relevant third parties.	• July 2018: Key policies were approved in July by the Corporate Management Team. On this basis we regard this recommendation as in progress, and implemented subject to appraisal at the Executive Committee (expected for the 25th September agenda) and, where required, full Council. Priority: Medium [Head of Financial Services, March 2018] • July 2019: Implemented – ICT policies were updated during 2018-19.	✓
4	July 2017	• All logical access within financially critical systems belonging to leavers should be revoked in a timely manner upon their departure from the Council. Security/System administrators should be provided with (a) timely, proactive notifications from HR of leaver activity for anticipated terminations and (b) timely, per-occurrence notifications for unanticipated terminations (e.g. monthly rather than quarterly). Security/system administrators should then use these notifications to either (a) end-date user accounts associated with anticipated leaver's date or (b) immediately disable user accounts associated with unanticipated leavers.	• July 2018: As part of the Future Guildford transformation project, the Council will consider changing its HR policies on recording employees regardless of the route for engagement and the use of Selima as the authoritative identity source which can be automatically linked to account provisioning and management. Priority: Medium [ICT Manager, March 2017] • July 2019: In progress – this will be addressed as part of the new ERP system implementation, due to go live by April 2020.	X

Assessment
✓ Action completed
X Not yet addressed

Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2019.

	Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
1	The valuation of two assets was not correctly transposed from the valuers' report into your financial statements	No impact	Dr PPE £4,394 Cr Revaluation Reserve £4,394	• None
2	Updated pension past service cost due to impact of GMP equalisation and McCloud.	Dr past service cost (1,000)	Cr pension liabilities (1,000)	• (1,000)
3	Updated return on assets income due to actual returns being lower than estimated amount.	Dr return on assets (2,200)	Cr pension assets (2,200)	• None as shown 'below the line'
	Overall impact	**£(3,200)**	**£(3,200)**	**£(1,000)**

Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Area of accounts	Detail	Adjustment agreed
CIES	• Prior year figures restated in order to show a true comparison to current year figures. Prior period adjustment note added to explain the difference to the reader.	✓
CIES	• Internal recharges were incorrectly included; artificially inflating gross income and expenditure	✓
Note 8	• Link to Councillors' Allowances only had allowance published up to 2016-17	✓
Note 9	• Senior officers' total emoluments figures were incorrect as figures had been double counted	✓
Note 13	• Capital commitments figure for 2018/19 had not been included • Rolling programme of revaluations had not been updated	✓
Note 25	• Capital expenditure and capital financing note figures did not agree to supporting information	✓
Note 27	• Defined pension benefit note updated for past service cost and return on assets	✓
Note 30	• Borrowings figures did not agree to the balance sheet or treasury summary.	✓
HRA account	• Notes had not been updated for 2018/19	✓
Collection fund	• Notes had not been updated for 2018/19	✓

Audit Adjustments

Impact of unadjusted misstatements

There were no unadjusted misstatements in 2018/19

Impact of prior year unadjusted misstatements

There was one unadjusted misstatement reported in the 2017/18 Audit Findings report. This adjustment related to your closing pension liability and estimated to have an impact of increasing your liability by £0.556 million. As your pension fund liability has been estimated again in its entirety in 2018/19 we are satisfied that this unadjusted misstatement does not have an impact on your 2018/19 accounts.

Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit Fees

	Proposed fee	Final fee
Council Audit	51,300	tbc
Total audit fees (excluding VAT)	**£51,300**	**£tbc**

- The fees reconcile to the financial statements as follows:

fees per financial statements note 10	£44k
Enhanced value for money work and interim report	£7k
total fees per above	£51k

Non Audit Fees

Fees for other services	Fees £'000
Audit related services:	
• Certification of Housing Capital Receipts Grant	1,500
• Certification of Housing Benefit Grant	20,000
Non-audit services	
• Place Analytics and CFO Insights License	14,500

Supplementary Value for Money Findings - Executive Summary

Review and challenge the 4 year budget projections produced by the finance team to ensure that the estimates are based on evidence and/or realistic assumptions that can be supported

Your budget is produced using a robust arrangement where we were able to agree a sample of assumptions to underlying documentation. We identified an area of improvement where you could improve transparency by setting out more clearly the significant assumptions enabling focused scrutiny.

Estimates within the MTFP have been found to be based on realistic assumptions and there is a good understanding of the financial risks within the position. The cumulative deficit of £10.4 million identified in your MTFP is therefore considered to be an reasonable and prudent forecast and the Council should continue to explore ways to bridge this gap to ensure long term financial sustainability.

We did identify scope for you to review your Minimum Revenue Provision (MRP) forecasts. Your MRP forecasts are linked to your capital programme. Slippage in your capital programme changed the profile of when you need to obtain external borrowing which has in turn impacted on your required MRP.

Review the 2018-19 in year financial performance, in particular looking at the underlying financial position by assessing if over / under spends in year are one-off or on-going

Based on your most recent budget monitoring report, your current in-year performance is broadly in line with budget, with the exception of MRP which is significantly less than budgeted due to slippages in the capital programme. Our work did identify a number of recommendations within this area where there is scope:

- To give greater prominence for significant variances between budget and outturn together with proposed mitigating actions
- To improve transparency in your budget monitoring reports for where reserves are being used to pump-prime investments and where they are being used to fund service overspends
- To improve transparency by showing more clearly progress on delivery of savings and efficiencies
- To review and strengthen your arrangements to identify, monitor and deliver financial and non-financial benefits from projects
- To consider the capacity and skills to manage the future requirements of change and obtain additional support where gaps are identified

Provide commentary on the context of local government funding nationally and in particular, review the impact of the national funding proposals on district councils

Local government funding is entering a period of significant uncertainty after a period of reducing government funding. As a result councils need to be planning their finances for a range of scenarios and anticipating risk. Key areas of uncertainty are:

- Negative Revenue Support Grant
- Fair funding review
- Government policy
- Prospects for the UK economy
- Local factors

To provide an independent review (sense check) of the approach the Future Guildford Transformation Programme proposes.

In November 2018, Ignite Consulting presented a report entitled “Guildford Borough Council Future Operating Model Blueprint”. It set out to provide the ‘blueprint’ for the delivery of an ambitious transformation programme for you including a refined business case, an organisational design and a costed implementation approach and plan. Our independent high level review did not identify any significant issues or omissions, however in our detailed findings section we have outlined a number of key considerations you may want to take on board when assessing the proposal.

Supplementary Findings

Theme	Area of focus	Finding (February 2019)	Progress (July 2019)
1. Review and challenge the 4 year budget projections produced by the finance team to ensure that the estimates are based on evidence and/or realistic assumptions that can be supported	Deep-dive into the validity of assumptions at the individual cost centre line	**Background:** At random, we selected a cost line flowing into the 2019/20 budget and requested information to support the figures and key assumptions used. The cost line selected was 'Pay costs' of £31 million Supporting documentation obtained confirmed the use of the executive approved assumption of a 2% pay increase. We are satisfied that the source data used in the calculation, i.e. the full establishment list was appropriate. We also obtained evidence of independent review and scrutiny by an appropriate person. In conclusion, no issues were identified and we are satisfied that the assumptions and methodology used to prepare the estimate are reasonable. **Key observation:** Within the forecasted budget figures for pay there is an assumption about the vacancy rate of general staff. This is currently set at 2.5% and is based on historic evidence. Whilst this assumption is not considered to be unreasonable, it is not one which is set out in the Executive Budget Assumptions Report and therefore not given the same level of challenge and scrutiny. This is despite the fact that this assumption has a sensitivity of £255k for a 1% change, which is comparable to the sensitivity of pay inflation which is £300k. **Recommendation:** To improve transparency, the Executive Budget Assumptions report should clearly set out what constitutes a significant assumption and a review should be conducted to ensure all parameters required to prepare the budget which meet this agreed threshold of significance is reported and given the appropriate level of scrutiny.	**Management update:** Due to the change in Council political administration following the May 2019 elections and a lack of information from government around the future funding of local government, we have not taken a budget assumptions report and MTFS update to the July 2019 Executive as we would normally do in the annual cycle. This was in order to allow appropriate time for the new Executive to understand and discuss the financial strategy and position of the Council and also due to a lack of government funding update. We will report the key assumptions as part of the outline budget in the autumn 2019 and have every intention of including the vacancy factor as a key assumption in the report. In the same report we will set out the criteria for Key Assumptions as being similar to what we class as a key decision within our constitution, which is a decision which involves the expenditure of £200,000 or more. **Auditor Conclusion:** Recommendation is in progress

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Appendix 1

Theme	Area of focus	Finding (February 2019)	Progress (July 2019)
1. Review and challenge the 4 year budget projections produced by the finance team to ensure that the estimates are based on evidence and/or realistic assumptions that can be supported	Anticipated impact of the fair funding review (FFR)	**Background:** Within the medium term financial plan, you make an assumption that the settlement funding assessment will reduce by 20% per annum over the 4 year period to 2022/23. This assumption is based on the expectation of a reduction to baseline need following the fair funding review and an anticipation that local government will need to continue to make further reductions to meet national austerity targets. To put into context, the cumulative impact this assumption has over the medium term financial plan is £3.7 million which equates to 35% of the £10.4 million cumulative budget gap. As to whether a reduction of 20% per annum is a realistic assumption, past experience does support this assumption. The indicative LGFS for the 4 years 2016-17 to 2019-20 shows that your settlement funding assessment reduced by 24% over the period. In the provisional local government finance settlement released in December 2018, which has since been confirmed as final, negative RSG has been removed. This is correctly reflected in the MTFP as there is a nil impact in this period. However, after 2019-2020 the future of local government funding is uncertain due to the fair funding review, and so budgeting and forecasting in this environment is challenging. Whilst it is advisable to take a prudent view in these circumstance, as you have done, it is important that this estimation uncertainty is clearly defined and considered as part of any decision making process on the back of its impact. **Key observation:** The cumulative budget gap of £10.4 million is predicated on a number of assumptions and judgements. One of the most significant assumptions relates to the fair funding review. The cumulative impact of the fair funding review and business rates reform assumption equates to 35% of the cumulative budget gap. **Recommendation:** You should ensure that the decision making process, where applicable, takes into account and understands the impact of assumptions with a high degree of estimation uncertainty	**Management update** We are still awaiting the results of the fair funding review and 75% BRRS implementation. Indications are now that the Spending Review for 2019 may be delayed by government and so the impact on local government remains uncertain. Changes to the assumptions around the baseline need were taken into account in the sensitivity analysis but we accept that the impact of say, a 10% change in that assumption was not specifically identified in the budget assumptions report. We intend to set out the impact of the assumption in the Autumn 2019 Outline Budget report **Auditor Conclusion** Recommendation is in progress.

Theme	Area of focus	Finding (February 2019)	Progress (July 2019)
1. Review and challenge the 4 year budget projections produced by the finance team to ensure that the estimates are based on evidence and/or realistic assumptions that can be supported	Review and challenge assumptions related to MRP projections	**Background:** The Minimum Revenue Provision (MRP) charge is the means by which capital expenditure which is financed by borrowing or credit arrangements is paid for by council tax payers. Local Authorities are required each year to set aside some of their revenues as provision for this debt. Between 2019/20 and 2022/23 the MRP charge almost quadruples from £1 million to £3.9 million. The sharp rise relates to your estimated increase in capital expenditure during the MTFP to £400 million. Within the MRP calculation we identified two key assumptions which have been subjected to challenge and review in this report as detailed below. <u>Asset lives assumption</u> A high level review has been conducted on all asset lives flowing through into the MRP calculation. No issues have been identified from this review, assumptions are considered to be reasonable and in line with our expectations. <u>Assumptions on the timing and amount of capital expenditure</u> Our review found that the MRP calculation assumes 100% delivery of capital spend in the capital programme, despite historical slippages of 65%. There is therefore a risk that the MRP forecast is over prudent as it is not based on realistic assumptions about capital delivery. Slippage impacts on the timing of when the MRP charge will increase not whether the charge will increase. **Key observation:** Review and challenge of the assumptions and judgements within the MRP forecast calculation has indicated a level of over-prudence in relation to the timing of the charge. **Recommendation:** There is scope to consider whether to re-profile the capital expenditure phasing and the associated impact on your forecasted MRP calculation.	**Management update** As part of the Month 2 financial monitoring for 2019-20 we have conducted a further re-profile of the capital programme which has resulted in updated assumptions on the timing of some schemes and also the removal of some schemes from the programme (the latter of which will generate a saving). This will be reported as part of the P2 monitoring to Corporate Governance and Standards Committee in July 2019. The capital programme will be kept under continuous review so that updates on scheme timing are regularly made. Although the MRP calculation assumes 100% spend, for the purposes of MRP, the timing of the spend and then the year MRP is first charged is different to what may be stated in the capital programme as typically MRP lags 12 months behind the spend profile. We will however, keep this under constant review. **Auditor Conclusion** Recommendation is in progress.

Theme	Area of focus	Finding (February 2019)	Progress (July 2019)
2. Review the 2018-19 in year financial performance, in particular looking at the underlying financial position by assessing if over / under spends in year are one-off or on-going	Review of the month 8 financial monitoring report	**Background:** You are forecasting an underspend on the general fund revenue account of £792k which equates to 2.13% of the original net budget. The main cause for the underspend is a reduction in the MRP charge to the general fund as a result of slippages in capital schemes. From our review of the financial monitoring reports, it was difficult to conclude what your underlying position was. In part this is due to the way you report your use of reserves within the general financial position. It is difficult to easily determine the extent to which you are using reserves to pump-prime one-off investment or whether you are meeting a budget deficit through use of reserves. Greater clarity on the use of reserves will make it more transparent for you to demonstrate your underlying financial position. **Recommendation:** To improve transparency in your budget monitoring reports for where reserves are being used to pump-prime investments and where they are being used to fund service overspends Efficiencies and savings are embedded within budgets and monitoring is undertaken at the budget level. It is therefore difficult to clarify whether savings are being delivered or not. It is helpful to monitor delivery of savings and efficiencies separately together with their impact on the budget. Where organisations are able to identify savings separately they have the opportunity to learn which type of savings are delivered successfully and which are not. There is a risk that underlying issues in managing savings plans are masked by unplanned easing of budget pressures elsewhere. **Recommendation:** To improve transparency in your budget monitoring reports by showing more clearly progress on delivery of savings and efficiencies *Continued overleaf…*	**Management update** We believe we addressed this in the 2018-19 GF outturn report by reporting the movements on reserves during the year and the purposes of those movements. **Auditor Conclusion** Recommendation is in progress – although the General Fund outturn report does include this, we would reiterate our original suggestion the Council consider including this as part of regular budget monitoring reports as well as annual outturn reports. **Management update** Delivery of savings is currently being undertaken by the Future Guildford Transformation Board which will use RAG related reports to monitor the savings implementation. **Auditor Conclusion** Recommendation is in progress.

Theme	Area of focus	Finding (February 2019)	Progress (July 2019)
2. Review the 2018-19 in year financial performance, in particular looking at the underlying financial position by assessing if over / under spends in year are one-off or on-going	Review of the month 8 financial monitoring report	In the appendix to the main monitoring report is another report which shows detailed information for each service split between direct expenditure, income and indirect costs. The document also provides detailed commentary to explain the reason for variations between projected outturn and budget. This document runs to 31 pages and provides a significant amount of information. It is however difficult to disseminate the key messages and risks to the financial position. Within the 31 page document, some significant variations are identified which require considered thought, scrutiny and potential actions. To this end, services with the larger variances are picked out and reported in the main monitoring document to ensure due prominence is given. The detailed report provides information on why a variation has occurred however it is less easy to identify the context of the financial risk or what mitigating actions may or may not be taking as a result. **Recommendation:** Significant variances between budget and outturn at the service level should have greater prominence in the financial monitoring report. A greater level of detail should be included against each significant variance, including what mitigating actions are being proposed. Together this can help build financial accountability and ownership.	**Management update** Significant variances between budget and outturn are reported in the main body of the financial monitoring report rather than just the detailed appendix. More commentary on mitigating actions will be included in monitoring reports from P2 2019-20 onwards. **Auditor Conclusion** Recommendation is in progress.
2. Review the 2018-19 in year financial performance, in particular looking at the underlying financial position by assessing if over / under spends in year are one-off or on-going	Benefits realisation	A significant proportion of your discretionary investment spend and planned savings within your medium term forecast and future Guildford blueprint relates to change and transformation programmes within the organisation. This in turn depends on planned benefits from transformation being realised in line with business case forecasts. Delivery of financial and non financial benefits is key to your transformation success and long term financial sustainability. Benefits realisation is an area that has proved difficult to do well across the public sector and many public sector organisations. Based on interviews with your team, you have a mixed track record of achieving the planned for benefits. *Continued overleaf…*	

Theme	Area of focus	Finding (February 2019)	Progress (July 2019)
2. Review the 2018-19 in year financial performance, in particular looking at the underlying financial position by assessing if over / under spends in year are one-off or on-going	Benefits realisation	You do have a process with model template business cases in place however your team has expressed a view that the quality of submitted business case varies including the following issues: • Poor articulation of non-financial benefits in business cases • A lack of governance arrangements to monitor and track the benefits from individual projects • No post implementation review of projects back to original business case to assess whether benefits have bene achieved as intended leading to a lack of arrangements for sharing best practice as well as 'lessons learnt' It is important that change and transformation programmes achieve the intended benefits and therefore this is an area where you should consider taking action. We discussed the arrangements for benefits realisation with a number of relevant officers and in all cases, a similar view was shared. Overall, the arrangements were not considered to be robust and this was partly due to skills and capacity but also a general culture and attitude within the authority. From these discussions we identified three recommendations: **Recommendation:** Review and strengthen your arrangements to identify, monitor and deliver financial and non-financial benefits from projects. **Recommendation:** Consider the capacity and skills required to manage future change programmes and obtain additional support where gaps are identified **Recommendation:** Continue to embed a culture of ownership of financial management across the organisation.	**Management update** The Council has recently procured CIPFA to deliver the 'Better Business Case' training to the majority of service leaders and project managers within the Council. The first cohort of training was undertaken in June 2019 with further cohorts planned for later in the year. This should improve the quality of business cases coming forward over time, including documentation of the financial and non-financial benefits from projects. **Auditor Conclusion** Recommendation implemented. **Management update** Future Guildford is looking at the Council's arrangements for project management and governance. As part of the restructure a dedicated programme management team is likely to be created which will be responsible for the co-ordination and governance of projects across the Council. **Auditor Conclusion** Recommendation is in progress. **Management update** The implementation of the new ERP system and self service for budget managers as part of the Future Guildford Project will further embed a culture of ownership of budgets and better financial management by budget holders, this will be supported by regular training from the finance team. **Auditor Conclusion** Recommendation is in progress.

Agenda item number: 4
Appendix 1

Grant Thornton

grantthornton.co.uk

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GUILDFORD
BOROUGH

Claire Morris
Director of Finance

www.guildford.gov.uk

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30 July 2019

Dear Sirs

Guildford Borough Council

Financial Statements for the year ended 31 March 2019

This representation letter is provided in connection with the audit of the financial statements of Guildford Borough Council (the Council) for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

vi. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and

Guildford Borough Council
Millmead House, Millmead, Guildford, Surrey GU2 4BB

adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.

vii. Except as disclosed in the financial statements:

a. there are no unrecorded liabilities, actual or contingent

b. none of the assets of the Council has been assigned, pledged or mortgaged

c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

ix. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.

x. All events subsequent to the date of the financial statements and for the Code require adjustment or disclosure have been adjusted or disclosed.

xi. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiv. We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

xv. We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the Council's financial statements such as records, documentation and other matters;

b. additional information that you have requested from us for the purpose of your audit; and

c. unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.

xvi. We have communicated to you all deficiencies in internal control of which management is aware.

xvii. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xviii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xix. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:

a. management;

b. employees who have significant roles in internal control; or

c. others where the fraud could have a material effect on the financial statements.

xx. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

xxi. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxii. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.

xxiii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

xxiv. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

xxv. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the Council financial statements.

Approval

The approval of this letter of representation was given by the Council’s Corporate Governance & Standards Committee at its meeting on 30 July 2019**.**

Yours faithfully

Name……………………………

Position………………………….

Date…………………………….

Name……………………………

Position…………………………

Date…………………………….

Signed on behalf of the Council

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Corporate Governance and Standards Committee Report

Ward(s) affected: n/a

Report of the Chief Financial Officer

Author: Vicky Worsfold, Financial Services Manager

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Tel: 07974 979369

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Date: 30 July 2019

2018-19 Audited Statement of Accounts

Executive Summary

The terms of reference of the Corporate Governance and Standards Committee include approval of the statutory Statement of Accounts on behalf of the Council. The audited Statement of Accounts are attached at Appendix 1. The Audit Findings report, presented elsewhere on this agenda, covers the changes made to the accounts between the draft accounts, issued on 31 May 2019 and the audited accounts.

Recommendation to Committee

(1) That the Committee approves the audited Statement of Accounts 2018-19, as set out in Appendix 1.

(2) That the Chairman of the Committee be authorised to sign the official copy of the accounts to state they are approved.

<u>Reasons for Recommendation:</u>

- To approve the Statement of Accounts for 2018-19.
- To comply with the Accounts and Audit Regulations 2015 the statutory Statement of Accounts requires approval by 31 July.

1. Purpose of Report

1.1 This report presents the audited statutory Statement of Accounts 2018-19 for approval by the Committee.

2. Strategic Framework

2.1 Good financial management underpins the achievement of the Council's Corporate Plan.

3. Background

3.1 The terms of reference of the Corporate Governance and Standards Committee include approval of the statutory Statement of Accounts on behalf of the Council.

3.2 The external auditor, Grant Thornton UK LLP, has completed the audit and the Chief Financial Officer (CFO) has re-certified the Statement of Accounts.

3.3 The Audit Findings report, presented elsewhere on this agenda, covers the changes made to the accounts between the draft accounts, published on 31 May 2019, and the audited accounts. The audited accounts attached at Appendix 1 include any changes.

3.4 The external auditor intends to issue an unqualified opinion on the financial statements.

4. Financial Implications

4.1 There are no financial implications arising from this report.

5. Legal Implications

5.1 The Accounts and Audit Regulations 2015 require that the Council or a committee must consider and approve the statement of accounts no later than 31 July. The Council has delegated this responsibility to the Corporate Governance and Standards Committee.

5.2 The Accounts and Audit Regulations also require the person presiding at the meeting to sign and date the statements that we must then publish, accompanied by the auditor's report, no later than 31 July.

6. Human Resource Implications

6.1 There are no human resource implications arising from this report.

7. Conclusion

7.1 The audit of the 2018-19 accounts is complete and the independent auditor intends to issue an unqualified opinion on the financial statements, which the CFO has re-certified in accordance with the Accounts and Audit Regulations 2015.

8. Background Papers

None

9. Appendices

Appendix 1: Statement of Accounts 2018-19

Guildford Borough Council unaudited Statement of Accounts 2018-19

www.guildford.gov.uk

Statement Of Responsibilities

The Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Financial Officer.

- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

- Approve the Statement of Accounts.

The Chief Financial Officer's Responsibilities

The Chief Financial Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Chief Financial Officer 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.

The Chief Financial Officer has also:

- kept proper accounting records which were up to date

- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Statement of Accounts presents a true and fair view of the financial position of Guildford Borough Council at 31 March 2019 and of its income and expenditure for the year ended 31 March 2019.

Claire Williams Morris, BEng (Hons), FCPFA, Cert IPSFR
Chief Financial Officer
31 May 2019

Independent Auditor’s Report To The Members of Guildford Borough Council

Report on the Audit of the Financial Statements

TBC

Chief Financial Officer's Narrative Report

Financial Performance during the year – General Fund Revenue
I have pleasure in presenting the Council's Statement of Accounts for the financial year 2018-19.

The overall financial climate continues to be difficult and is likely to remain so for a number of years. Local Government will continue to play its part in helping to address the national funding deficit, and each Council will be required to contribute accordingly by continuing to deliver services with fewer resources. Guildford Borough Council ("the Council") has continued to maintain its focus on robust planning and monitoring of the budget and identification of efficiency savings for the future.

The reduction in the Council's settlement funding assessment for 2018-19 from Central Government was 7.6% (£231,000). This followed reductions of:

- 2011-12 15.2%
- 2012-13 12.6%
- 2013-14 6.6%
- 2014-15 13.0%
- 2015-16 15.0%
- 2016-17 20.3% and
- 2017-18 21.3%

The budget for 2018-19 included investment in services of £1.3 million to support the delivery of the Corporate Plan, of which £973,640 non-recurring expenditure on projects was funded from reserves in order to pump prime investment in the borough.

Given the cuts in central government funding, we identified £512,000 savings through our business planning process in order to finance the service improvements and £287,000 additional income.

The net budget requirement for the year 2018-19 was set in February 2018 at £35,593,306 a decrease of £8.6 million from the Council's 2017-18 net budget requirement of £44,201,199. The net budget requirement is the amount the Council expects to spend after allowing for income from sources such as direct grants, fees, charges and rents but excludes income from revenue support grant, business rates and adjustments relating to the collection fund balance.

The net budget figure above excludes the precept requirements of the Parish Councils, which was £1,631,985 (2017-18 precept requirements were £1,576,106 an increase of 3.5%).

The Borough Council's band D council tax was set at £166.82, an increase of £5 (3.1%) from 2017-18. The report to Council on 7 February 2018, (http://www2.guildford.gov.uk/councilmeetings/ieListDocuments.aspx?CId=159&MId=598&Ver=4) available on the Council's website provides further details about the Council's budget for 2018-19.

We monitored performance against the budget closely through the year with particular attention paid to our key services (Development Control, Planning Policy, Industrial Estates, Investment Property, Leisure Management, Off Street Parking, Parks and Countryside and Refuse and Recycling), control of salaries and achievement of the efficiency savings included in the budget. Because of this strong financial management net expenditure at service unit level was £186,000 higher than originally budgeted, after allowing for accounting adjustments and other items that do not impact on the level of council tax. This is around 0.36% of the total relevant gross expenditure budgets.

The Final Accounts report which will be presented to the Executive on 18 June 2019 (hyperlink) available on the Council's website, gives a detailed analysis of the variances in service expenditure.

The Council receives investment income from our cash backed reserves. As at 31 March 2019, we had around £97.3 million invested (principal only, excluding accrued interest which is included in the figures in the accounts). Overall, net interest returns in the year were approximately £500,000 more than anticipated at £1.5 million. The Capital and Investment Outturn Report will be reported to Executive on 18 June 2019 (hyperlink), available on the Council's website provides further information about the Council's investment and borrowing activity during the year and our performance against our prudential indicators.

In setting the 2018-19 budget, a minimum revenue provision of £1.2 million was assumed. The actual minimum revenue provision of £795,000 which is approximately £405,000 less than budgeted.

Overall the net expenditure on the General Fund was lower than the original estimate to the value of £1.85 million. This has been utilised by making a £1.85 million transfer to the Invest to Save reserve to support the delivery of the Future Guildford Transformation Programme.

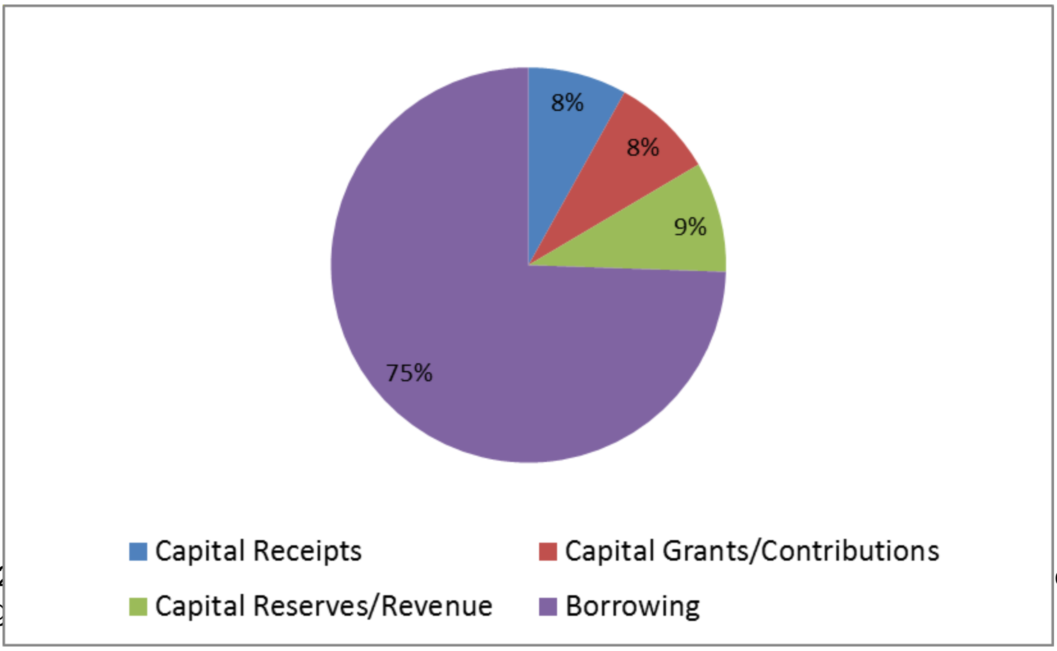
Financial Performance during the year – Capital Expenditure
Capital expenditure in the year totalled £47 million. The major areas of capital spend are shown in the table below:

	Updated estimate (£'000)	Actual (£'000)	Variance (£'000)
Non-housing approved programme	43,427	35,204	(8,223)
Non-housing provisional programme	40	14	(26)
Schemes financed from reserves	4,538	2,371	(2,167)
Projects financed from s106 receipts	356	51	(305)
Total	**48,361**	**37,640**	**10,721**
Housing approved Capital programme	15,200	9,249	(5,951)
Housing provisional Capital Programme	7,800	0	(7,800)
TOTAL General Fund and Housing Capital Expenditure	**71,361**	**46,889**	**(24,472)**

The main areas of capital expenditure (ie, above £500,000) during the year were:

- £519,000 on the purchase of land and property for affordable housing
- £642,000 on new build affordable housing at the Old Fire Station, Ladymead
- £679,000 on preliminary works for Ash road railway bridge
- £879,000 on Tunsgate Public Realm Scheme
- £1.0 million on preliminary works for the Guildford Park redevelopment
- £1.1 million on the Slyfield Internal Estate Road
- £1.6 million on our ICT refresh programme
- £1.9 million on preliminary works for the Slyfield Area Regeneration Project
- £2.9 million on new build affordable housing at the former Appletree pub site
- £3.2 million investment in North Downs Housing Limited,
- £3.9 million on the rebuild of Guildford Crematorium
- £4.3 million on renovations to our Social Housing properties
- £18.3 million on strategic land and property acquisitions to progress our major projects

The capital expenditure was financed by utilising the following resources:



We only financed £22 … e to our Capital Financing …

Internal sources of funds available at 31 March 2019 to meet future capital expenditure are:

- General Fund capital schemes reserve £1.6 million
- HRA usable capital receipts £2.7 million
- HRA future capital programme reserve £nil
- HRA new build reserve £2 million
- HRA Major Repairs Reserve £4.4 million

Financial Performance during the year - Treasury Management
Our Capital and Investment Outturn report will presented to Executive on 18 June 2019, (insert hyperlink) and is available on our website. The principle value of Investments at 31 March 2019 totalled £97 million made up as follows:

Investment details	Book cost of Investments at 31-03-19 £m
Internally Managed Investments	
Fixed Investments < 1 year to cover cash flow	6
Notice Accounts	8
Revolving Credit Facility	7.5
Call Accounts	0
Money Market Funds	13.2
Long term investments > 1 year	48.6
Externally Managed Funds	
Funding circle	0.5
CCLA	6.9
M&G	1.4
Schroders	0.8
UBS	2.3
TOTAL	**95.2**

The book cost of investments is the amount of cash receivable if the investments were to be sold on 31 March 2019. The book cost is different to the amounts shown in note 30 of the financial statements where the investments are shown in accordance with IFRS 9 Financial Instruments. Gross interest received in the year from investments was £1.9 million against a budget of £1.6 million.

During the year we decreased the value of temporary borrowing by £23.5 million taken out for cash-flow purposes. The principal balance outstanding on our external loans at 31 March 2019 was £212.9 million.

The investment markets remained extremely challenging although the Bank of England increased base rate to 0.75% and the Council continued its focus on preserving capital whilst optimising interest earnings.

Explanation of Key Information contained in the Financial Statements

Local Authorities are required to prepare their accounts in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code). International Financial Reporting Standards (IFRS) form the basis for the Code, which has been developed by the Local Authority Accounting Code Board comprising members from the Chartered Institute of Public Finance and Accountancy (CIPFA) and Local Authority of Scotland Accounts Advisory Committee (LASAAC), under the oversight of the Financial Reporting Advisory Board (FRAB). The Code constitutes a proper accounting practice under the terms of section 21(2) of the Local Government Act 2003.

The complete set of financial statements is set out on the following pages. The Code prescribes the order of presentation of the financial statements and the Statement of Accounting Policies supports the accounts by explaining the policies used in their preparation. In summary, the financial statements comprise the:

- Expenditure and Funding Analysis (EFA) (note 1): showing how the Council's annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) in comparison with those resources the Council consumes or earns in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's Directorates.
- Comprehensive Income and Expenditure Statement (CIES): showing the accounting cost in the year of providing services in accordance with generally accepted accounting practices. This Statement provides the detail behind the surplus or deficit on provision of services figure included in the Movement in Reserves Statement. The Statement shows the total expenditure and income in the year for all services.
- Movement in Reserves Statement (MIRS): showing the movement in the year on the different reserves held by the Council, analysed into usable reserves (i.e. those that we can use to finance expenditure or reduce local taxation) and other reserves. This Statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return the amounts chargeable to council tax or rents for the year.
- Balance Sheet: showing the value of the Council's assets and liabilities at 31 March 2019. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council
- Cash Flow Statement: showing the changes in the amount of cash and cash equivalents during the financial year. The Statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities
- Notes to the above Statements: giving a summary of significant accounting policies and other explanatory information. We have split these notes into normal and accounting technical notes to aid the readability of the financial statements for users.
- Housing Revenue Account (HRA) Income and Expenditure Statement: covering income and expenditure relating to the provision of council housing in accordance with Part 6 of the Local Government and Housing Act 1989. The HRA is ring-fenced from the rest of the General Fund. Its primary purpose is to ensure that the expenditure on managing tenancies and maintaining dwellings is balanced by rents charged to tenants so that rents cannot be subsidised from council tax, or vice versa
- Notes to the HRA: giving explanatory information to the HRA Income and Expenditure statement

- Collection Fund Revenue Account: showing the transactions of the Council as a billing authority in relation to non-domestic rates and council tax. The Fund shows the way in which these have been distributed to local authorities and the Government on whose behalf Guildford Borough Council collects the amounts due
- Notes to the Collection Fund: giving explanatory information to the Collection Fund Revenue Account

Expenditure and Funding Analysis (EFA)
The net expenditure chargeable to the General Fund and HRA balances was a surplus of £11.025 million. £230,000 adjustments between funding and accounting bases resulted in a surplus reported in the CIES of £10.795 million.

Income and Expenditure Statement (CIES)
The surplus on provision of services was £11.025 million. This was the net total of a surplus on the HRA of £9.978 million, and a surplus on the General Fund of £1.044 million.

Total comprehensive income was £6 million, compared to £33 million in 2017-18. The reduction was primarily due to smaller gains from the increase in value of the Council's property portfolio, partly offset by a gain from the re-measurement of the pension liability.

Movement in Reserves Statement (MIRS)
The MIRS shows that a surplus of £9.9 million is added to the HRA and a surplus of £1 million added to the General Fund. £1.4 million is added to the General Fund and £1.7 taken from the HRA as a result of adjustments made under statutory regulations.

£44 million of the GF balance of £48 million as at 31 March 2019 is held in reserves earmarked for specific purposes. The remaining £3.7 million is held as unallocated funds. In the case of the HRA, £84 million of the balance of £86.5 million is held in earmarked reserves, leaving an unallocated balance of £2.5 million.

Balance Sheet
The Balance Sheet shows that our long term assets have increased in value during the year by 5.93% from £928 million to £983 million. This is due to a £12.8 million increase in value of the Council's property portfolio on revaluation during the year, £35.3 million additions to the Council's property portfolio, £9.1 million additions to assets under construction, and an increase in long-term investments of £10 million.

Current assets have decreased by 35% from £121 million to £79 million, mainly due to a decrease in short-term investments (including those classified as cash equivalents) from £103 million to £56 million, an increase in short term debtors from £15.77 million to £20.3 million and £2 million of property assets transferred to assets held for sale. After our liabilities are taken into account, our net assets have increased by 0.9% from £687 million to £694 million.

This is matched by a decrease in our unusable reserves of £2 million, and an increase in our usable earmarked reserves of £8.6 million.

Pension liability
As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. The Council participates in the Local Government Pension Scheme administered by Surrey County Council – this is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

Hymans Robertson LLP, completed a triennial review of the fund at 31 March 2016 which set the employer contribution rates for 2017-18 to 2019-20. The results of the actuarial valuation as at 31 March 2016, were reported to the Corporate Governance and Standards Committee in March 2017 and the report is available as part of the committee papers on the Council's website (http://www2.guildford.gov.uk/councilmeetings/ieListDocuments.aspx?CId=145&MId=511&Ver=4).

Employer contributions into the fund are 15.1% of payroll costs.

The Council accounts for pension costs, in its financial statements, based on International Accounting Standard (IAS) 19; Employee Benefits. This standard requires that the cost of retirement benefits are reported when they are earned by employees rather than when the benefits are paid as pension.

Legislation prevents this cost affecting council tax and housing rent levels, which are based on the cash payable in the year. The accounts include an adjustment for the difference in the form of a transfer to or from a statutory pensions reserve.

The accounts, based on IAS 19, show a total pension fund liability of £112.5 million (£90.2 million in 2017-18) which has a substantial impact on the net worth of the authority as recorded in the balance sheet. The position, as valued by IAS 19 differs to that reported as part of the triennial valuation principally because the accounting standard requires that the discount rate is set with reference to the yields on high quality corporate bonds irrespective of the actual investment strategy of the Fund. As such the IAS 19 valuation of the Fund is unlikely to reflect the eventual cost of providing the benefits and does not affect the level of contributions to the fund from either the employees or the Council. Statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy; the deficit will be made good by contributions over the remaining working life of employees as assessed by the scheme actuary. It is important to remember that pensions are long-term assets and liabilities and the IAS 19 figures disclose the position at a point in time based on the actuaries' financial assumptions.

Reserves, Balances and Provisions
We are not required to include a full list of reserves and balances in the Statement of Accounts, however we included one the Final Accounts report to the Executive on 18 June 2019 (hyperlink). Transfers to and from the reserves have been made during the year as appropriate and can be seen at Note 12 to the accounts.

We decreased the provision in respect of the Council's share of the estimated reduction in business rates collectable due to rating appeals by £4 million, and £2.5 million of appeals were charged to the provision in year (see below).

We maintain a bad debt provision at a suitable level including sufficient provision to meet all likely non-collectable local taxation.

Calculation of Key Ratio's
The financial statements show the following measures of the Council's financial position:

Indicator	Definition	2017-18	2018-19
Liquidity Ratio	Current Assets / Current Liabilities	1.54	1.35
Gearing %	Total borrowing / Long Term Assets	26%	22%
Net Debt Expenses as a % Gross Income	Net interest payable + Statutory provision for the repayment of debt / (Gross Service Income + Taxation and Non-specific Grant Income + Investment Property Income)	3%	3%
Borrowing as a % Gross Income	Long Term Borrowing / (Gross Service Income + Taxation and Non-specific Grant Income + Investment Property Income)	177%	157%
General Fund Reserves as % Net Expenditure chargeable to the General Fund	level of GF & GF earmarked reserves / net expenditure chargeable to the general fund	243%	256%
HRA Reserves as % Net Expenditure chargeable to the HRA	level of HRA & HRA earmarked reserves / net income chargeable to the HRA	375%	418%
Council Tax Income as % Gross Income	Council Tax income / (Gross Service Income + Taxation and Non-specific Grant Income + Investment Property Income)	9%	9%
Net Retained Business Rates as % Gross Income	Net Business Rate Income / (Gross Service Income + Taxation and Non-specific Grant Income + Investment Property Income)	1%	6%
Net Investment Property Income as % Gross Income	Net Investment Property Income / (Gross Service Income + Taxation and Non-specific Grant Income + Investment Property Income)	7%	6%

The above table shows that the Council has a reasonable level of liquidity and sufficient reserves to meet future expenditure requirements. Its overall gearing level is good, its income is diversified meaning that the Council is not overly reliant on one form of income and the level of debt expense is affordable. On this basis, I feel that the Council is in a strong financial position and a going concern.

Collection Fund

We maintained a high level of collection performance for both Council Tax and Business Rates in the year. The council tax collectable debit for 2018-19 was approximately £104 million and 98.9% had been collected by 31 March 2019. At the same time, 99.4% of the collectable debit for non-domestic rates (£90 million) had been collected.

We had anticipated a reduction in collection rates following the introduction of the Local Council Tax Support Scheme (LCTSS) however, this has not happened and collection rates have remained high.

Business Rates Retention Scheme

The Business Rates Retention Scheme (BRRS) allows the Council to benefit financially from any above inflation growth achieved in the level of business rates in our area, but the Government also transferred the risk of a fall in business rates to us and the rate in the pound levied is still controlled by the Government.

The BRRS starts with the Government's assumption of the level of Business Rates nationally and sets an amount known as the NDR Baseline. For Guildford the NDR Baseline was set at £24.9million. The Government assessed our baseline funding level at £2.8 million, the difference (£22.3 million) was paid to the Government as a tariff. If Guildford's actual business rate income is higher than the NDR Baseline then normally the Council would be required to pay a levy of 50% of the additional income to central Government. However, for 2018-19 we were part of the Surrey business rates pilot, along with all the other Surrey District and Borough Council's and Surrey County Council. Being a business rates pilot area, meant that across the area we keep all of the additional income generated above the baseline funding level. The additional income will be distributed to each authority in line with the pilot agreement. The system is far more volatile than the old one (where the amount of grant was fixed and known in advance of the budget being set) and carries more risk for the Council.

When setting the budget we expected our business rate income to be higher than the baseline funding level and budgeted to receive a gain from being in the business rates pilot of £352,000. We also budgeted to contribute £2.5 million of business rates income to the business rates equalisation reserve. This is in line with our medium term financial strategy, to help mitigate the volatility in funding caused by the business rates scheme and the Council's redevelopment plans for the town centre.

When we set our 2018-19 budget, we projected the business rate income we would receive (£87.1 million of which the Council's 30% share is £26.1 million) and provided this estimate to the government in our NNDR 1 return. At the end of the year, we update the data based on actual income (£95.4 million of which the Council's share is £28.6 million) and inform the government in our NNDR 3 return.

The amount we recognise in the Income and Expenditure Statement for business rate income for 2018-19 is the amount we projected on the NNDR1 return, i.e., our budgeted amount; however, the amount we actually received (and reported on our NNDR3 return) is recognised in the Collection Fund. The government, has legislated that local authorities reverse the impact on the general fund of any difference in business rate income through the surplus/deficit on the Collection Fund and an adjustment to the Collection Fund Adjustment Account on the Movement in Reserves Statement. The difference between what we estimated and received therefore forms part of the surplus or deficit on the Collection Fund and will be taken into account in setting the budget for 2019-20.

The reason for the increase in business rates income between the estimated amount and the actual for 2018-19 is due to a significant decrease in the provision for appeals of £6.5 million. The provision is an allowance for reductions in business rates payable because of appeals made by the rate payer to the Valuation Office (VO) in 2018-19. Due to changes under the check challenge and appeal system, the number of appeals against the revaluation in 2017 have not been as we initially expected and so we have reduced our provision accordingly.

The Council has calculated a total provision of £8.4 million for appeals is required as at 31 March 2019, of which the Council's share is £2.5 million (30%). The reduction in the appeals provision in our Collection Fund has resulted in reduction in the deficit on the Collection Fund in relation to Business Rates from £12.1 million in 2017-18 to £3.7 million in 2018-19, of which the Council's share is £2.3 million.

The table below shows the difference between the actual and estimated income from business rates and the resulting impact on the levy payment:

Business Rates Retention Final Summary	2018-19 Budget £000	2018-19 Actual £000	2018-19 Variance £000
BRRS – tariff	22,269	22,269	0
BRRS – tariff adjustment from MHCLG	(476)	(476)	0
BRRS – surrey pilot gain	(352)	(973)	(621)
BRRS - equalisation reserve transfer	2,097	2,490	393
	23,539	**23,310**	**(229)**
BRates Collection fund deficit	53	53	0
BRRS - s31 grant	(1,413)	(1,184)	229
BRRS - retained income	(26,159)	(26,159)	0
BRRS - net position	**(3,980)**	**(3,980)**	**0**

We have accrued for the pilot gain payment in our CIES for 2018-19. The Council's current policy is to transfer any gain or loss on business rates to the business rates equalisation reserve to help smooth the volatility in income from business rates under the BRRS and to help us manage the fluctuations in our business rate income that will occur as we carry out our development plans for the town centre.

Housing Revenue Account (HRA)
The Statement of Accounts contains details of the HRA income and expenditure, which is ring-fenced from the General Fund. We reported the HRA outturn to the Executive on 18 June 2019 and the report is available on the Council's web site, www.guildford.gov.uk at (hyperlink).

The table below shows the main variances between the budgeted and actual operating surplus for 2018-19 under the key headings.

Housing Revenue Account	2018-19 Budget	2018-19 Actual	Variance
	£000	£000	£000
Rental Income	(30,449)	(30,369)	80
Other Income	(1,467)	(1,622)	(155)
Total income	**(31,916)**	**(31,991)**	**(75)**
Expenditure on Housing Services	10,213	10,958	745
Depreciation	6,500	5,639	(861)
Revaluation	0	(76)	(76)
Other expenditure	1,123	417	(706)
Interest payable and receivable	4,334	4,703	369
Surplus for the year	**(9,746)**	**(10,350)**	**(604)**
HRA balance brought forward	(2,500)	(2,500)	0
Surplus for the year	(9,746)	(10,350)	(604)
Transfers to other reserves	9,746	10,350	**604**
HRA balance carried forward	(2,500)	(2,500)	0

At year end we transferred £2.5 million to the reserve for future capital programmes and £7.85 million to the new build reserve. The surplus on revaluation was transferred to the capital adjustment account in line with the CIPFA code of practice. The HRA working balance at year-end remains at £2.5 million.

The income budget was prepared using the Government's stated policy of reducing social housing rents by 1% per annum for 4 years from 1 April 2016. This resulted in an average actual rent of £110.83 per week.

Rental income from dwellings was £78,440 (0.27%) below the estimate. The service has seen void levels increase during 2018-19 resulting in a reduction of total collectable rent.

Employee related expenditure was £159,110 lower than estimated. Expenditure on repairs & maintenance exceeded the budget by £427,210 (8.1%). The budget provides for both planned and responsive repairs, so an element of demand driven cost is inherent in the expenditure. The service has seen void levels increase in 2018-19. Void units typically incur additional repair and improvement expenditure in order to prepare them for re-letting.

Although a number of welfare reform changes have now taken effect, the delay in the role out of universal credit has deferred any potential impact on arrears levels. As a result, a contribution of £64,000 has been made to the impairment allowance in 2018-19. The estimated contribution for 2018-19 was £300,000.

Investment income is £348,280 lower than the estimate as a consequence of the application of a risk-free interest rate on HRA reserve balances reflecting the allocation of risk between the general fund and the HRA.

The Council has clearly stated its ambition to increase the number of affordable homes in the borough and work is underway to bring forward a number of development opportunities. A combination of useable one-for-one receipts and capital receipts have been used to finance capital expenditure on the new build programme, including Guildford park car park, appletree pub site, and various former garage sites.

Other Performance during the year

Performance management is a key part of delivering successful services and performance indicators help the Council define and measure progress towards our strategic priorities. Individual service and project managers collect and monitor key performance information. In addition, 17 key corporate performance indicators are collected by the authority each year and benchmarked across the Surrey District Council's. The benchmarking reports are presented to the Surrey Chief Executives group each year. Guildford's performance against the 17 key performance indicators is as follows:

Indicator	2017-18	2018-19
1. Council Tax Collected	99.11%	98.88%
2. NNDR Collected	99.38%	99.40%
3. Invoices paid on time	93.67%	92.55%
4. Benefit Overpayments recovered	£1.153 million	£1.440 million
5. Processing of 'major' planning applications within 13 weeks	96.66%	97.50%
6. Processing of 'minor' planning applications within 8 weeks	91.83%	94.52%
7. Processing of 'other' applications within 8 weeks	89.06%	88.37%
8. Appeals dismissed against the Council's refusal of planning permission	62.14%	54.46%
9. Number of Households living in temporary accommodation	57	43
10. Housing Advice – homelessness prevented (cases resolved)	464	635
11. Days taken to process Housing Benefit / Council Tax support claims	29.87 for new claims 9.65 for changes	31.94 for new claims 7.74 for changes
12. Number of affordable homes completed	111	68
13. Food businesses with 'scores on the door' of 3 or over	96.31%	97.30%

14. % Household waste recycled and composted	60.3%	59.60%
15. Staff sickness absence Office Manual	 7.7 days 11 days	 6.2 days 14.1 days
16. Staff turnover	10.8%	10.70%
17. Calls answered by customer services within 20 seconds	89.3%	87.30%

The Council approved a Corporate Plan for the period 2018-2023 and has published it on our website, http://www.guildford.gov.uk/corporateplan. The Corporate Plan informs the more detailed service and project plans. The priorities set out in the plan are the basis and drivers for our performance indicators.

The three themes provide a focus for Council activities and there is a clear link between service delivery and the Council's corporate objectives. We monitor progress against the objectives in the service plans through regular performance monitoring meetings and reports.

The progress made against the 2018-2023 Corporate Plan is reported quarterly to the Council's officer Corporate Management Team.

Over recent years, the Council has undertaken a programme of service challenges and senior management restructures. This has reduced our staffing levels as shown in the table below.

Full time equivalent (FTE) number of staff

	2012	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Office based staff	502.7	480.4	530.7	490.2	487.8	471.4	471.4
Manual staff	232.2	240.0	182.6	214.8	220.2	228.2	223.1
Total	**735.0**	**720.4**	**713.4**	**705.0**	**708.0**	**699.6**	**694.8**

Issues affecting the Council's Future

My Chief Finance Officer's report on the 2019-20 Budget, presented to Council on 26 February 2019, is on our website (www.guildford.gov.uk), (http://www2.guildford.gov.uk/councilmeetings/documents/s13072/Item%2012%201%20-%20General%20Fund%20Budget%202019-20%20-%20App%201%20-%20chief%20finance%20officer%20statutory%20report.pdf).

This report contains an overview of local government funding, the economic outlook and their impact on the Council.

The economic situation continues to pose a significant risk. The level of Central Government support to the Council has been significantly reducing as the Government addresses the national deficit.

During the last two years, the government have consulted on local government funding reform with a view to introducing a new system with effect from 1st April 2020. The consultations have had two elements:

a. a Fair Funding Review and
b. Business Rates Reform (implementation of 75% business rates retention)

Initial review of the latest fair funding consultation identifies that the Council's level of funding in future will be driven by a formula based on population with an area cost adjustment to reflect the cost of providing services in different parts of the Country. A population based cost driver is felt to be the most common and accurate driver of cost incurred by Shire District Council's across all services. In terms of resources, the government has indicated that it will assess the ability of each Council to raise income using an indicative Council Tax calculation which will assess the council tax base at a point in time (adjusted for non-discretionary discounts and exemptions) multiplied by a notional council tax rate. The consultation set out that the government is minded not to take sales, fees and charges into account when calculating relative resources but has indicated that it might take surplus car parking income into account. The Council's Settlement Funding Assessment (SFA) from 2020 onwards will be the difference between its relative need to spend and its relative resources. The SFA will then represent the amount of business rates the Council can keep under the 75% BRR System.

Review of the latest business rates consultation confirms that there will be a full reset of the business rates system in 2020 and thus all growth within the business rates system that has been retained by the authority since 2013 will be lost. The government has also proposed an alternative BRRS to the one that had been previously proposed which we will need to evaluate the advantages and disadvantages of.

Many of the priorities within the corporate plan involve significant investment in services, infrastructure and housing to deliver the outcomes.

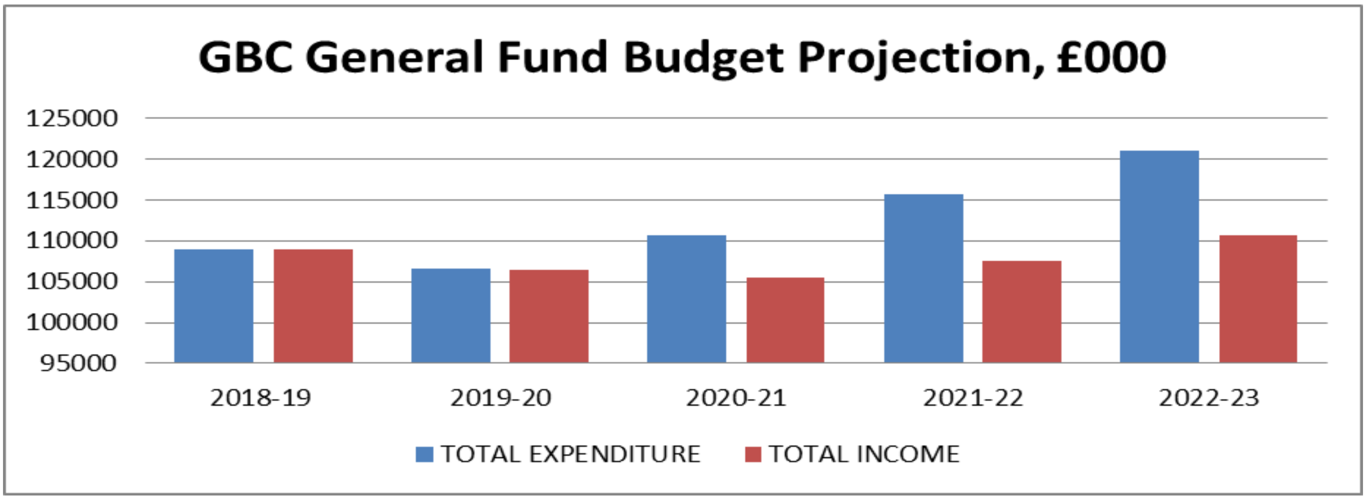
A new capital strategy has been developed with the aims of realising the Council's Corporate Plan, raising the quality of life for residents and improving the long-term financial planning process. The capital strategy demonstrates that the Council takes capital expenditure and investment decisions in line with the corporate plan and takes account of stewardship, value for money, prudence, sustainability and affordability in the decision making process. The first five years of the capital strategy are the capital programme. The capital programme (both general fund and HRA) is significant and includes potential investment in key projects to support our corporate plan such as:

- Investment in new affordable housing at sites such as Guildford Park, Bright Hill, Slyfield and various other sites
- Increased investment in acquiring land and property for affordable housing development
- HRA property regeneration and intensification
- Investment in residential accommodation for rent (through the Council's subsidiary company, North Downs Housing Ltd)
- Regeneration of North Street
- Potential regeneration of Council owned sites in the town centre e.g., Bedford road / cinema area
- Slyfield regeneration and internal estate road
- Provision of a new railway station at Guildford West (Park Barn)
- Investment in additional car park capacity in the town centre
- Investment in transport infrastructure & sustainable transport routes (town centre, west guildford & cycling)
- Westfield Road / Moorfield Road (Slyfield) resurfacing
- Redevelopment of Midleton Industrial Estate
- Infrastructure improvements to the A331/A31 and A331/A323 junctions (blackwater valley bypass)
- New Walnut Bridge
- Rebuilding the crematorium
- Introduction of a bicycle sharing scheme in the town centre
- Producing a masterplan for stoke park
- Investment in the museum
- Investment in the ICT of the Council
- Investment in protecting the Council's parks and commons from unauthorised encampments

The capital and investment strategy splits the capital programme between 'income generating and redevelopment/ economic growth schemes' which will be required to meet a target level of return to proceed and 'essential schemes' that are necessary to maintain the Council's assets and deliver services. To ensure the affordability of the capital programme, we have suggested a limit on the total number of essential schemes that can be undertaken in any one year to ensure that the revenue implications of the schemes can be afforded by the Council's general fund revenue account. The income generating and redevelopment / economic development schemes are anticipated to provide a net overall increase in income or reduction in cost to the Council's general fund revenue budget and therefore positively contribute towards the Council's future financial sustainability.

To finance the capital strategy, a variety of funding sources, such as capital receipts, capital reserves, revenue contributions, S106 contributions and borrowing will be required. Unless the Council is able to generate capital receipts it will need to borrow from its own internal resources, or the market. Any borrowing will have a direct impact on the revenue budget, as there is a requirement to charge a minimum revenue provision (MRP) for the use of borrowing as well as interest payments. The impact of MRP is included within the general fund revenue budget. Whilst the 5-year capital programme is ambitious, the capital strategy assumes that there will be some capital receipts or revenue income arising, particularly from the redevelopment schemes that will offset some of the expenditure in the long-term.

Our projections show that there is a significant gap between projected income and expenditure over the period 2020-21 to 2022-23 as demonstrated below.



To address the shortfall, the Managing Director, in consultation with the Leader of the Council, launched the Future Guildford Transformation Programme. The review is a detailed cross-organisational review of business processes, systems and operating structures. The Future Guildford Blueprint has been produced which identifies a detailed action plan, investment in ICT, business process re-engineering, additional income generating activity and implementation costs necessary to balance the Council's budget in the medium term. Council considered a report on Future Guildford at its meeting on 26 February 2019. There is a risk that if the savings and income proposals are not achieved then the budget gap will be higher. Councillors and Senior Officers are acutely aware of the need to retain a firm grasp on controlling expenditure, efficiency programmes and budget monitoring.

Financial Risks

The Council faces many financial risks, which are identified in the financial risk register published as part of the 2019-20 Budget, presented to Council on 26 February 2019. The Financial Risk Register quantifies the risks and demonstrates that the general reserves and those held for risk management purposes are adequate to cover the risks. The major risks are explained in more detail below.

1. **National economic situation**. The financial consequences of leaving the EU and the terms on which the UK leaves pose a significant risk to the UK Economy, which is still in a period of austerity following the 2008 recession. In particular the need for, and length of, any further government spending reductions pose a significant risk to the medium term financial plan of the Council. The impact of continued economic uncertainty could affect the Council's income streams as follows:
   a. Loss of rental income on investment properties
   b. Loss of interest from investments arising from bank base rates remaining at a low level for longer than expected
   c. Increase in housing benefit claimants and bad debts

d. Potential increase in homelessness
e. Loss of income from Fees and Charges, particularly parking

2. **Delivery of savings and income**. The Council has embarked on transformation programme to deliver savings and income generation required to balance the budget over the medium term. If the programme is not be delivered on target it will affect the Council's ability to contain expenditure within budget in year, thus potentially reducing reserves and will increase the budget gap in future years of the medium term financial plan.

3. **Regeneration**. The Council is likely to promote regeneration of parts of the town centre where we are a landowner, in order to promote better use of our assets, economic growth and better transportation links. All will necessitate the identification and acceptance of an appropriate level of risk and return. There are three major capital regeneration schemes during the medium term budget period; North Street, Slyfield and parts of the town centre along the river corridor (Bedford Wharf). These schemes are schemes that only happen once in a generation and we would not normally expect the Council's on-going capital programme to include schemes of this size under normal operating cycles. Taking these schemes forward will have significant financial risks for the Council but are expected to deliver significant benefits in terms of housing, economic growth and potential income for the Council. Officers are currently looking at alternative legal structures and delivery mechanisms to help us manage those risks. In particular, Slyfield Area Regeneration Scheme will carry significant financial risk to the Council. The scheme is likely to require the Council to undertake significant upfront investment and the time lag between the investment and the eventual sale of properties will be a number of years. The Council will seek to understand the level of risk and mitigate wherever possible.

4. **Capital Programme**. As a consequence of the corporate plan, the Council has an ambitious capital programme, in order to invest in the Borough, and Council services, to deliver the targets within the corporate plan. The decision on how each individual scheme is funded will be taken as part of a detailed business case for each scheme which will be produced in line with HMTreasury Green Book Guidance on the development of public sector business cases. The capital programme for 2019-20 to 2023-24 shows the Council has an underlying need to borrow of £333 million. The revenue impact of borrowing includes:
    - borrowing costs
    - interest
    - on-going operating costs and
    - where known, income associated with each scheme.

5. **Business rates retention scheme**. There continues to be volatility in our business rate income due to voids, appeals, revaluations and bad debts. This uncertainty makes it difficult to accurately budget for business rate income and close monitoring through the year is crucial to identify any shortfalls at an early stage. If a large business chose to close or relocate away from Guildford, it would adversely affect our income.

6. **Fair Funding review**. the government are proposing to introduce significant changes to local government finance on 1st April 2020 which adds considerable uncertainty in projecting the medium term financial position for the Council. I expect that the Council's settlement funding assessment will be reduced by government as part of the fair funding review, as government will look to re-allocate resources into high demand services such as social care and will continue to expect local authorities to contribute towards meeting national austerity targets. This is likely to mean that the baseline need to spend for the Council will reduce and the tariff payable by the Council under the business rates retention scheme could increase from 2020 onwards. In addition, on implementation of business rate reform in 2020 all previous business rate growth which the Council has benefitted from since 2013-14 will be lost as part of 'resetting' the business rate baseline. The impact of increasing the tariff adjustment is that Guildford will retain less

business rates locally than it does now. The Council currently keeps approximately 5% of the business rates collected.

7. **Surrey County Council**. The Council is aware of the significant financial pressure faced by our partner, Surrey County Council (SCC) because of demand and cost pressures within the social care system. The financial sustainability of the social care system is a nationally recognised problem however, the impact it is having at a local level within Surrey is severe. Guildford Borough Council currently receives funding from SCC for various services such as waste and community care and supported and sheltered housing. There is a significant risk that this funding will cease in future years of the medium term financial plan as SCC looks to deliver its unprecedented scale of service transformation.

Auditors remuneration

Details relating to the remuneration of Auditors of the Council are shown in note 10 to the Statement of Accounts.

Conclusion

The Council has been able to maintain a high level of performance in the delivery of its services during 2018-19, and at the same time maintain its reserves and provisions to a level adequate to meet all known liabilities and invest in transformational change.

There are significant challenges for us in the future. The Government continues to reduce local authority funding as part of its austerity programme and we are starting to prepare for the fair funding review and implementation of 75% business rates retention. The broader welfare reform agenda is also likely to put pressure on Council services, particularly in the area of housing and homelessness. At the same time the Council has exciting but challenging plans for the regeneration of the town and borough.

The Council is well placed to meet these challenges and has a transformation programme in place to deliver savings for future years.

Claire Williams Morris, BEng (Hons), FCPFA, Cert IPSFR
Director of Finance (s151 / Chief Financial Officer)
30 July 2019

General Accounting Policies

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2018-19 financial year and its position at the year-end of 31 March 2019. The Accounts and Audit (England) Regulations 2015 require the Council to prepare its annual Statement of Accounts in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19, 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.

2. Group Accounts

North Downs Housing is a 100% wholly owned subsidiary of the Council. The company started trading in March 2017, and has a year end date the same as the Council. The company has not expanded as per the original business plan, with income well below the Council's materiality level and as such the Council does not yet consider the company to be material for preparing group accounts.

3. Accruals of Income and Expenditure (debtors and creditors)

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

Debtors

- income from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council
- income from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council
- income from rents on Housing Revenue Account (HRA) properties, and General Fund (GF) operational and investment property, is recognised as it becomes due under the rental agreement with the tenant

Creditors

- supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet
- expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made

General

- where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

4. Accounting practice for Council Tax and Business Rates

Revenue relating to council tax and business rates is measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions. Revenue is recognised when it is probable that the economic benefits of the transaction will flow to the Council and the amount of revenue can be measured reliably.

The council tax and business rate income included in the CIES is the accrued income for the year, which consists of:

- the Council's council tax precept and business rate share from the Collection Fund i.e. the amount billed for the year; and
- the Council's share of the actual council tax and business rate surplus or deficit on the Collection Fund at the end of the current year, adjusted for the Council's share of the surplus or deficit on the fund at the preceding year end that has not been distributed or recovered in the current year.

The latter is not required by regulation to be credited to the GF and so is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement (MIRS) on the GF balance.

The Council as billing authority recognises a creditor in its Balance Sheet for cash collected from taxpayers and businesses on behalf of major preceptors but not yet paid to them, or a debtor for cash paid to major preceptors in advance of receiving the cash from council tax payers and business rate payers.

5. Material Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the CIES or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

6. Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are charged with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated by the Council on a prudent basis and determined in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the GF Balance, called a Minimum Revenue Provision (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the MIRS for the difference between the two.

7. Events after the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the events and their estimated financial effect.

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

8. Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the CIES with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other venturers, with the assets used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Council accounts for its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

9. Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance.

10. VAT

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from it.

11. Fair Value Measurement

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 or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the value of a non-financial asset, the Council takes into account 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 use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate to the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability.

Comprehensive Income and Expenditure Statement (CIES)

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

2017-18					2018-19
Net Expenditure		Notes	Gross Expenditure	Gross Income	Net Expenditure
£000	Directorate		£000	£000	£000
7,677	Community Services		14,331	(4,155)	10,176
3,681	Finance		44,351	(30,302)	14,048
6,748	Planning & Regeneration		11,559	(2,549)	9,010
11,755	Environment		31,960	(22,064)	9,896
638	Managing Director		2,448	(34)	2,413
(15,039)	Housing Revenue Account		11,755	(32,082)	(20,327)
15,460	**Cost of Services**		**116,404**	**(91,187)**	**25,216**
1,993	Other operating expenditure	4			2,336
(3,600)	Financing and investment income and expenditure	5			(14,165)
(17,935)	Taxation and non-specific grant income	6			(23,392)
(4,082)	**Surplus on Provision of Services**				**(10,005)**
(24,783)	Surplus on revaluation of Property, Plant and Equipment assets	24			(13,800)
(3,749)	Remeasurements of the net defined benefit liability	24			17,263
108	Surplus on revaluation of available for sale financial assets	24			0
0	IFRS 9				(349)
0	Upward/(downward) movement on revaluation of financial instruments classified as Fair Value through Profit and Loss (FVPL)	24			(291)
(28,424)	**Other Comprehensive Income and Expenditure**				**2,823**
(32,506)	**Total Comprehensive Income and Expenditure**				**(7,181)**

Due to the retirement of the Director of Resources in March 2018, the reporting structure changed as the post became the Director of Finance. A number of services were transferred from the Resources Directorate to the other directorates. The CIES for 2017-18 has been restated to reflect the revised structure.

Movement In Reserves (MIRS)

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (that is those that can be applied to finance expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the Council'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 council tax or rents for the year. The net increase / (decrease) line shows the statutory General Fund (GF) Balance and Housing Revenue Account (HRA) Balance movements in the year following those adjustments.

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Contributions Unapplied £000	Total Useable Reserves £000	Unusable Reserves £000	Total Reserves £000
2018-19								
Balance at 31 March 2018	**45,490**	**78,247**	**24,141**	**7,991**	**282**	**156,151**	**531,277**	**687,427**
Movement in Reserves during 2018-19								
Total Comprehensive Income and Expenditure	(6,078)	16,082	-	-	-	10,005	(2,823)	7,181
Adjustments between accounting basis & funding basis under regulations (Note 23)	2,503	(1,714)	(3,622)	1,244	408	(1,181)	1,181	0
Increase/(decrease) in 2018-19	**(3,574)**	**14,369**	**(3,622)**	**1,244**	**408**	**8,824**	**(1,642)**	**7,181**
Balance at 31 March 2019 carried forward	**41,916**	**92,615**	**20,519**	**9,235**	**690**	**164,974**	**529,634**	**694,609**

2017-18								
Balance at 31 March 2017	**39,505**	**68,185**	**27,438**	**6,396**	**300**	**141,824**	**513,098**	**654,922**
Movement in Reserves during 2017-18								
Total Comprehensive Income and Expenditure	(6,204)	10,286	-	-	-	4,082	28,424	32,506
Adjustments between accounting basis & funding basis under regulations (Note 23)	12,189	(224)	(3,297)	1,595	(18)	10,245	(10,245)	-
Increase/(decrease) in 2017-18	**5,985**	**10,062**	**(3,297)**	**1,595**	**(18)**	**14,327**	**18,179**	**32,506**
Balance at 31 March 2018 carried forward	**45,490**	**78,247**	**24,141**	**7,991**	**282**	**156,151**	**531,277**	**687,427**

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Appendix 1

Balance Sheet

The Balance Sheet shows the value as at 31 March of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) match the reserves held by the Council. Reserves are reported in two categories:

- <u>usable reserves</u> - those the Council may use these 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 that may only be used to fund capital expenditure or repay debt), and
- <u>unusable reserves</u> - those the Council are not able to use these to provide services. This category 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 MIRS line '*Adjustments between accounting basis and funding basis under regulations*'.

31 March 2018 £000		Notes	31 March 2019 £000
739,180	Property, Plant & Equipment	13	767,596
3,530	Heritage Assets	14	3,575
147,412	Investment Property	15	161,244
1,126	Intangible Assets	16	1,774
34,335	Long-term Investments	30	45,100
2,454	Long-term Debtors	30	3,665
928,037	**Long Term Assets**		**982,954**
94,075	Short-term Investments	30	42,508
2,077	Assets held for sale	17	2,116
292	Inventories		475
15,770	Short Term Debtors	18	20,332
9,050	Cash and Cash Equivalents	19	13,184
121,264	**Current Assets**		**78,615**
(48,965)	Short Term Borrowing	30	(20,337)
(23,247)	Short Term Creditors	20	(35,118)
(6,549)	Provisions	21	(2,857)
(78,761)	**Current Liabilities**		**(58,312)**
(192,895)	Long Term Borrowing	30	(192,665)
(90,217)	Other Long Term Liabilities	27	(115,983)
(283,112)	**Long Term Liabilities**		**(308,648)**
687,428	**Net Assets**		**694,609**
156,151	Usable Reserves	MIRS	164,974
531,278	Unusable Reserves	24	529,634
687,428	**Total Reserves**		**694,609**

Claire Williams Morris, BEng (Hons), FCPFA, Cert IPSFR
Chief Financial Officer
30 June 2019

Cash Flow Statement

The Cash Flow Statement shows how the Council generates, uses and the changes in cash and cash equivalents of the Council during the reporting period.

Cash represents cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours; for example call accounts. Cash equivalents are highly liquid investments that are convertible to known amounts of cash within 24 hours and with insignificant risk of change in value, and include money market funds.

Cash flows are classified as operating, investing and financing activities.

- the amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council.
- investing activities represent the extent to which cash outflows have been made for resources that 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 (that is borrowing) to the Council.

The cash flow statement shows cash and cash equivalents net of bank overdrafts that are repayable on demand and form an integral part of the Councils cash management.

2017-18 £000		2018-19 £000
	OPERATING ACTIVITIES	
4,082	Net surplus on the provision of services	10,005
13,754	Adjustments for non-cash movements (Note 23)	8,234
(2,324)	Adjustments for items included in the net surplus that are investing and financing activities (Note 23)	(8,446)
15,512	**Net cash flows from Operating Activities**	**9,793**
	INVESTING ACTIVITIES	
(15,952)	Payments for additions to long term assets	(34,424)
(65,773)	Payments for purchase of investments	(61,627)
(843)	Other payments for investing activities	(1,279)
4,323	Proceeds from the disposal of long term assets	6,366
60,840	Proceeds from disposal of investments	102,762
2,489	Other receipts from investing activities	1,441
(14,916)	**Net cash flows from Investing Activities**	**13,239**
	FINANCING ACTIVITIES	
105,000	Cash receipts of short and long-term borrowing	81,030
(993)	Other receipts from financing activities	0
0	Other payments from financing activities	9,813
(96,736)	Repayments of short and long-term borrowing	(109,740)
7,271	**Net cash flows from financing activities**	**(18,897)**
7,867	**Net increase/(decrease) in cash and cash equivalents**	**4,135**
1,183	Cash and cash equivalents at the beginning of the reporting period	9,050
9,050	**Cash and cash equivalents at the end of the reporting period (Note 19)**	**13,184**

The other receipts from financing activities relate to council tax and business rates adjustments for billing authorities.

Notes To The Accounts

1a). Expenditure And Funding Analysis (EFA)

The EFA shows how the Council's annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) in comparison with those resources the Council consumes or earns in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision-making purposes between the Council's Directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the CIES.

		2017-18				2018-19
Net Expenditure Chargeable to the GF and HRA Balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the CIES		Net Expenditure Chargeable to the GF and HRA Balances	Adjustments between Funding and Accounting Basis	Net Expenditure in the CIES
£000	£000	£000		£000	£000	£000
4,879	2,798	7,677	Community Services	7,529	2,647	10,176
5,143	(1,462)	3,681	Finance	11,871	2,177	14,048
4,415	2,333	6,748	Planning & Regeneration	2,873	6,137	9,010
3,706	8,049	11,755	Environment	87	9,809	9,896
597	41	638	Management	2,144	270	2,413
(20,856)	5,817	(15,039)	Housing Revenue Account	(26,438)	6,111	(20,327)
(2,116)	**17,576**	**15,460**	**Cost of Services**	**(1,935)**	**27,151**	**25,216**
(13,931)	(5,611)	(19,542)	Other income and expenditure	(8,859)	(26,362)	(35,221)
(16,047)	11,965	(4,082)	Surplus	(10,794)	790	(10,005)
(107,690)			Opening GF and HRA Balance at 31 March (note 12)	(123,737)		
(16,047)			Add Surplus on GF and HRA Balance in Year	(10,794)		
(123,737)			Closing GF and HRA Balance at 31 March (note 12)	(134,531)		

For a split of the balance between the GF and the HRA – see the MIRS.

Net Expenditure Chargeable to the GF and HRA balances is as reported to Management throughout the year except that:

- it excludes depreciation, which is included as an adjustment between funding and accounting basis
- net income relating to investment property £3.49 million, which is reported to Community Services, is included in Other income and expenditure in accordance with generally accepted accounting practices

The other adjustments between accounting and funding basis are not reported to Management during the year, but are included in the final year-end outturn report to Corporate Management Team and the Executive.

1b). Note To The Expenditure and Funding Analysis

	Adjustments between Funding and Accounting Basis			
				2018-19
Adjustments from GF to arrive at the CIES amounts	**Adjustments for Capital Purposes (Note 1)**	**Net change for the Pensions Adjustments (Note 2)**	**Other differences (Note 3)**	**Total Adjustments**
	£000	**£000**	**£000**	**£000**
Community Services	572	1,172	903	**2,647**
Finance	286	1,548	343	**2,177**
Planning & regeneration	9	598	5,530	**6,137**
Environment	7,172	1,887	750	**9,809**
Management	4	266	-	**270**
Housing Revenue Account	5,563	517	31	**6,111**
Cost of Services	**13,606**	**5,989**	**7,556**	**27,151**
Other income and expenditure from the EFA	**(22,174)**	**2,514**	**(6,702)**	**(26,362)**
Difference between GF surplus and CIES surplus on the Provision of Services	**(8,568)**	**8,503**	**855**	**790**

	Adjustments between Funding and Accounting Basis			
				2017-18
Adjustments from GF to arrive at the CIES amounts	**Adjustments for Capital Purposes (Note 1)**	**Net change for the Pensions Adjustments (Note 2)**	**Other differences (Note 3)**	**Total Adjustments**
	£000	**£000**	**£000**	**£000**
Community Services	1,933	131	734	**2,798**
Finance	226	(2,008)	320	**(1,462)**
Planning & Regeneration	9	64	2,260	**2,333**
Environment	6,254	203	1,592	**8,049**
Management	8	33	-	**41**
Housing Revenue Account	5,472	(309)	654	**5,817**
Cost of Services	**13,902**	**(1,886)**	**5,560**	**17,576**
Other income and expenditure from the EFA	**(7,067)**	**2,404**	**(948)**	**(5,611)**
Difference between GF surplus and CIES surplus on the Provision of Services	**6,835**	**518**	**4,612**	**11,965**

Note 1 - Adjustments for Capital Purposes
Adds in depreciation 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 and contributions are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants and contributions 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 and contributions receivable in the year without conditions or for which conditions were satisfied in the year

Note 2 – Net change for the Pensions adjustments
This column shows the 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 Council 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.

Note 3 – Other differences
This column adds in the amortisation of intangible software assets and revenue expenditure funded from capital under statute in the services line, and for:

Other operating expenditure	adds in the payment to the government Housing Capital Receipts Pool
Financing and Investment income and expenditure	the statutory transfer of the amount equal to the total depreciation charge for all HRA assets to the Major Repairs Reserve is deducted from other income and expenditure as this is not chargeable under generally accepted accounting practices
Taxation and non-specific grant income and expenditure	the charge 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

1c). Segmental Income

Revenues received from external customers on a segmental basis (ie how the Council is structured) is analysed below:

2017-18		2018-19
£000	**Services**	**£000**
10,684	Community Services	11,450
971	Finance	878
1,922	Planning	2,253
20,663	Environment	20,784
4	Management	7
31,062	Housing Revenue Account	30,893
65,305	**Total Income from services**	**66,266**

2. Events After The Balance Sheet Date

The Statement of Accounts was authorised for issue by the Chief Financial Officer on 31 May 2019. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

3. Expenditure And Income Analysed By Nature

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

2017-18		2018-19
£000	**Expenditure/Income**	**£000**
	Expenditure	
32,751	Employee benefits expenses	40,547
76,214	Other services expenses	79,558
10,681	Support service recharges	10,861
12,733	Depreciation, amortisation, revaluation gains and losses	1,253
7,665	Interest payments	7,882
1,576	Precepts and levies	1,632
692	Payments to Housing Capital Receipts Pool	1,004
-	IFRS	349
(275)	Gain on the disposal of assets	(300)
142,037	**Total Expenditure**	**142,787**
	Income	
117,175	Fees, charges and other service income	118,375
11,009	Interest and investment income	11,026
12,307	Income from council tax and non-domestic rates	18,880
5,628	Government grants and contributions	4,512
146,119	**Total Income**	**152,793**
(4,082)	**Surplus on the Provision of Services**	**(10,006)**

4. Other Operating Expenditure

2017-18		2018-19
£000		£000
1,576	Parish council precepts	1,632
692	Payments to the government Housing Capital Receipts Pool	1,004
(275)	Gains on the disposal of non-current assets	(300)
1,993		**2,336**

5. Financing And Investment Income and Expenditure

2017-18		2018-19
£000		£000
5,261	Interest payable and similar charges	5,368
2,404	Net interest on the net defined benefit liability (Note 27)	2,514
(1,852)	Interest receivable and similar income	(1,985)
0	IFRS9	349
(9,413)	Income and expenditure in relation to investment properties and changes in their fair value	(20,411)
(3,600)		**(14,165)**

More detail in relation to investment property is provided in note 15.

6. Taxation and Non-Specific Income Grant

2017-18		2018-19
£000		£000
(10,702)	Council tax income	(11,071)
(1,605)	Non domestic rates income and expenditure	(7,809)
(3,720)	Non-ringfenced government grants	(2,431)
(1,908)	Capital grants and contributions	(2,081)
(17,935)		**(23,392)**

The non-domestic rates income and expenditure line above includes the following:

2017-18		2018-19
£000		£000
29,738	Tariff	22,269
0	Contr from NDR pool	(1,449)
(476)	Levy	0
(30,867)	Retained income	(28,629)
(1,605)		**(7,809)**

7. 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.

UK Central Government

UK Central Government has significant influence over the general operations of the Council – it provides the statutory framework, within which the Council operates, provides funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (for example council tax bills, housing benefits). Grants received from Government departments are set out in note 11.

Councillors and Officers
Councillors have direct control over the Council's financial and operating policies.

- The Council paid grants totalling £214,321 (£63,080 in 2017-18) to voluntary organisations in which a number of elected councillors had an interest.
- In addition, the Council paid grants totalling £472,834 (£467,901 in 2017-18) to voluntary organisations in which a number of councillors and one officer were acting as a Borough Council nominee.
- The Council gave support totalling £368,937 (£320,951 in 2017-18) to the Citizens Advice Bureau in which two councillors had an interest and one councillor was acting as Borough Council nominee. In all instances, the grants were made with proper consideration of declarations of interest and the relevant councillors, although able to take part in any discussion relating to these grants, were excluded from voting.
- The Council paid a grant of £23,040, (£22,840 in 2017-18) to a voluntary organisation in which one senior officer and one councillor declared an interest, and had no part in the decision to award the grant.

The Council owns £100,000 deferred shares in a credit union in which one councillor (Chairman) and one officer (Non-executive Director and Treasurer) declared an interest.

The Council made a donation of £20,000 to a charitable trust, which helps support people in financial distress within the borough. Two councillors and one officer declared an interest, all as trustees of the charity.

The Council paid £175,000 to a social enterprise company which provided grounds maintenance and street cleaning services during 2018-19. Two councillors recorded an interest as Borough Council nominees.

The Council collected and paid over precepts, and provided concurrent grant funding, to two parish councils for which two councillors declared an interest. The total paid was £149,087.

The Council controls North Downs Housing Limited and its parent company Guildford Borough Council Holdings Limited through its ownership of 100% of the shares in each company.

An initial investment in North Downs Housing Limited of £2.4 million was made in 2016-17 through a mixture of share equity (£0.96 million) and a 25-year secure variable rate loan of £1.447 million at initial interest rate of Bank of England base rate plus 5%. The finance would be used to purchase residential property within the borough. In July 2017, the Council agreed a further £22 million investment in North Downs Housing Limited, providing the facility to draw down up to this amount from the Council as needed, the funding ratio of loan to equity investment of 60:40 would be maintained with a borrowing rate of Bank of England base rate plus 5%.

At 31st March 2019, the Council had invested a total of £7,698,980 in North Downs Housing, maintaining the funding ratio of loan to equity investment of 60:40. Shares in the parent company, Guildford Borough Council Holdings Limited, at 31st March 2019 totalled £3,083,400, with the company continuing to own 100% of the share capital of North Downs Housing Limited.

The Council provides property management and administrative services to North Downs Housing Limited. During 2018-19, these services totalled £93,554.27 (£58,211.68 in 2017-18), all of which was unpaid at 31 March 2019.

8. Councillors' Allowances

This shows the amounts paid to Councillors in the year. The amount paid to each councillor is published on the Council's website, at https://www.guildford.gov.uk/article/18872/Councillors-allowances

2017-18		2018-19
£		£
318,340	Basic Allowance	318,340
106,636	Special Responsibility Allowance	105,995
5,037	Mileage and Subsistance	5,037
430,013		**429,372**

9. Officers' Remuneration

The following table sets out the Senior Officers' emoluments for 2018-19, where the salary is between £50,000 and £150,000 per year.

Postholder	Note		Salaries, fees and Allowances	Other non salary payments	Lump sum (e.g. mileage, telephone)	Termination payments	Pension contribution	Car lease / other benefits	Total
Managing Director (to 31/5/17)		**2018-19**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
		2017-18	22,302	5,245	289	-	-	1,235	29,071
Managing Director (wef 1/6/17)		**2018-19**	**127,346**	**347**	**1,757**	-	**19,229**	**10,264**	**158,943**
Director of Environment (to 31/5/17)		2017-18	119,465	849	1,734	-	18,039	9,188	149,275
Director of Corporate Services		**2018-19**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	1	2017-18	9,776	1,161	807	40,000	-	-	51,744
Director of Environment (wef 1/7/17)		**2018-19**	**95,814**	-	**4,165**	-	**14,468**	**2,435**	**116,882**
		2017-18	70,451	-	3,648	-	10,638	-	84,737
Director of Community Services		**2018-19**	**95,814**	-	**4,887**	-	**14,468**	**638**	**115,807**
		2017-18	93,935	409	4,865	-	14,184	631	114,024
Director of Resources (to 28/2/18)		**2018-19**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
		2017-18	91,767	350	1,589	-	106,743	4,544	204,993
Director of Finance (wef 1/3/18)	2	**2018-19**	**86,650**	**-**	**4,887**	**-**	**13,084**	**533**	**105,154**
Head of Financial Services (s151 officer) - (to 28/2/18)		2017-18	79,588	429	2,194	-	12,017	505	94,733
Director of Planning and Regeneration		**2018-19**	**95,814**	-	**4,887**	-	**14,468**	-	**115,169**
		2017-18	94,671	-	4,865	-	14,139	-	113,675
Audit and Performance Manager		**2018-19**	**64,932**	-	**2,791**	-	**9,805**	**1,912**	**79,440**
		2017-18	61,287	350	498	-	9,254	9,565	80,954
Policy and Partnerships Officer		**2018-19**	**58,685**	**265**	**-**	**-**	**8,861**	**-**	**67,811**
		2017-18	56,321	912	-	-	8,464	-	65,697
Organisational Development Manager	3	**2018-19**	**26,288**	**-**	**-**	**-**	**3,969**	**660**	**30,917**
		2017-18	32,719	150	-	-	4,940	631	38,440
Human Resources Manager		**2018-19**	**59,069**	**41**	**1,232**	**-**	**8,919**	**2,634**	**71,895**
		2017-18	55,374	264	1,330	-	8,362	631	65,961

1. The Director of Corporate Services post has been deleted
2. The Director of Finance post (also the s151 / Chief Financial Officer) has an annualised salary of £85,998
3. The Organisations Development Manager post has an annualised salary of £51,193.

The Council's other employees receiving more than £50,000 remuneration for the year, which includes termination payments but excludes employer's pension contributions, were paid the following amounts:

Remuneration Band	2018-19	2017-18
	Number of Employees	Number of Employees
£50,000 - £54,999	20	20
£55,000 - £59,999	16	21
£60,000 - £64,999	8	13
£65,000 - £69,999	7	4
£70,000 - £74,999	4	4
£75,000 - £79,999	3	2
£80,000 - £84,999	1	1
£85,000 - £89,999	0	1
£90,000 - £94,999	2	0
£95,000 - £99,999	0	1
>£100,000	6	1

Benefits Payable during Employment
Short-term (<12 months) employee benefits include wages and salaries, paid annual leave, paid sick leave, bonuses and non-monetary benefits (for example cars) on an accruals basis to the service line in the CIES.

An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. It is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the MIRS so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits
Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. They are charged on an accruals basis to the appropriate service in the CIES at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the GF Balance to be charged with the amount payable by the Council, not the amount calculated according to the relevant accounting standards. Notional amounts for pension enhancement termination benefits are reversed in the MIRS and replaced with the cash paid and payable but not yet paid in the year.

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the following table:

Exit Package cost band (incl special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18
							£	£
£0 - £20,000	0	3	0	1	0	4	-	64,385
£20,001 - £40,000	1	0	0	6	1	6	24,852	163,545
£40,001 - £60,000	0	0	1	3	1	3	50,107	141,898
£60,001 - £80,000	1	2	1	0	2	2	141,657	198,757
£80,001 - £100,000	1	1	0	1	1	2	91,036	288,775
£100,001 - £150,000	0	1	0	0	0	1	-	134,036
	3	**7**	**2**	**11**	**5**	**18**	**307,652**	**991,396**
Less: amounts included above provided for in previous years							**(220,640)**	**(169,101)**
Add: Amounts provided for in CIES not included in bandings							**-**	**220,640**
Total cost included in CIES							**87,012**	**1,042,935**

Payments shown in respect of redundancies include both redundancy payments and additional amounts paid to the Pension Fund, where applicable.

Payments made in respect of other departures agreed include voluntary redundancies, contractual obligations and discretionary payments, relating to people who have left the Council's employment in the interests of efficiency of the service.

10. External Audit Cost

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors Grant Thornton UK LLP:

2017-18		**2018-19**
£'000		**£'000**
57	External audit services carried out by the appointed auditor for the year	44
20	Certification of grant claims and returns	20
16	Other services	15
93	**Total**	**79**

11. Grant Income

Government grants, third party contributions and donations are recognised as due to the Council when it is reasonable to conclude that:

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

Amounts recognised credited to the CIES when conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Where conditions have not been satisfied, they are carried in the Balance Sheet as creditors. When conditions are satisfied, attributable revenue grants and contributions are credited to the relevant service line and non-ring-fenced revenue grants and all capital grants are credited to Taxation and Non-Specific Grant Income in the CIES.

Where capital grants or contributions are credited to the CIES, they are reversed out of the GF Balance in the MIRS. Where a contribution has yet to be used to finance capital expenditure, it is posted to the Capital Contributions Unapplied reserve. Where a grant or contribution has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Contributions Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Where it is uncertain whether a grant or contribution will be used for capital or revenue purposes, the grant will be credited to an earmarked reserve.

The Council credited the following grants, contributions and donations to the CIES.

2017-18 £'000		2018-19 £'000
	Credited to Taxation and Non Specific Grant Income	
1,605	Non domestic rates	7,809
	Non-ringfenced government grants	
421	Revenue Support Grant	0
2,075	New Homes Bonus	1,201
1,203	s31 grant - Business Rates Retention Scheme & Council Tax	1,207
1,908	Capital grants and contributions	2,081
7,212	**Total**	**12,297**
	Credited to Services	
18,629	Housing Benefit Rent Allowance subsidy	18,538
13,867	Housing Benefit Rent Rebate subsidy	12,903
480	Housing Benefit Administration	501
487	Supporting People Grant	264
487	Day care and other social services	488
232	Business Rate Collection	2
60	Contributions to grants to voluntary organsiations	0
0	Social Care prevention partnership fund	0
75	Recycling	0
887	Other	1,129
35,204	**Total**	**33,825**

12. Movements in Earmarked Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the GF Balance in the MIRS. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year in the CIES. The reserve is then appropriated back into the GF Balance in the MIRS so that there is no net charge against council tax for the expenditure.

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

This note sets out the amounts set aside from the GF and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet GF and HRA expenditure.

	Balance at 31 March 2017 £000	Transfers In 2017-18 £000	Transfers Out 2017-18 £000	Balance at 31 March 2018 £000	Transfers In 2018-19 £000	Transfers Out 2018-19 £000	Balance at 31 March 2019 £000
General fund:							
Budget Pressures	2,772	20	734	2,058	-	129	1,929
Business Rates Equalisation	3,061	4,112	1,613	5,560	3,620	1,130	8,050
Capital Schemes	1,400	1,241	1,000	1,641	884	1,632	893
Car Parks Maintenance	4,367	512	261	4,618	935	848	4,705
Invest to Save	2,234	381	667	1,948	2,714	247	4,415
IT Renewals	2,053	509	461	2,101	761	1,658	1,204
New Homes Bonus	3,946	2,075	2,038	3,983	1,387	1,843	3,527
Park and Ride	1,650	-	-	1,650	-	-	1,650
Special Protection Area (SPA) Sites	4,410	1,005	15	5,400	818	24	6,194
Spectrum	1,689	178	243	1,624	182	168	1,638
Other earmarked reserves	8,175	4,709	1,727	11,157	2,435	3,528	10,064
Total	**35,757**	**14,742**	**8,759**	**41,740**	**13,736**	**11,207**	**44,269**
HRA:							
Capital Programme	28,329	2,500	-	30,829	2,500	-	33,329
New Build	37,356	7,563	-	44,919	7,849	2,083	50,685
Total	**65,685**	**10,063**	**-**	**75,748**	**10,349**	**2,083**	**84,014**

Reserve	**Purpose of reserve**
Budget pressures	set up to allow us to manage the budget reduction required over the next five years
Business rates equalisation	To be used as appropriate to smooth out the effects of the Business Rates Retention Scheme, including those related to regeneration projects
Capital schemes	available to fund GF capital expenditure in future years
Car parks maintenance	used to fund repairs, maintenance and improvements in the Council's off street car parks
Invest to save	this reserve funds investment opportunities that will allow us to achieve ongoing savings, and short term increases in revenue costs during periods of transition
IT renewals	receives repayments from services to fund expenditure as set out in the Council's Information and Communication Technology (ICT) strategy
New homes bonus	New Homes Bonus is a general grant that we receive from the UK government. It is not ring-fenced for any specific purpose
Park and ride	this reserve will be used to fund future park and ride sites
Special Protection Area (SPA) sites	set up to hold s106 income received in relation to various SPA sites
Spectrum	this reserve is available to finance structural repairs and improvements to Spectrum Leisure Centre
Other	consists of 38 reserves with balances of less than £1 million, which have been earmarked for a range of different purposes e.g. insurance, pensions, protection from interest rate movements, legal actions, and energy management schemes
HRA capital programme	available to fund HRA capital expenditure in future years
HRA new build	to fund the building and acquisition of new Council homes

13. Property, Plant And Equipment (PPE)

Definition

Assets that have physical substance and are held for use in the production or supply of goods or services or for administrative purposes and that are expected to be used during more than one financial year.

Appendix 1

Recognition
Expenditure on the acquisition, creation or enhancement of PPE is capitalised if it is probable that the item of PPE will generate future economic benefits and/or service potential.

Expenditure that does not enhance an asset such as repairs and maintenance expenditure is not capitalised and is charged to the CIES as an expense when it is incurred.

Measurement
PPE assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of any future decommissioning costs that will be necessary such as dismantling an item or restoring a site upon which the asset it is located.

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

- infrastructure, community assets and assets under construction - historical cost (depreciated as appropriate)
- dwellings - current value, determined using the basis of existing use value for social housing
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use.

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are credited to the Revaluation reserve unless there has been a previous reduction in valuation that has been charged to the CIES in which case it is credited to the CIES.

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

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

The Revaluation reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains and losses that arose prior to 1 April 2007 have been transferred to the Capital Adjustment Account.

Revaluations
The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value is revalued at least every five years. All of our council dwellings and a proportion of our other operational properties were revalued by the Valuation Office Agency and Bruton Knowles Limited, chartered surveyors, in

accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Council dwellings were revalued as at January 2017 and other property as at November 2016. The assets were inspected between April 2016 and March 2017 and the valuer assumed, where relevant, that the properties valued will continue to be in the occupation of the Council for the foreseeable future having regard to the prospect and viability of the continuance of that occupation.

Properties regarded by the Council as operational were valued on the basis of open market value for the existing use or, where this could not be assessed because there was no market for the subject asset, the depreciated replacement cost.

The property, regarded by the Council as surplus and therefore non-operational, was valued at fair value, based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the property being categorised at Level 2 in the fair value hierarchy.

All assets of the same type, e.g. car parks, are generally revalued together in one year. We check that there are no material trends in the revaluations that should be applied to any of our other assets.

The sources of information and assumptions made in producing the various valuations are set out in a valuation certificate and report, which also provides assurance that the valuer has reviewed the balance sheet values of the remainder of the Council's property portfolio to give assurance that no class of assets is materially misstated.

The valuation figures incorporated in the accounts are the aggregate of separate valuations of parts of the portfolio, not an apportioned valuation of the portfolio valued as a whole.

The following statement shows the progress of the Council's rolling programme for the revaluation of PPE assets:

	Council Dwellings	**Other Land and Buildings**	**Vehicles, Plant, Furniture & Equipment**	**Surplus Assets**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
Carried at historical cost	-	25,875	26,672	-	52,547
Valued at current value as at:					
31-Mar-19	504,604	169,776	-	0	674,380
31-Mar-18	-	21,163	-	0	21,163
31-Mar-17	-	7,623	-	125	7,748
31-Mar-16	-	3,481	-	-	3,481
31-Mar-15	-	8,334	-	-	8,334
Total Cost or Valuation	**504,604**	**236,252**	**26,672**	**125**	**767,653**

Impairment
Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

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

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

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

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell, and is no longer subject to a depreciation charge. Gains in fair value are recognised only up to the amount of any previously recognised losses.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of:

- their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale, and
- their recoverable amount at the date of the decision not to sell.

When an asset is disposed of (or decommissioned), the carrying amount of the asset in the Balance Sheet (whether PPE or Assets Held for Sale) is written off to the CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the CIES also as part of the gain or loss on disposal (that is netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation reserve are transferred to the Capital Adjustment Account.

Disposal proceeds in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals, net of statutory deductions and allowances, is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council’s underlying need to borrow (the capital financing requirement). Receipts are appropriated to the reserve from the GF Balance in the MIRS.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the GF Balance in the MIRS.

Depreciation

Depreciation is provided for on PPE assets that are available for use by charging their depreciable amounts over their useful lives. However, assets that do not have a determinable finite useful life such as freehold land are not depreciated. In addition, assets that are in the course of construction and therefore not yet available for use are also not depreciated.

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property, as estimated by the valuer
- vehicles, plant and equipment – straight-line allocation over the useful life of the asset, as advised by a suitably qualified officer
- infrastructure – straight-line allocation over the useful life

Where an item of PPE has major components where the cost is significant in relation to the total cost of the item, and where it is necessary to ensure materially correct depreciation charges, the components are depreciated separately. The Council's policy is to consider for componentisation all assets (excluding land) with a value greater than £1 million and where the component(s) comprise more than 20% of the value of the asset.

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.

Depreciation is charged on a straight-line basis over the useful life of the asset. The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Council Dwellings – 60 years
- Other Land and Buildings – 5 to 60 years
- Vehicles, Plant, Furniture and Equipment – 3 to 30 years
- Infrastructure – 5 to 60 years

Movement in 2018-19:	Council dwellings £000	Other land and buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus assets £000	Assets under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation								
At 1 April 2018	499,098	214,716	25,814	7,219	4,524	1,380	14,433	767,184
Additions	5,043	16,887	1,427	550	59	-	9,110	33,076
Disposals	(3,321)	(425)	(569)	-	-	-	-	(4,315)
Accumulated depreciation written off to cost or valuation	(5,537)	(5,422)	-	-	-	-	-	(10,959)
Revaluations recognised in the revaluation reserve	3,813	10,018	-	-	-	-	-	13,831
Revaluations recognised in the surplus on provision of services	(64)	253	-	-	-	-	-	189
Transfers	5,572	225	-	-	-	(1,255)	(5,457)	(915)
At 31 March 2019	**504,604**	**236,252**	**26,672**	**7,769**	**4,583**	**125**	**18,086**	**798,091**
Accumulated Depreciation								
At 1 April 2018	882	5,399	16,584	4,567	-	-	572	28,004
Charge for 2018-19	5,537	5,698	2,394	182	1	-	-	13,812
Disposals	-	(6)	(316)	-	-	-	-	(322)
Revaluations	(5,537)	(5,422)	-	-	-	-	-	(10,959)
Transfers	20	(58)	-	-	-	4	(20)	(54)
At 31 March 2019	**902**	**5,611**	**18,662**	**4,749**	**1**	**4**	**552**	**30,481**
Net book Value								
As at 31 March 2019	**503,702**	**230,641**	**8,010**	**3,020**	**4,582**	**121**	**17,534**	**767,610**

The transfers relate to those sites that are now assets under construction including the crematorium and Guildford park car park.

The prior year comparison is in the table below:

Comparitive Movement in 2017-18:	Council dwellings £000	Other land and buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus assets £000	Assets under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation								
At 1 April 2017	502,031	201,853	24,923	6,811	4,493	3,160	2,590	745,861
Additions	4,187	4,303	1,233	408	31	-	4,170	14,332
Disposals	(3,996)	-	(342)	-	-	-	-	(4,338)
Accumulated depreciation written off to cost or valuation	(5,417)	(5,679)	-	-	-	(2)	-	(11,098)
Revaluations recognised in the revaluation reserve	2,611	22,261	-	-	-	(90)		24,782
Revaluations recognised in the surplus on provision of services	57	(324)	-	-	-	17	-	(250)
Transfers	(375)	(7,698)	-	-	-	(1,705)	7,673	(2,105)
At 31 March 2018	**499,098**	**214,716**	**25,814**	**7,219**	**4,524**	**1,380**	**14,433**	**767,184**
Accumulated Depreciation								
At 1 April 2017	882	5,923	14,508	4,407	-	-	20	25,740
Charge for 2017-18	5,444	5,688	2,313	160	-	2	47	13,654
Disposals	(27)	-	(237)	-	-	-	-	(264)
Revaluations	(5,417)	(5,679)	-	-	-	(2)	-	(11,098)
Transfers	-	(533)	-	-	-	-	505	(28)
At 31 March 2018	**882**	**5,399**	**16,584**	**4,567**	**-**	**-**	**572**	**28,004**
Net book Value								
As at 31 March 2018	**498,216**	**209,317**	**9,230**	**2,652**	**4,524**	**1,380**	**13,861**	**739,180**

The transfer from other land and buildings to assets under construction related to garage sites that are being developed for housing.

Capital Commitments
At 31 March 2019, the Council has entered into a number of contracts for the construction or enhancement of PPE in 2018-19 and future years budgeted to cost £21 million, compared to commitments at 31 March 2018 of £4.85 million.

The major commitments are:

- new housing developments
- phase 3 enabling works and new MSCP at Guildford park car park
- rebuilding the crematorium
- internal estate road at Slyfield

14. Heritage Assets

The Council holds various heritage assets, which are held and maintained principally for their contribution to knowledge and culture. Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on PPE. However, some of the measurement rules are relaxed in relation to heritage assets. The Council's heritage assets are accounted for as follows:

- Monuments, including Guildford Castle and Chilworth Gunpowder Mills

  These assets are ruins for which it is not possible to obtain a current valuation. They are held on the balance sheet at historical cost, i.e. the cost of capitalised works carried out to preserve the buildings, and are not subject to depreciation as they have indefinite lives.

- the art collection held at Guildford House Gallery, and civic regalia held at the Guildhall

  Insurance values have been used as a proxy for fair value. The assets are not depreciated because they have indeterminable lives.

- various sculptures and pieces of artwork around the Borough

  These assets are held on the balance sheet at historical cost and are not subject to depreciation as they have indeterminable lives.

- the museum collection held at Guildford Museum

  The Council does not consider that reliable cost or valuation information can be obtained for the museum collection because of the diverse nature of the assets held and lack of comparable market values. Consequently, the Council does not recognise these assets on the balance sheet.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, for example when an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment – see note 13 in this summary of significant accounting policies.

Reconciliation of the carrying value of Heritage Assets held by the Council

	Monuments £000	Civic Regalia etc £000	Art Collection £000	Total Assets £000
Cost or Valuation				
At 1 April 2017	949	1,759	798	3,506
Additions	17	-	7	24
At 31 March 2018	**966**	**1,759**	**805**	**3,530**
Cost or Valuation				
At 1 April 2018	966	1,759	805	3,530
Additions	45	-	-	45
At 31 March 2019	**1,011**	**1,759**	**805**	**3,575**

Civic Regalia
The Council's collection of civic regalia is held at the Guildhall, and includes such items as the mayor's badge, small and large mace and the civic plate.

Art Collection
The collection comprises more than 550 pieces and small collections. Many objects consist of multiple parts so the number of works comes close to 800. They span more than 250 years and include a plethora of media - oil paintings, watercolours, pastels, etchings, engravings, prints, textiles, ceramics, sculpture and glass.

The Heritage Services Collections Development Policy is available from the Council's Heritage Manager.

The civic regalia and art collection were valued as at March 2012 by Bonhams 1793 Limited, international auctioneers and valuers. The basis of the valuation was for insurance purposes and was based on estimated price of the items if purchased on retail premises.

Museum Collections
Guildford Museum works with local people and other partners to collect, record and care for the Borough's heritage and to promote understanding, enjoyment, and engagement with that heritage through access and learning for all. Its collections contain material of local, regional, national and international importance and form a unique cultural asset and resource for Guildford Borough, its people and its visitors.

The Council does not consider that reliable cost or valuation information can be obtained for the museum collection because of the diverse nature of the assets held and lack of comparable market values.

The heritage asset acquisitions and disposals policies are set out in the published Heritage Service's collections development policy, which the Council reviews every five years. This is a requirement of the national standards scheme for museums, which is managed by Arts Council England. A copy is lodged with other appropriate museums and regional organisations in Surrey and the South East. It is also available on the Council's website.

15. Investment Property

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

The value of an investment property is initially measured at cost. Thereafter, it is measured at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Investment properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure (FIIE) line in the CIES as are any gains or losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the GF Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the GF Balance. Accordingly, any gains or losses are reversed out of the GF Balance in the MIRS and posted to the Capital Adjustment Account (revaluations and value of assets disposed of) and the Capital Receipts Reserve (proceeds of disposals greater than £10,000).

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

2017-18		2018-19
£000		£000
8,944	Rental income from investment property	8,903
(1,147)	Direct operating expenses arising from investment property	(953)
7,797	**Net gain**	**7,950**

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 for repairs, maintenance or enhancement.

The fair value of the majority of the Council's investment property has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy. The inputs used took the form of analysed and weighted market evidence such as sales, rentals and yields in respect of comparable properties in the same or similar locations at or around the valuation date.

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is their current use.

Level 3 disclosure:
Two of the Council's investment properties have been revalued at Level 3 in fair value hierarchy (unobservable inputs):

- Bellfields Service Station:
  This has been valued at level 3 due to a lack of specific comparable evidence available for service stations and specific information regarding operator income on the asset. There are no similar assets of this class in the portfolio therefore the impact of the level of input does not impact on any other asset. There was a rent review due 01/04/2017 and going forwards the outcome of this rent review will remove the uncertainty in the levels of input. Therefore, once the review is settled, the valuer would anticipate this asset becoming a level 2 at the next revaluation.

  Valuation methodology
  The property has been valued based on the existing rent passing until the end of the lese, upward only reviews, i.e. £45,200 per annum.

  The property was last revalued in 2012, where there was little market evidence to support an increase based on falling petrol sales and accordingly the rent review was documented at "nil" increase. During this revaluation there has been little change in circumstances given the ever increasing pressure on petrol sales margins from supermarket and other competing operators. In this regard, the valuers assumed the Council would struggle to find market evidence to support a rent increase upon review.

  In terms of estimating the rack rental value for the current valuation, it is clear that without the ability to expand the retail sales by expanding the current shop, without compromising the current number of petrol pumps on the forecourt (and therefore petrol sales), any increase in rent will be difficult to support. The site is just under one fifth of a hectre (just under 0.5 acre) and the valuers assumed that expansion of the current shop to increase retail sales without compromising petrol sales would not be possible. In order to increase retail revenues, the shop might be better serves with a Tesco or other supermarket "one stop" operator, however it is probably likely that a supermarket chain would require a larger store to make the investment viable.

  Given these factors, therefore, in arriving at the estimate of rental value (in the absence of trading figures from the current tenant), the valuers have assumed that the current rent passing represents the current Estimated Rental Value (ERV) for the property.

Whilst such an investment of this type (being in a good location and let to a strong covenant on an upward only review basis) would normally attract an investment yield of 6.5% in the current market, given the uncertainties of rental growth and the fact that the review has not been triggered by the Council they valued the current income at 6.75%.

In terms of reversionary income, they assumed that the full ERV of the property (i.e. £226,000 per annum) can be regarded as "very risky". This is on the basis that there is currently a long-term downward trend of petrol sale margins as a result of increased competition. In this regard the reversionary income is valued based on an 8% yield when the lease reverts to the Council in 2054.

- Shalford Water Works
  This has been valued at level 3 due to a lack of specific comparable evidence and information regarding operator income/profits on the subject. There are no similar assets of this class in the portfolio therefore the impact of the level of input does not affect any other asset. The sensitivity of the inputs is somewhat lessened by the current income being certain until rent review 2033.

  The income is in place until the next rent review in 2033, assumed currently to be market rent. However, there is no direct comparable evidence as the last review settled pre arbitration and not in accordance with lease rent review but rather with reference to profits as agreed between the parties.

  Valuation methodology
  The property has been valued on the basis of the existing rent passing despite the fact that the rent was agreed without direct reference to the lease. The valuers assumed that the current tenant will renew their lease at the end of the term because of their statutory duty, however, any new lease would be based on more modern terms and it is possible that the rent may be reduced. They valued the reversionary rent at a slightly higher yield to reflect this risk. However, the valuation is also minded to look at an alternative valuation, given that the reversion of the lease is not until 2066, where the current rent is valued into perpetuity. Both figures are similar.

The total value included in level 3 for 2018-19 is £3.03 million, the value in 2017-18 was £2.74 million

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

2017-18		2018-19
£000		**£000**
145,899	Balance at start of the year	147,412
20	Additions	2,385
0	Disposals	(350)
0	Transfers	(930)
1,493	Net gains/(losses) from fair value adjustments	12,727
147,412	**Balance at end of the year**	**161,244**

16. Intangible Assets

Expenditure on assets that do not have a physical substance are capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Intangible assets are initially measured at cost and carried at amortised cost. It is amortised over its useful life to the relevant service line(s) in the CIES.

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of PPE. The intangible assets only include purchased licences as the Council does not have any significant internally generated software.

All software is given a finite useful life of 5 years based on an assessment of the period that the software is expected to be of use to the Council. The carrying amount of intangible assets is amortised on a straight-line basis. £343,000 of the amortisation of £373,000 charged to revenue in 2018-19 was charged to the IT renewals revenue account where it offsets the income to the account which is based on repayment of the expenditure incurred on the software. The remainder of the amortisation was charged to the HRA.

The movement on the Intangible Asset balance during the year is as follows:

2017-18 £000		2018-19 £000
	Balance at start of the year:	
4,310	Gross carrying amount	4,748
(3,300)	Accumulated amortisation	(3,622)
1,010	**Net carrying amount at start of year**	**1,126**
438	Purchases	1,021
(322)	Amortisation for the period	(373)
1,126	**Net carrying amount at end of year**	**1,774**
	Comprising:	
4,748	Gross carrying amount	5,769
(3,622)	Accumulated amortisation	(3,995)

17. Assets Held For Sale

2017-18 £000			2018-19 £000
-	Balance at start of the year		2,077
-	Assets purchased		-
	Assets newly classified as held for sale:		
2,077	Property, Plant and Equipment		1,791
-	Assets sold		(1,752)

Only one of the two assets classified as held for sale at the start of the year was actually sold. Further assets have been identified as being held for sale are Burpham Court Farm, and Woodbridge road sportsground cottage.

18. Short Term Debtors

31 March 2018 £000		31 March 2019 £000
1,236	Central government bodies	6,928
3,148	Other local authorities	6,085
11,386	Other entities and individuals	7,319
15,770	**Total**	**20,332**

19. Cash And Cash Equivalents

Cash comprises cash in hand and demand deposits. Cash will also include bank overdrafts that are repayable on demand and that are integral to the Council's cash management.

Balances classified as 'Cash Equivalents' fit the definition of being short term, highly liquid (that is callable) investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

The net balance of Cash and Cash Equivalents consists of the following elements:

31 March 2018 £000		31 March 2019 £000
5	Cash held by the Council	6
281	Bank current accounts	(63)
8,764	Callable deposits	13,241
9,050	**Total Cash and Cash Equivalents**	**13,184**

20. Short Term Creditors

31 March 2018 £000		31 March 2019 £000
4,594	Central government bodies	1,131
7,749	Other local authorities	23,231
10,904	Other entities and individuals	10,756
23,247	**Total**	**35,118**

21. Provisions

Provisions are created when the Council has an obligation, such as a legal claim against it that has arisen from a past event and it is probable that the Council will need to settle that obligation. In addition, it is necessary that the obligation can be reliably estimated.

Provisions are charged as an expense to the appropriate service line in the CIES in the year that the Council becomes aware of the obligation. They are estimated at the Balance Sheet date, taking into account relevant risks and uncertainties. When payments are made to clear the obligation, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year and where necessary revised. If there is a need to increase the provision, the additional amount is charged to the relevant service in the CIES. If, however, the obligation is estimated or ultimately proves to be less than the value of the provision, the excess amount is credited to the relevant service in the CIES.

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

	Outstanding legal cases £000	NDR appeals £000	Other provisions £000	Total £000
Balance at 31 March 2015	188	3,291	342	3,821
Additional provisions made	-	2,528	70	2,598
Amounts used	(111)	(337)	(61)	(509)
Balance at 31 March 2016	**77**	**5,482**	**351**	**5,910**
Additional provisions made	-	-	169	169
Amounts used	(25)	(1,088)	(70)	(1,183)
Unused amounts reversed	-	(1,120)	-	(1,120)
Balance at 31 March 2017	**52**	**3,274**	**450**	**3,776**
Additional provisions made	-	4,800	201	5,001
Amounts used	-	(2,072)	(149)	(2,221)
Unused amounts reversed	-	-	(7)	(7)
Balance at 31 March 2018	**52**	**6,002**	**495**	**6,549**
*Opening balance adjustment		- 1,501		
Additional provisions made	-	-	-	3,097
Amounts used	-	(746)	(221)	(2,709)
Unused amounts reversed	-	- 1,224	0	(4,080)
Balance at 31 March 2019	**52**	**2,531**	**274**	**2,857**

*The opening balance adjustment reflects the percentage change in allocation of balances when the council moved from the Surrey-Croydon Business Rates Pool to the Surrey Business Rates Pilot scheme. Under the pool arrangement, which ended on 31st March 2018, the council was allocated 40% of the total provision balance, under the pilot scheme, which commenced on 1st April, the percentage allocation reduced to 30%.

The Council's provisions consist of six items totalling £2.8 million (£6.5 million in 2017-18).

Outstanding Legal Cases
This relates to search fees, which, subject to legal action, may have to be repaid.

NDR Appeals
The NDR appeals provision was set up to cover the Council's share of the estimated reduction in business rates collectable due to rating appeals. It was calculated using information provided by the Valuation Office Agency about outstanding appeals, and our historical knowledge of the likely success rate of these appeals. £1.224 million was reversed out of the provision for appeals, and £0.746 million of revaluation list amendments were charged against the provision, but only the Council's 30% share is shown here. The remainder is allocated to Surrey County Council (70%) and is reflected in the balance sheet in the Council's net creditors with them.

Other provisions
All other provisions are individually insignificant.

22. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2017-18		2018-19
£000		**£000**
1,822	Interest received	1,888
(5,251)	Interest paid	(5,516)

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

2017-18		2018-19
£000		**£000**
13,654	Depreciation	13,796
250	Revaluation gains on Property, Plant & Equipment	(190)
322	Amortisation of intangible assets	373
2,579	Increase / (decrease) in creditors	(102)
(9,156)	(Increase) / decrease in debtors	(4,213)
62	(Increase) / decrease in inventories	(183)
517	Movement in pension liability	8,503
4,074	Carrying amount of non-current assets sold	6,095
1,452	Other adjustments	(15,846)
13,754		**8,233**

The surplus on the provision of services has been adjusted for the following items that are investing and financing activities:

2017-18		2018-19
£000		**£000**
(1,908)	Capital grants and contributions credited to surplus on the provision of services	(2,080)
3,907	Net adjustment from sale of investments	0
(4,323)	Proceeds from the sale of non-current assets	(6,366)
(2,324)		**(8,446)**

Technical Notes To The Accounts

The following notes are more technical in nature and provide additional accounting detail supporting the primary statements and notes.

23. Adjustments Between Accounting And Funding Basis Under Regulations

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

2018-19	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts reserve £000	Major Repairs Reserve £000	Capital Contributions Unapplied £000	Movement in Unusable Reserves £000
Adjustments to the Revenue Resources:						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement (CIES) are different from revenue for the year calculated in accordance with statutory requirements:						
Pensions costs (trf to / (from) the Pensions Reserve)	8,082	421	-	-	-	(8,503)
Council tax and Business Rates (trf to the Collection Fund Adjustment Account)	(2,474)	-	-	-	-	2,474
Reversal of entries in the Surplus or Deficit on the Provision of Services re capital expenditure (charged to CAA)	18,203	9,054	-	-	-	(27,258)
Movements in the market value of Investment Properties (transferred from CAA)	(12,587)	(140)	-	-	-	12,727
Capital grants and contributions unapplied credited to the CIES	(2,081)	-	-	-	2,081	-
Benefit accrual	116	-	-	-	-	(116)
IFRS9 statutory reversal	291	-	-	-	-	(291)
Total Adjustments to Revenue Resources	**9,551**	**9,336**	**-**	**-**	**2,081**	**(20,967)**
Adjustments between Revenue and Capital Resources						
Tfr of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(3,039)	(3,328)	6,367	-	-	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	1,004	-	(1,004)	-	-	-
Posting of HRA resources from revenue to the MRR	-	(5,639)	-	5,639	-	-
Statutory provision for the repayment of debt (transfer from CAA)	(795)	-	-	-	-	795
Capital expenditure financed from revenue balances (transfer to CAA)	(4,217)	(2,083)	-	-	-	6,300
Total Adjustments	**(7,047)**	**(11,049)**	**5,363**	**5,639**	**-**	**7,095**
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	(8,985)	-	-	8,985
Use of the MRR to finance capital expenditure	-	-	-	(4,395)	-	4,395
Application of capital grants and contributions to finance capital expenditure	-	-	-	-	(1,673)	1,673
Total Adjustments to Capital Resources	**-**	**-**	**(8,985)**	**(4,395)**	**(1,673)**	**15,053**
Total adjustments	**2,503**	**(1,714)**	**(3,622)**	**1,244**	**408**	**1,181**

2017-18	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts reserve £000	Major Repairs Reserve £000	Capital Contributions Unapplied £000	Movement in Unusable Reserves £000
Adjustments to the Revenue Resources:						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement (CIES) are different from revenue for the year calculated in accordance with statutory requirements:						
Pensions costs (trf to / (from) the Pensions Reserve)	826	(309)	-	-	-	(517)
Council tax and Business Rates (transfer to the Collection Fund Adjustment Account)	3,889	-	-	-	-	(3,889)
Reversal of entries in the Surplus or Deficit on the Provision of Services re capital expenditure (charged to the Capital Adjustment Account)	13,442	10,095	-	-	-	(23,537)
Movements in the market value of Investment Properties (transferred from CAA)	(1,478)	(15)	-	-	-	1,493
Capital grants and contributions unapplied credited to the CIES	(1,908)	-	-	-	1,908	-
Benefit accrual	-	-	-	-	-	-
IFRS9 statutory reversal	-	-	-	-	-	-
Total Adjustments to Revenue Resources	**14,771**	**9,771**	**-**	**-**	**1,908**	**(26,450)**
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(496)	(3,826)	4,322	-	-	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	692	-	(692)	-	-	-
Posting of HRA resources from revenue to the MRR	-	(5,529)	-	5,529	-	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(574)	(640)	-	-	-	1,214
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(2,204)	-	-	-	-	2,204
Total Adjustments	**(2,582)**	**(9,995)**	**3,630**	**5,529**	**-**	**3,418**
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	(6,927)	-	-	6,927
Use of the MRR to finance capital expenditure	-	-	-	(3,934)	-	3,934
Application of capital grants and contributions to finance capital expenditure	-	-	-	-	(1,926)	1,926
Total Adjustments to Capital Resources	**-**	**-**	**(6,927)**	**(3,934)**	**(1,926)**	**12,787**
Total adjustments	**12,189**	**(224)**	**(3,297)**	**1,595**	**(18)**	**(10,245)**

General Fund balance – this is a statutory fund into which all the receipts and expenditure of the Council are accounted for. It summarises the resources the Council has to spend on its services or on capital investment at the end of the financial year.

Housing Revenue Account – this reflects the statutory obligation to maintain a revenue account for local authority council housing provision. It contains the balance on income and expenditure that is available to fund future expenditure in connection with the landlord's function.

Capital receipts reserve – this holds the proceeds from the disposal of fixed assets which can only be used to fund new capital expenditure or be set aside to fund financial historical capital expenditure (ie debt). The balance is the resources yet to be applied at the end of the year.

Major repairs reserve – the Council is required to maintain a major repairs reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance is the resources yet to be applied at the end of the year.

Capital contributions unapplied – this holds the grants and contributions received towards capital projects where the Council has met the conditions that would otherwise require repayment but the money has not yet been spent. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and /or the financial year in which this can take place.

24. Unusable Reserves

The following table summarises the unusable reserves (i.e. non-cash reserves) held by the council, with more detail for each reserve below.

31 March 2018		31 March 2019
£000		£000
236,864	Revaluation Reserve	242,017
1,560	Available for Sale Financial Instruments Reserve	0
0	Financial Instruments Reserve	1,908
388,227	Capital Adjustment Account	404,491
(90,217)	Pensions Reserve	(115,983)
(4,918)	Collection Fund Adjustment Account	(2,444)
(239)	Accumulated Absences Account	(355)
531,277		**529,634**

Revaluation Reserve

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

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

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

2017-18			2018-19
£000			£000
216,896	**Balance at 1 April**		236,864
27,364	Upward revaluation of assets	14,816	
(2,581)	Downward revaluation of assets not charged to the Surplus on Provision of Services	(1,017)	
24,783	Surplus on revaluation of non-current assets not posted to the Surplus on Provision of Services		13,800
(3,540)	Difference between fair value depreciation and historical cost depreciation	(4,077)	
(1,275)	Accumulated gains on assets sold or scrapped	(4,570)	
(4,815)	Amounts written off to the Capital Adjustment Account		(8,647)
236,864	**Balance at 31 March**		**242,017**

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise to not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised

2017-18 £000		2018-19 £000
1,668	**Balance at 1 April**	1,560
(108)	Upward/(downward) revaluation of investments	0
0	IFRS9 transition transfer	(1,560)
1,560	**Balance at 31 March**	**0**

Financial Instruments reserve
This reserve contains the gains made by the Council arising from increases in its value of investments classified as Fair Value through Profit and Loss (FVPL) which are eligible for the governments Statutory Override.

2017-18 £000		2018-19 £000
0	**Balance from AFS on transition**	1,560
0	Write out of investment on transition	170
0	**Revised opening balance 1 April**	**1,730**
0	Upward/(downward) revaluation of investment in year	291
0	IFRS9 transition transfer	(113)
0	**Balance at 31 March**	**1,908**

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

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

The account also contains revaluation gains accumulated on PPE before 1 April 2007, the date that the Revaluation reserve was created to hold such gains.

2017-18			2018-19
£000			£000
389,251	**Balance at 1 April**		**388,227**
	Reversal of items debited or credited to the CIES:		
(13,654)	Charge for depreciation of non-current assets	(13,795)	
(250)	Revaluation gains / (losses) on PPE	189	
(322)	Amortisation of intangible assets	(373)	
(5,237)	Revenue expenditure funded from capital under statute	(7,183)	
(4,074)	Amounts of non-current assets written off on disposal or sale as part of the gain on disposal to the CIES	(6,095)	
(23,537)			**(27,257)**
4,815	Adjusting amounts written out of the Revaluation reserve		8,647
(18,722)	Net written out amount of the cost of non-current assets consumed in the year		**(18,610)**
	Capital financing applied in the year:		
6,927	Use of the Capital Receipts Reserve to finance new capital expenditure	8,985	
3,934	Use of the Major Repairs Reserve to finance new capital expenditure	4,395	
1,926	Use of capital grants and contributions to finance new capital expenditure	1,673	
1,214	Provision for the financing of capital investment charged against the GF and HRA balances (MRP)	795	
2,204	Capital expenditure charged against the GF and HRA balances	6,300	
16,205			**22,148**
1,493	Movements in the market value of Investment Properties debited or credited to the CIES		12,727
388,227	**Balance at 31 March**		**404,491**

Pensions Reserve

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

2017-18		2018-19
£000		£000
(93,449)	**Balance at 1 April**	(90,217)
3,749	Remeasurements of the net defined benefit liability	(17,263)
(10,380)	Reversal of items relating to retirement benefits debited or credited to the Deficit on the Provision of Services in the CIES	(11,961)
9,863	Employer's pensions contributions and direct payments to pensioners payable in the year	3,458
(90,217)	**Balance at 31 March**	**(115,983)**

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 CIES as it falls due from council tax payers and business rates payers compared with the statutory arrangements for paying across amounts to the GF from the Collection Fund.

2017-18 £000		2018-19 £000
(1,029)	**Balance at 1 April**	(4,918)
(3,889)	Amount by which council tax and non-domestic rates income credited to the CIES is different from income calculated for the year in accordance with statutory requirements	2,474
(4,918)	**Balance at 31 March**	**(2,444)**

25. Capital Expenditure and Capital Financing

The table below shows the total amount of capital expenditure incurred in the year together with the resources that have been used to finance it.

Where capital expenditure is to be financed in future years (as assets are used) by charges to revenue, the expenditure results in an increase in the Capital Financing Requirement (CFR). The CFR is a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the CIES 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 MIRS from the GF Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

2017-18 £'000		2018-19 £'000
266,849	*Opening Capital Financing Requirement*	272,806
	Capital Investment	
8,555	Operational assets	24,010
5,821	Non-operational assets	11,496
438	Intangible assets	1,021
893	Long Term Investments	1,921
1,258	Long term debtors	1,290
5,237	Revenue Expenditure Funded from Capital under Statute	7,183
	Sources of finance	
(1,584)	Specific Capital Grants	(1,316)
(6,927)	Capital Receipts	(8,985)
(382)	Contributions	(357)
(3,418)	Direct Revenue Financing and MRP / VRP	(7,095)
(3,934)	HRA Major Repairs Reserve	(4,396)
272,806	***Closing Capital Financing Requirement***	**297,578**
5,957	*Movement during the year*	24,772
	Increase in underlying need to borrow	
	(unsupported by government financial assistance)	

26. Leases

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

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

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

Council as Lessee

Finance leases

PPE held under finance leases is recognised on the Balance Sheet at the start of the lease at its fair value. There are no further liabilities on any of the leased assets because premia were paid at the inception of the leases.

PPE recognised under a finance lease is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

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

The Council has acquired a number of assets under finance leases. They are included on the Balance Sheet at the following net amounts:

2017-18		2018-19
£'000		£'000
2,955	Council Dwellings	2,955
12,414	Other Land & Buildings	11,492
15,369		**14,447**

The Council paid premiums at the start of the property leases and there are no more payments due.

Operating leases
Rentals paid under operating leases are charged to the CIES as an expense to the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease; even if this does not match the pattern of payments (for example there is a rent-free period at the commencement of the lease).

Council as Lessor
Finance leases
Where the Council grants a finance lease for an item of PPE, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether PPE or Assets Held for Sale) is written off to the CIES, and any premium received is credited to the CIES, as part of the gain or loss on disposal.

The accounting treatment is the same as for PPE disposals described in note 13.

The Council has leased out a number of investment properties on finance leases with remaining lease terms of 60 years or more. In each case a premium was paid to the Council by the lessee in order to enter into the lease and there are no future minimum lease payments due.

Operating leases
Where the Council grants an operating lease for an item of PPE or an investment property, the asset is retained in the Balance Sheet. Rental income is credited to the CIES on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (for example, there is a premium paid at the commencement of the lease).

The Council leases out operational property under operating leases primarily for the provision of social housing and community services such as sports facilities. It also leases out investment property under operating leases.

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

2017-18		2018-19
£'000		£'000
7,934	Not later than one year	8,140
27,291	Later than one year and not later than five years	25,352
320,990	Later than five years	314,165
356,215		**347,657**

The lease payments receivable in 2018-19 were £10.6 million (£9.76 million in 2017-18).

27. Defined Pension Benefit

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

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

The scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Pension Board of Surrey County Council. Policy is determined in accordance with the Pension Fund Regulations. The investment managers of the Fund are appointed by the Board and consist of eleven investment fund managers plus private equity fund managers.

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

The scheme is a multi-employer plan. Employers are required by regulation to meet the minimum contributions as set out in the Rate and Adjustments Certificate for the relevant actuarial valuation. For 2018-19 this would be the valuation carried out as at March 2016.

If another entity was to be unable to meet required funding commitments to the Fund and no suitable guarantee was available, either in the form of a bond or a charge on assets or a parent organisation, then any deficit would be spread across existing fund employers.

If the Council were to withdraw from the scheme, the fund actuary would carry out a cessation valuation to calculate its plan liabilities and assets. Any deficit on this valuation would need to be recovered through a final contribution to the fund. Any surplus would not be recoverable.

Transactions Relating to Post-employment Benefits
Most of the Council's employees are members of the Local Government Pension Scheme administered by Surrey County Council. The scheme provides defined benefits earned as Council employees (retirement lump sums and pensions) to members and is accounted for as a defined benefits scheme where:

- the liabilities of the pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – that is an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees
- liabilities are discounted to their value at current prices, using a discount rate of 2.7% (based on the indicative rate of return on high quality corporate bond over a range of periods)

- the assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value using the following bases:
    - quoted securities – current bid price
    - unquoted securities – professional estimate
    - unitised securities – current bid price
    - property – market value

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

- Service cost comprising:
    - current service cost - the increase in liabilities as result of years of service earned this year – allocated in the CIES to the services for which the employees worked
    - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the CIES, within the Resources Directorate.
    - net interest on the net defined benefit liability, i.e. net interest expense for the Council – the change during the period in the net defined benefit liability that arises from the passage of time charged to the FIIE line in the CIES – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments

- Re-measurements comprising:
    - the return on plan assets (excluding amounts included in the net interest on the net defined benefit liability) – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to Other Comprehensive Income and Expenditure
    - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

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

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

Discretionary Benefits
The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise because of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

We recognise 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 retirement benefits is reversed out of the GF via the MIRS.

The following transactions have been made in the CIES and the GF Balance via the MIRS during the year:

2017-18		2018-19
£000		£000
	Comprehensive Income & Expenditure Statement	
	Service Cost	
7,789	Current service cost	8,402
187	Past service cost (including curtailments)	1,045
7,976	**Total Service Cost**	**9,447**
	Financing and Investment Income and Expenditure:	
(4,737)	Interest income on plan assets	(5,036)
7,141	Interest cost on defined benefit obligation	7,550
2,404	**Total Net Interest**	**2,514**
10,380	**Total Post Employment Benefits charged to the Surplus or Deficit on the Provision of Services**	**11,961**
	Remeasurement of the Net Defined Liability comprising:	
1,603	Return on plan assets excluding amounts included in net interest	6,071
0	Actuarial losses arising from changes in demographic assumptions	0
(5,302)	Actuarial (gains)/losses arising from changes in financial assumptions	(23,247)
(50)	Other experience	(87)
(3,749)	**Total remeasurements recognised in Other Comprehensive Income (OCI)**	**(17,263)**
6,631	**Total Post Employment Benefits charged to the CIES**	**(5,302)**

Pension Assets and Liabilities Recognised in the Balance Sheet
The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit plan is as follows:

	Movement in Reserves Statement	
(10,380)	Reversal of net charges made to the Surplus or Deficit on the provision of services for post employment benefits in accordance with the code	**(11,961)**
	Actual amount charged against the General Fund Balance for pensions in the year:	
9,863	**Employers' contributions payable to scheme**	**3,558**

Reconciliation of the Movements in the Fair Value of the Scheme Assets:

2017-18		**2018-19**
£000		**£000**
187,657	Fair value of plan assets	196,712
(274,561)	Present value of funded liabilities	(309,370)
(3,313)	Present value of unfunded liabilities	(3,325)
(90,217)	**Net Liability arising from Defined Benefit Obligation**	**(115,983)**

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

2017-18		**2018-19**
£000		**£000**
180,159	Opening fair value of the scheme assets	187,657
4,737	Interest income	5,036
	Remeasurement gain	
(1,603)	Return on plan assets excluding amounts included in net interest	(6,071)
9,863	Contributions from employer	3,558
1,477	Contributions from employees into the scheme	1,518
(6,976)	Benefits paid	7,028
187,657	**Closing Fair Value of Scheme Assets**	**198,726**

2017-18		2018-19
£000		£000
273,608	Opening fair value of the scheme liabilities	277,874
7,789	Current service cost	8,402
7,141	Interest cost	7,550
1,477	Contributions from scheme participants	1,518
	Remeasurement gain	
-	Actuarial losses arising from changes in demographic assumptions	0
(5,302)	Actuarial (gains)/losses arising from changes in financial assumptions	(23,247)
(50)	Other	(87)
187	Past Service Cost	1,045
(6,976)	Benefits paid	7,028
277,874	**Closing Fair Value of Scheme Liabilities**	**280,083**

Pension Scheme Assets Comprised:

Asset Category	31-Mar-19				31-Mar-18			
	Quoted Prices in Active Markets £(000s)	Prices not quoted in Active markets £(000s)	Totals £(000s)	%	Quoted Prices in Active Markets £(000s)	Prices not quoted in Active markets £(000s)	Totals £(000s)	%
Equity Securities:								
Consumer	5,326.6	-	5,326.6	3%	15,224.4	-	15,224.4	8%
Manufacturing	3,418.0	-	3,418.0	2%	13,800.8	-	13,800.8	7%
Energy and utilities	3,031.3	-	3,031.3	2%	7,565.6	-	7,565.6	4%
Financial Institutions	3,051.6	-	3,051.6	2%	13,275.3	-	13,275.3	7%
Health and Care	2,606.3	-	2,606.3	1%	5,014.4	-	5,014.4	3%
Information Technology	5,824.3	-	5,824.3	3%	10,569.3	-	10,569.3	6%
Other	519.3	-	519.3	0%	382.1	-	382.1	0%
Debt Securities								
Corporate Bonds (investment grade)	-	-	-	0%	6,514.5	-	6,514.5	4%
Corporate Bonds (non-investment grade)	-	-	-	0%	411.3	-	411.3	0%
UK Government	-	-	-	0%	382.3	-	382.3	0%
Other	-	-	-	0%	860.2	-	860.2	0%
Private Equity								
All	-	11,660.1	11,660.1	6%	-	7,876.1	7,876.1	4%
Real Estate								
UK Property	3,552.60	5,777.60	9,330.2	5%	2,990.60	7,679.50	10,670.10	6%
Overseas Property	-	3,413.00	3,413.0	2%	-	69.40	69.40	0%
Investment Funds and Unit Trusts								
Equities	94,293.3	13,532.9	107,826.2	55%	52,038.0	-	52,038.0	28%
Bonds	23,578.5	9,280.3	32,858.8	17%	20,512.4	-	20,512.4	11%
Hedge funds	-	-	-	-	-	-	-	-
Commodities	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Derivatives								
Inflation	-	-	-	-	-	-	-	-
Interest Rate	-	-	-	-	(5.6)	-	(5.6)	0%
Foreign Exchange	1,148.0	-	1,148.0	1%	266.0	-	266.0	0%
Other	-	-	-	-	-	-	-	-
Cash and Cash Equivalents								
All	6,698.5	-	6,698.5	3%	22,230.4	-	22,230.4	12%
Totals	153,048	43,664	196,712	100%	172,032	15,625	187,657	100%

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumption about mortality rates, salary levels etc. The County Council fund liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries. The Actuary has prepared the figures by applying a ‘roll-forward’ approach to the last formal valuation, which was as at 31 March 2016.

The main financial assumptions used in their calculation have been:

2017-18		2018-19
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
22.5 years	Men	22.5 years
24.6 years	Women	24.6 years
	Longevity at 65 for future pensioners:	
24.1 years	Men	24.1 years
26.4 years	Women	26.4 years
2.4%	**Rate of Inflation (CPI)**	2.4%
2.7%	**Rate of increase in salaries***	2.7%
2.4%	**Rate of increase in pensions**	2.4%
2.7%	**Rate for discounting scheme liabilities**	2.7%
	*** Salary increases are assumed to be 1.5% until March 2017, reverting to the long term assumption shown thereafter.**	

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analyses changes while all the other assumptions remain constant. The assumptions in longevity for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the 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 credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in 2017-18.

Change in Assumptions at 31 March 2019	Approximate % increase to Employer	Approximate monetary amount (£000)
0.5% decrease in Real Discount rate	10%	32,075
0.5% increase in the Salary Increase Rate	1%	4,112
0.5% increase in the Pension Increase Rate	9%	27,469

The principal demographic assumption is the longevity assumption (i.e. member life expectancy). For sensitivity purposes, the Actuary has estimated that a one-year increase in life expectancy would approximately increase the Employer’s Defined Benefit Obligation by around 3% to 5%. In practise the actual cost of a one-year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply at younger or older ages)

Impact on the Council’s Cash Flows
The objectives of the scheme are to keep employers’ contributions at as constant a rate as possible. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2019.

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

The Council anticipates paying £5,216,000 contributions to the scheme in 2018-19.

The weighted average duration of the defined benefit obligation for scheme members is 17.8 years.

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £116 million 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 will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

28. Contingent Liabilities

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

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

Municipal Mutual Insurance Limited may claim an amount of up to £517,000 in relation to the company's liability for asbestos induced mesothelioma claims arising on the Council's liability account. During 2012-13 the directors of Municipal Mutual Insurance Limited triggered the scheme of arrangement, with an initial levy rate of 15%. A further levy of 10% was raised in 2015-16. The Council has paid both of them. There may be further levies at some time in the future, but there is no indication of when or how much.

29. 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 assets are not recognised in the Balance Sheet but disclosed as a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

The council had no contingent assets.

30. Financial Instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity investment of another entity. They are recognised on the balance sheet when the Council becomes party to the contractual provisions of the financial instrument.

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

The fair value of a financial asset is the price that would be received if it were sold.

The fair value of a financial liability is the price that would be paid to transfer it to another participant of equal credit standing.

Fair values are detailed below, split by their level in the fair value hierarchy:

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

Financial Liabilities
A financial liability is an obligation to transfer economic benefits controlled by the Council. It can be a contractual obligation to deliver cash, financial assets or an obligation to exchange financial assets and liabilities with another entity that are potentially unfavourable to the Council.

They are initially measured at fair value and are subsequently measured and carried on the Balance Sheet at their amortised cost.

Annual charges to the Financing and Investment Income and Expenditure (FIIE) line in the CIES for interest payable are based on the carrying amount of the liability, multiplied by the effective interest rate for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

Financial liabilities held at the balance sheet date consist of long-term loans with the Public Works Loan Board (PWLB), bank overdraft and trade payables for goods and services received. For the Councils loans, the amount presented in the Balance Sheet is the outstanding principle repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

The financial liabilities disclosed in the balance sheet are analysed across the following categories:

FINANCIAL LIABILITIES	Long-term		Short-term	
	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000
Borrowing				
Loans at amortised cost				
- Principal sum borrowed	192,665	192,895	20,267	48,730
- Accrued interest	-	-	66	226
- Internal charities	-	-	4	9
Total Borrowing	**192,665**	**192,895**	**20,337**	**48,965**
Loans at amortised cost				
- Bank overdraft	-	-	(63)	-
Total Cash Overdrawn	**-**	**-**	**(63)**	**-**
Trade payables (Creditors)	-	-	2,330	3,371
TOTAL FINANCIAL LIABILITIES	**192,665**	**192,895**	**22,604**	**52,336**

The total short-term borrowing includes £230,000 (£230,000 in 2017-18) representing the short-term portion of long-term borrowing (repayable within 1 year).

The short-term creditors line on the balance sheet include £32.997 million (£19.876 million in 2017-18) short-term creditors that do not meet the definition of a financial liability.

All non-derivative financial liabilities 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 31 March 2019, using the following methods and assumptions:

- loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans
- the fair values of other long-term loans have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March 2019
- no early repayment or impairment is recognised for any financial instrument
- the fair value of short-term instruments, including trade payables, is assumed to approximate to the carrying amount.

Financial Liabilitites	**Fair value level**	**Balance sheet 31 March 2019 £'000**	**Fair value 31 March 2019 £'000**	**Balance sheet 31 March 2018 £'000**	**Fair value 31 March 2018 £'000**
Financial liabilities held at amortised cost:					
Long-term loans from PWLB	2	192,665	217,166	192,895	213,012
Other long-term loans	2	-	-	-	-
TOTAL		**192,665**	**217,166**	**192,895**	**213,012**
Liabilities for which fair value is not disclosed		135,018		142,553	
TOTAL FINANCIAL LIABILITIES		**327,683**		**335,448**	
Recorded on balance sheet as:					
Long-term borrowing		192,665		192,895	
Other long-term liabilities		112,581		90,217	
Short-term creditors		2,330		3,371	
Short-term borrowing		20,107		48,965	
TOTAL FINANCIAL LIABILITIES		**327,683**		**335,448**	

The liabilities for which fair value is not disclosed comprise of short-term financial liabilities that are assumed to be approximate to the carrying amount, including both short-term borrowing and trade payables. Other long-term liabilities relates to the pension scheme liability.

We have judged that it is appropriate to calculate the fair value of PWLB loans by reference to rates from the local authority bonds market as adjusted for interest rate swap rates available from Bloomberg.

The fair value of long-term PWLB loans held at amortised cost is higher than their balance sheet carrying amount because the Council's portfolio of loans includes a number of loans where the interest rate payable is higher than the current rates available for similar loans at the balance sheet date. The reverse is true of other long-terms loans payable.

Financial Assets
A financial asset is a right to future economic benefits controlled by the Council that is

represented by cash or other instruments or a contractual right to receive cash or another financial asset.

There are three classifications for financial assets under the Code of Practice

- amortised cost
- fair value through other comprehensive income
- fair value through profit and loss

Amortised Cost (cash flows re solely payments of principal and interest and the Council's business model is to collect those cash flows)

These are recognised in the Balance Sheet when the Council enters a contractual provision of a financial instrument.

These comprise:

- cash in hand
- bank current and deposit accounts with HSBC Bank PLC
- fixed term deposits with banks and building societies
- loans to other local authorities
- loans to small companies and housing associations
- covered bonds issued by banks and building societies
- trade receivables for goods and services provided

The Councils investments are presented in the balance sheet as the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the investment agreement.

Fair value through other comprehensive income (where cash flows are solely payments of principal and interest and the Council's business model is to both collect those cash flows and sell the instrument)

These are recognised on the balance sheet when the Council enters a contractual provision of a financial instrument and are initially measured and carried on the balance sheet at fair value.

The Council does not currently hold any financial assets with this categorisation.

Fair value through profit and loss (all other financial assets)

These are recognised on the balance sheet when the Council enters a contractual provision of a financial instrument and are initially measured and carried on the balance sheet at fair value.

These financial assets comprise:

- money market funds
- pooled funds

Details of the Council's investment holdings can be found in the Capital and Investment Outturn Report (insert link)

Changes in fair value are taken to the CIES within the FIIE line, and are now a gain or loss to the CIES. However, the Government introduced a 5-year statutory override for this impact for pooled funds, whereby the gain or loss in year can be reversed out via the MIRS and held in a Financial Instruments reserve.

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the FIIE line in the CIES, along with any accumulated gains or losses previously recognised in the financial instruments reserve.

The financial assets disclosed in the balance sheet are analysed across the following categories:

FINANCIAL ASSETS	Long-term		Short-term	
	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000
Investments				
Amortised cost				
- Principal	40,481	31,637	21,558	73,129
- Accrued interest	-	-	608	576
Fair value through profit and loss				
- Fair value	4,619	2,698	20,342	20,370
Total Investments	**45,100**	**34,335**	**42,508**	**94,075**
Cash and Cash Equivalents				
Amortised cost				
- Cash	-	-	5	286
- Cash equivalents	-	-	-	436
- Accrued interest	-	-	-	-
Fair value through profit and loss				
- Fair value	-	-	13,241	8,328
Total Cash and Cash Equivalents	**-**	**-**	**13,246**	**9,050**
Trade receivables (Debtors)	-	-	7,584	9,060
TOTAL FINANCIAL ASSETS	**45,100**	**34,335**	**63,338**	**112,185**

The short-term debtors line in the balance sheet includes £12.726 million (£6.709 million in 2017-18) short-term debtors that do not meet the definition of a financial asset.

Financial assets	Fair value level	Balance sheet 31 March 2019 £'000	Fair value 31 March 2019 £'000	Balance sheet 31 March 2018 £'000	Fair value 31 March 2018 £'000
Financial assets held at fair value:					
Money market funds	1	13,241		8,328	
Bond, equity and property funds	1	11,511		19,826	
Shares in unlisted companies	3	110		100	100
Financial assets held at amortised cost:					
Corporate, covered and government bonds	1	21,192	21,166	36,712	34,971
Long-term loans to local authorities	2	27,500	28,506	19,298	17,214
Long-term loans to companies	3	4,619	4,619	2,698	2,698
TOTAL		**78,173**	**54,291**	**86,962**	**54,983**
Assets for which fair value is not disclosed		33,868		62,012	
TOTAL FINANCIAL ASSETS		**112,041**		**148,974**	
Recorded on balance sheet as:					
Long-term debtors		3,665		2,454	
Long-term investments		45,100		34,335	
Short-term debtors		7,584		9,060	
Short-term investments		42,508		94,075	
Cash and Cash Equivalents		13,184		9,050	
TOTAL FINANCIAL ASSETS		**112,041**		**148,974**	

The fair value of short-term financial assets including trade receivables (debtors), and short-term investments as loans and receivables, is assumed to approximate to the carrying amount.

The fair value of financial assets held at amortised costs is higher than their balance sheet carrying amount because the interest rate on similar investments is now lower than that obtained when the investment was originally made.

The £4.619 million in the table relates to a loan to our wholly owned company, North Downs Housing Limited. The fair value has been calculated using the value of the loans made to the company plus accrued interest on the loan.

No credit loss adjustment has been made on the North Downs Housing Limited loans:

- The market valuation at 31 March 2019 of the 15 properties purchased prior to 1 April 2018 stood at £4.045 million.
- We purchased another 11 properties in 2018-19 with expenditure of £3.38 million, bringing the total asset value to be £7.791 million.
- The loan is £4.619 million meaning there is £3.1 million (or 40%) asset value to debt ratio.
- The company business plan always assumed it was loss making in the first 5 years, the purchase of properties has been slower than planned so it is therefore assumed the period of making a loss is now the first 8 years.
- The company is 100% wholly owned and the assets revert back to the Council if the company goes bust.
- RICS March 2019 survey predicts a steady growth and increased rents for the UK rental sector (particularly in the south east) (https://www.rics.org/uk/news-insight/research/market-surveys/uk-residential-market-survey/).
- In addition, unemployment is low locally which would indicate a steady property rental market going forward

(https://www.nomisweb.co.uk/reports/lmp/la/1946157333/report.aspx)

Offsetting Financial Assets and Liabilities
Financial assets and liabilities are set off against each other where the Council has a legally enforceable right to sell off and it intends to either settle on a net basis or to realise the asset and settle the liability simultaneously. The only item offset on the balance sheet is the bank overdraft, which is shown within cash and cash equivalents. The Council had no other financial assets or liabilities subject to an enforceable master netting arrangement or similar agreement.

Gains and Losses
The gains and losses recognised in the CIES in relation to financial instruments consist of the following items:

2017-18					2018-19			
Financial Liabilities (amortised cost) £000	Financial Assets: Amortised cost £000	Financial Assets: Fair Value through P&L £000	Total £000		Financial Liabilities (amortised cost) £000	Financial Assets: Amortised cost £000	Financial Assets: Fair Value through P&L £000	Total £000
5,261	-	-	5,261	Interest expense	5,368	-	-	5,368
5,261	-	-	**5,261**	**Total expense in Surplus on the Provision of Services**	**5,368**	-	-	**5,368**
-	(729)	(1,124)	(1,853)	Interest income	-	(1,054)	(931)	(1,985)
-	**(729)**	**(1,124)**	**(1,853)**	**Total income in Surplus on the Provision of Services**	-	**(1,054)**	**(931)**	**(1,985)**
-	-	108	108	(Gains)/losses on revaluation	-	-	(291)	(291)
-	-	**108**	**108**	**(Surplus)/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure**	-	-	**(291)**	**(291)**
5,261	**(729)**	**(1,016)**	**3,516**	**Net (gain)/loss for the year**	**5,368**	**(1,054)**	**(1,222)**	**3,092**

Transaction Costs
Measurement at amortised cost permits transaction costs relating to financial instruments to be attached to the loan or investment and charged to the CIES over the life of the instrument. Where these costs are considered to be immaterial, they can be charged in full to the CIES in the financial year in which they are incurred. The Council adopted this latter approach in 2018-19.

31. Nature And Extent Of Risks Arising From Financial Instruments
The Council has adopted CIPFA's Code of Practice on Treasury Management (and subsequent amendments) and complies with the Prudential Code for Capital Finance in Local Authorities (both revised in December 2017).

As part of the adoption of the Treasury Management Code, the Council approves a capital and investment 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 follow to manage these risks.

The capital strategy includes an Annual Investment Strategy in compliance with the MHCLG Guidance on Local Government Investments. This Guidance emphasises that priority is given to security and liquidity, rather than yield. The Council's capital strategy, together with its treasury management practices are based on achieving a suitable balance between risk and return or cost.

The council's activities expose it to a variety of financial risks:

- credit risk – the possibility that other parties might fail to pay amounts due to the Council
- liquidity risk – the possibility that the Council might not have cash available to make contracted payments on time
- market risk – the possibility that an unplanned financial loss might arise as a result of changes in market variables such as interest rates or equity prices.

Credit risk: Investments
The Council manages credit risk by ensuring that investments are placed with organisations of high credit quality and in line with the approved capital and investment strategy (the definition of high credit quality is set in the 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, or with a credit rating of below A-, where the Council has received independent investment advice. We have set our high credit quality criteria as A-, however we do have allowance in our capital strategy to invest in counterparties below this.

The capital and investment strategy also imposes a maximum sum the Council can invest with a financial institution or group other than the UK government. This is £10 million maximum, of which only £6 million may be on unsecured investments. The Council sets limits on investments in certain sectors. A maximum sum for long-term investments (greater than a year) is also set.

All investments in 2018-19 were in line with the Council's approved capital strategy.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non-recovery applies to all of the Council's deposits, but there was no evidence at the balance sheet date that this was likely to materialise.

The credit quality of £21.1 million of the Council's long-time investments is enhanced by collateral held. This is entirely in the form of covered bonds collateralised by residential mortgages. This collateral significantly reduces the likelihood of the Council suffering a loss on these investments.

The table below summarises the credit risk exposures of the Council's investment portfolio by credit rating:

Investment type	Credit rating	Long term		Short term	
		31 Mar 19	31 Mar 18	31 Mar 19	31 Mar 18
		£000	£000	£000	£000
Investments	AAA	12,872	15,037	8,320	15,797
	AA+	-	16,498		10,298
	AA	-	-		-
	AA-	21,500	-	5,004	10,022
	A+	-	-		-
	A	6,000	-	8,013	33,497
	A-	-	-		3,001
Housing associations	n/a	-	-	7,545	-
Housing Company	n/a	4,619	2,700	184	89
Surrey Save Shares	n/a	100	100	-	-
B4SH	n/a	10	-	-	-
Unrated building societies	n/a	-	-	1,002	1,001
Money Market Funds	AAA	-	-	13,241	8,328
Call Accounts	AA-	-	-	-	436
Investment Funds	n/a	-	-	12,022	20,370
Total Investments		**45,101**	**34,335**	**55,331**	**102,839**

Loss allowanced on treasury investments have been calculated by reference to historic default data published by credit ratings. The resulting loss allowance was immaterial so no adjustment has been made in the accounts.

Trade Receivables
The Council does not generally allow credit for customers. Of the total debt outstanding £2.4 million relating to services that the Council has invoiced for is past its due date for payment. The past due amount can be analysed by age as follows:

	Debtors	
£'000		£'000
2,362	Less than six months	1,575
108	Six months to one year	391
533	More than one year	464
3,003		2,430

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. Loss allowances for receivables have been calculated based on historic information. Debts are deemed to be overdue when they are at least 30 days past their due date. Anything with a due date prior to 1 April 2018 has been written off to the Surplus or Deficit on the Provision of Services, despite the Council continuing to make every effort to collect the sums owing.

Liquidity risk
The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. The Council has access to borrowing facilities via the Public Works Loans Board (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.

The Council is exposed to the risk that it will need to refinance a significant proportion of its borrowing at the time of unfavourable interest rates. The Council's strategy is to plan carefully when new loans are taken out and making early repayments where financially advantageous. The risk is also managed by maintaining a spread of fixed rate loans ensuring loans mature at different times.

The Council would only borrow in advance of need where there is a clear business case for doing so.

The maturity analysis of the principal sums borrowed is as follows:

31 March 2018		31 March 2019
£'000		£'000
	Short Term Borrowing	
48,730	Less than one year	20,230
	Long Term Borrowing	
230	Over 1 but not over 2 years	230
55,230	Over 2 but not over 5 years	75,000
80,000	Over 5 but not over 10 years	35,000
25,000	Over 10 but not over 15 years	25,000
32,435	Over 15 but not over 20 years	40,000
0	Over 20 but not over 30 years	17,435
241,625	**Total Borrowings**	**212,895**

All trade and other payables are due to be paid in less than one year.

Market risk: Interest rate risk
The Council is exposed to risks arising from movements in interest rates on its borrowing and investments. Movement in interest rates have a complex impact on the Council. 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 borrowings will fall
- investments at variable rates – the interest income credited will rise
- investments at fixed rates – the fair value of the investments will fall.

Investments measured at amortised cost and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on the CIES.

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 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 Capital and Investment Strategy aims to mitigate these risks by setting upper limits for fixed and variable interest rate exposures.

If interest rates had been 1% higher (all other variables being constant) the financial effect across the whole portfolio would be an increase in interest received of approximately £1.4 million, and an increase in interest payable on loans of approximately £2.1 million.

Market Risks: Price Risk
The market prices of the Council's fixed rate bond investments and its units in pooled bond funds are governed by prevailing interest rates and the market risk associated with these instruments is managed alongside interest rate risk.

The Council's investment in a pooled property fund is subject to the risk of falling commercial property prices. We limit our exposure to pooled property funds to help mitigate this risk.

The Council’s investment in a pooled equity fund is subject to the risk of falling share prices.

The gain or loss on pooled funds are now classified as Fair Value through Profit and Loss, and charged to the FIIE line in the CIES, so all movements will have an impact in the year the movement incurred. The Government, however, has implemented a mandatory 5-year statutory override, in that the movement in year can be transferred out to a Financial Instrument Reserve via the MIRS.

32. North Downs Housing ltd

As at 31 March 2019, North Downs Housing ltd had purchased 26 properties, against the original business plan of 75 properties. The Council has invested £7.9 million in the company through a mix of equity and loan finance.

Of the 26 properties, 21 had tenants, and income for 2018-19 was £190,000 with revenue expenditure of £310,000. There have not been any long-term voids.

The revised business plan assumes 25 further purchases in 2019-20.

33. Critical Judgements In Applying Accounting Policies

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

Although there is a degree of uncertainty about future levels of funding for local government the Council has determined that this uncertainty does not indicate that the assets of the Council might be impaired. The factors taken into account in concluding that the Council continues to be a going concern include our level or reserves, level of committed funding, budget and cash for the coming years, and the lack of proposed local government reorganisation.

The value of PPE on the Balance Sheet includes the value of certain land and buildings that were not formally revalued during the year under the Council’s rolling programme of revaluations. The Council uses critical judgement to determine by how much the value of other land and buildings (OLB) within PPE on the Balance Sheet would have to be understated or overstated to mislead a user of the accounts and therefore to require these assets to be formally revalued.

Critical judgement has been used in identifying how assets are classified on the balance sheet. In particular, some assets that we hold to earn rental income are also held for economic development and regeneration purposes. However, as they are not used in the direct delivery of services they have been classified as investment property.

Also, some assets that are held for their historical interest are classified as PPE rather than heritage assets because they are also used to provide a particular service.

Critical judgement is also used in classifying our leases as either operating or finance leases.

North Downs Housing ltd had a turnover of £195,000 in 2018-19, which is well below our materiality level of £1 million. It is not, therefore, material to the CIES and we have not produced consolidated accounts on this basis.

The Council has determined that a materiality level of £1 million is appropriate for inclusion of accounting policies and disclosure notes in the Statement of Accounts.

34. Assumptions Made About The Future And Other Major Sources Of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Council's Balance Sheet at 31 March 2019 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Business Rates	Since the introduction of the Business Rates Retention Scheme effective from 1 April 2013, local authorities are liable for successful appeals against business rates charged to businesses in 2018-19 and earlier years, in their proportionate share. A provision of £8.438 million, of which the Council's share is £2.5 million, has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2019. The provision has been calculated using the Valuation Office ratings list of appeals and the analysis of successful appeals to date.	If the level of successful appeals varies by 1%, it would increase or decrease the appeals provision by £100,100, which in turn would increase or decrease the deficit on the Collection Fund by £100,100. The Council's share of the increase or decrease would be £40,040, which would increase or decrease the surplus on provision of services in the CIES.
Property, Plant and Equipment (PPE) and Investment property	PPE and investment property are included in the balance sheet at fair value of £763 million and £161 million respectively. Chartered surveyors are engaged to provide expert advice in the assumptions to be applied when carrying out the valuations. Individual items of PPE are depreciated over estimated useful lives that are partly dependent upon assumptions about the level of repairs and maintenance that will take place. If the Council were not able to sustain its level of spending on the repair and maintenance of its assets in the long term the estimated useful life assigned to individual assets would need to be reduced.	If the valuations were changed by 1%, it would increase or decrease the value of net assets on the balance sheet by around £8 million. If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. Depreciation costs do not affect the Council's overall financial position as they form part of the adjustment between accounting basis and funding basis under regulations.
Pensions Liability	Estimation of the net liability to pay pensions of £112 million depends on a number of complex judgements relating to the discount rate used, the rate at	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	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.	would result in an increase in the pension liability of £32.075 million. A 0.5% increase in the salary increase rate would result in an increase in the pension liability of £4.112 million and a 0.5% increase in the Pensions increase rate would result in an increase in the pension liability of £27.469 million. During 2018-19, the Council's Actuary advised that the net pension's liability had increased by £22.3 million. This is as a result of an increase in the net discount rate (much lower discount rate, net of slightly higher inflation) over this period.
Debtors	At 31 March 2019, the Council was owed approximately £23 million. A review of significant balances suggested that an allowance for doubtful debts of £5.7 million was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of doubtful debts would require an additional £1.3 million to set aside as an allowance.

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

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted.

There are no changes in accounting requirements for 2019-20 that are anticipated to have a material impact on the Council's financial performance or financial position.

Housing Revenue Account (HRA) Income And Expenditure Statement

2017-18 £000		NOTE	2018-19 £000
	Income		
	Gross Rent Income	1	
29,786	Dwellings		29,444
900	Non-dwellings		925
1,245	Charges for Services and Facilities		1,482
32,247	**Total Income**		**31,991**
	Expenditure		
5,524	Repairs and Maintenance		5,677
4,863	Supervision and Management		5,281
275	Increased Provision for Bad or Doubtful Debts		64
5,529	Depreciation	8	5,639
(72)	Revaluation (gain)/loss		(76)
165	Debt Management Expenses		163
658	Other Expenditure		(69)
16,942	**Total Expenditure**		**16,679**
(15,305)	**Net Income of HRA Services per Comprehensive Income & Expenditure Statement**		**(15,312)**
264	HRA Share of Corporate & Democratic Core		259
134	(Gain) / Loss on sale of HRA fixed assets		0
(385)	HRA Investment Income		(456)
5,004	Interest payable		5,159
-	Capital grants and contributions		-
(10,288)	**Surplus for year on HRA services**		**(10,350)**

The HRA income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. The Council charges rent to cover expenditure in accordance with the legislative framework; this is different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the Movement on the HRA Statement.

Movement On The Housing Revenue Account Statement

2017-18			2018-19
£000			**£000**
2,500	Balance on the HRA at the end of the previous year		2,500
10,288	Surplus for the year on the HRA Income and Expenditure Account	9,975	
(225)	Adjustments between accounting basis and funding basis under statute (see note 23 to the Accounts)		
10,063	Net increase before transfers to reserves	9,975	
(10,063)	Transfers to reserves (see note 12 to the Accounts)	(10,489)	
-	Increase in year on the HRA		- 514
2,500	**Balance on the HRA at the end of the current year**		**1,986**

Notes To The Housing Revenue Account

1. Gross Rent Income

This is the total rent income due for the year after allowance is made for voids etc. During the year, voids amounted to £607,888.22 or 2.08% of gross rent income from dwellings (£482,213.46 or 1.63% for 2017-18). Average rents were £110.83 per week in 2018-19, a decrease of £0.43 over the previous year.

2. Rent Arrears

At 31 March 2019, rent arrears were £1,239,820.05 (including £457,668.27 former tenant arrears) or 4.24% of gross rent income. The comparable figures for 2017-18 were £1,238,824 (including £485,501.56 former tenant arrears) or 4.19% of gross rent income.

The provision for bad debts at 31 March 2019 was £929,840.67. The comparable figure for 2017-18 was £929,855.03.

Amounts written off in the year amounted to £63,914.36 (£126,717.71 in 2017-18)

3. Housing Stock

The Council was responsible for managing on average 5,209 dwellings in 2018-19, analysed below:

2017-18	**Average**	**2018-19**
2,630	Houses	2,635
2,264	Flats	2,255
319	Bungalows	319
5,213		**5,209**
2017-18		**2018-19**
5,214	Stock at 1 April	5,212
(18)	Less Sales	(12)
16	Other Adjustments	7
5,212	**Stock at 31 March**	**5,207**

4. Stock Valuation – Balance Sheet Basis

The basis for the balance sheet valuation of the Council's housing stock is Existing Use Value – Social Housing (EUV – SH) as defined by the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual. The EUV – SH is broadly based on the vacant possession value of the properties, adjusted to reflect the occupation by a secure tenant. The valuation was carried out by Bruton Knowles, Chartered Surveyors. The date of the valuation was January 2019.

The balance sheet value increases where new dwellings and properties are built or acquired and when capital works that improve or significantly enhance the value of the assets are carried out. The balance sheet value reduces when assets are sold and are written out of the accounts. Depreciation is charged on assets and this also reduced the balance sheet valuation.

Valuations for HRA assets are:

31 March 2018		**31 March 2019**
£000		**£000**
498,216	Dwellings (valued at EUV - SH)	503,701
5,895	Other Operational Land and Buildings (valued at MV - EU)	5,112
36	Vehicles, plant, furniture and equipment	37
63	Infrastructure	56
139	Community Assets (historic cost)	139
10,827	Assets under construction	10,587
515,176	**Total HRA Assets**	**519,633**

Other operational land and buildings are valued at open market value in existing use.

5. Stock Valuation – Vacant Possession Value

Valuation of dwelling stock at Vacant Possession Value within the HRA at March 2019 was £1.398 billion. The vacant possession value and the balance sheet value of dwellings within the HRA show the economic cost to Government of providing council housing at less than open market rent.

6. Major Repairs Reserve (MRR)

The MRR is a reserve established by the Government as part of the resources accounting system in the HRA. Movements in the MRR during the year were:

2017-18		2018-19
£000		£000
6,396	**Opening Balance at 1 April**	7,991
5,529	Depreciation transferred from the HRA	5,639
(3,934)	Capital Expenditure on HRA assets financed from the Major Repairs Reserve	(4,395)
7,991	**Closing Balance at 31 March**	9,235

7. Capital Expenditure and Financing

The table below shows the total amount of capital expenditure incurred in the year together with the resources that have been used to finance it. Where capital expenditure has not been financed in the year, it results in an increase in the Capital Financing Requirement.

2017-18		2018-19
£'000		£'000
196,664	Opening Capital Financing Requirement	197,024
	Capital Investment	
4,187	Council dwellings	5,043
4,415	Assets under construction	4,192
35	Intangible assets	14
627	Revenue Expenditure Funded from Capital under Statute	-
	Sources of finance	
-	Specific Capital Grants	-
(4,330)	Capital Receipts	(2,771)
(3,934)	Major Repairs Reserve	(6,478)
(640)	Voluntary revenue provision	-
197,024	**Closing Capital Financing Requirement**	**197,024**

Total capital receipts from disposals of land, houses and other property within the HRA during the financial year amounted to £3.3 million.

8. Depreciation

The charges for depreciation for the houses and other property within the HRA for the year are as follows:

Appendix 1

2017-18		2018-19
£000		**£000**
5,444	Dwellings	5,539
110	Other Operational Land and Buildings	108
4	Vehicles, plant, furniture and equipment	5
7	Infrastructure	7
5,565	**Total HRA Assets**	**5,660**

The depreciation amount has been calculated by the straight-line method and has not been charged on investment properties or on non-operational housing assets.

9. Contributions to/from the Pensions Reserve

The HRA share of the contributions to the Pensions reserve is as follows:

2017-18		2018-19
£000		**£000**
51	Reversal of items relating to retirement benefits debited to the HRA	474
(360)	Employer's pensions contributions and direct payments to pensioners payable in the year	(327)
(309)	**Contribution to the Pensions Reserve**	**147**

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 NDR.

2017-18 £000 Council Tax	2017-18 £000 Business Rates		2018-19 £000 Council Tax	2018-19 £000 Business Rates
		INCOME		
	88,126	Income from Business Ratepayers - Note 2		90,124
98,700		Council Taxes	104,324	
		Distribution of prior year estimated deficit:		
	817	Central Government		66
	164	Surrey County Council	267	13
		Surrey Police & Crime Commissioner	45	
	654	Guildford Borough Council	38	53
98,700	**89,761**	**Total Income**	**104,674**	**90,256**
		EXPENDITURE		
		Precepts		
75,412		Surrey County Council	80,584	
12,718		Surrey Police and Crime Commissioner	13,508	
10,741		Guildford Borough Council	11,157	
		Payment of Business Rates shares:		
	44,063	Central Government		
	8,813	Surrey County Council		61,038
	35,251	Guildford Borough Council		26,159
	(1,658)	Transitional Protection payments		(1,521)
	232	Charge to General Fund for collecting NDR		231
192		Provision for council tax bad debts	(110)	
	385	Provision for business rates bad debts		65
	12,000	Provision for business rates appeals		(4,080)
		Distribution of prior year estimated surplus:		
		Central Government		
834		Surrey County Council		
145		Surrey Police and Crime Commissioner		
121		Guildford Borough Council		
100,163	**99,086**	**Total Expenditure**	**105,139**	**81,892**
		COLLECTION FUND BALANCE		
750	(2,779)	Balance at the beginning of the year	(713)	(12,104)
(1,463)	(9,325)	Surplus/(deficit) for the year	(465)	8,364
(713)	**(12,104)**	Balance at the end of the year	**(1,178)**	**(3,740)**

Notes To The Collection Fund

1. General

These accounts represent the transactions of the Collection Fund, which is a statutory fund separate from the main accounts of the Council. The accounts are prepared on an accruals basis, and they are consolidated with the other accounts of the Council on an agency basis.

The overall balance on Fund as at 31 March 2019 was a deficit of £4,918 million, made up of a Council Tax deficit of £1.178 million and a deficit in relation to business rates of £3.740 million.

The year-end Collection Fund surplus in relation to council tax is distributed between billing (the Council) and precepting (Surrey County Council and Surrey Police and Crime Commissioner) authorities on the basis of estimates of the year-end balance made on 15 January.

The year-end Collection Fund deficit in relation to business rates is distributed between billing and precepting (central government and Surrey County Council) authorities on the basis of year-end estimates made on 31 January.

2. Income from Business Rates

The Council collects non-domestic rates for its area. These rates are based on local rateable values (£225,064,580 as at 29 March 2019) multiplied by a uniform rate (49.3p standard and 48.0p small business rate in 2018-19). Local authorities retain a proportion of the total collectable rates due. For Guildford in 2018-19, this share is 30%. The remainder in 2018-19 is retained by Surrey County Council (70%).

3. Income from Council Tax

The Council's tax base, that is the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of band D dwellings, was calculated as follows:

Band	Estimated number of taxable properties after effect of discounts	Ratio	Band D equivalent dwellings
Dis A	1.50	5/9	0.83
A	663.30	6/9	442.20
B	1,967.00	7/9	1,529.89
C	8,652.80	8/9	7,691.38
D	13,225.90	9/9	13,225.90
E	8,841.36	11/9	10,806.11
F	6,028.89	13/9	8,708.40
G	6,940.42	15/9	11,567.37
H	1,632.01	18/9	3,264.02
	47,953.18		**57,236.10**
Plus adjustment for MoD properties and collection rates offset by anticipated changes during the year for successful appeals against valuation banding, new properties,demolitions, disabled person's relief, exempt properties and the Local Council Tax Scheme			(136.95)
			57,099.15

4. Collection Fund Provisions

The movement of the council tax bad debt provision during the year was as follows:

2017-18 £'000		2018-19 £'000
1,303	Balance at 1 April	1,595
192	Transfer (to) / from revenue	(110)
100	(Write offs)/write backs	66
1,595	Balance at 31 March	**1,551**

The movement on the business rates bad debt provision was as follows:

2017-18		2018-19
£'000		£'000
900	Balance at 1 April	1,128
386	Transfer from revenue	65
(158)	Write offs	(45)
1,128	Balance at 31 March	**1,148**

The movement on the business rates appeals provision was as follows:

2017-18		2018-19
£'000		£'000
8,185	Balance at 1 April	15,005
12,000	Transfer from revenue	(4,080)
(5,180)	RV list amendments	(2,488)
15,005	Balance at 31 March	**8,437**

Annual Governance Statement 2018-19

1. SCOPE OF RESPONSIBILITY

1.1. Guildford Borough Council is responsible for ensuring that it conducts its business in accordance with the law and proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

1.2. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs to facilitate the effective exercise of its functions, including arrangements for the management of risk.

1.3. The Council has considered the principles of the CIPFA/SOLACE framework Delivering Good Governance in Local Government 2016, including compliance with the CIPFA Statement on the role of the Chief Financial Officer in Local Government (2016) in the preparation of this statement.

1.4. This statement explains how the Council has complied with the code and meets the requirements of regulation 4 of the Accounts and Audit Regulations 2015 in relation to internal control.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

2.1 The governance framework comprises the systems, processes, culture and values by which the authority is directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and impact should those risks be realised and to manage those risks efficiently, effectively and economically.

2.3 The governance framework has been in place for the year ended 31 March 2019 and up to the date of approval of the statement of accounts.

3. GOVERNANCE FRAMEWORK

3.1 The Council is a complex organisation with an appropriately comprehensive governance framework that works in a dynamic environment and keeps its processes under constant review. A description of how the Council puts the principles of good governance, set out in the CIPFA/SOLACE code into practice is set out in the following table along with recent achievements, developments and areas for improvement.

Principles of Good Governance	**Arrangements the Council has for delivering good governance**	**Recent *achievements, developments* and areas for improvement**
A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	• Council's constitution, includes: ▪ codes of conduct for Councillors and Officers ▪ financial and procurement procedure rules ▪ protocol on decision making by lead councillors ▪ Council procedure rules for conduct at meetings ▪ Officer/Councillor protocol ▪ local code of practice for probity in planning ▪ arrangements for dealing with allegations of misconduct ▪ Briefing note for Councillors acting in private capacity • Induction for new members and staff on standard of behaviour expected • Staff performance framework includes behavioural framework & behaviour profiles are included within job descriptions • Regular staff performance review in place • Declarations of interest made at meetings • Register of interests maintained • Register of gifts and hospitality maintained for Councillors and staff • Police protocol for referral of complaints • Anti-Fraud and Corruption Strategy • Anti-Bribery Policy • Whistle blowing policy	*Review of codes of conduct started in 2018-19 with a view to report to Council in July 2019* *Procurement arrangements have been reviewed during 2018-19 following the appointment of a new monitoring officer and procurement manager. The Corporate Procurement Board (which has replaced the former corporate procurement advisory panel) has beenestablished.*

	• Officer corporate governance group to monitor compliance with laws and council policies • Officer health and safety group in place to monitor health and safety compliance • Complaints policy in place • Customer services manager monitors and regularly reports on complaints performance to corporate management team • Corporate Governance and Standards Committee (CG&SC) in place whose remit is set out within the constitution • Overview and Scrutiny Committee (O&SC) review of decision making • Procurement strategy, policy and toolkit in place • An officer Corporate Procurement Board (CPB) monitors compliance with the procurement strategy and policy • All committee reports to Executive and Council require review of legal and financial implications to be completed and signed off by Monitoring Officer (MO) or Chief Financial Officer (CFO) • Executive advisory boards in place to advise Executive on topics • Monitoring Officer provisions in place	
B. Ensuring openness and comprehensive stakeholder engagement	• The Councils vision and priorities are set out in the corporate plan • Consultation policy and community engagement strategy in place which adheres to consultation standards • Freedom of Information Act performance monitored by corporate management team and CG&SC • Online council tax information published • Transparency information published on website • Records of decision making maintained	The Council does not currently publish all FOI responses on its website *FOI performance continues to improve*

	• Protocol on decision making within the Council's constitution • Report templates include the requirement that all committee reports to Executive and Council require review legal and financial implications to be completed and signed off by the MO and CFO • Forward programme of committee meeting dates and agenda items published on-line with reporting dates adhered to • Citizens panel in place and regularly consulted with • Active programme of focus groups and surveys undertaken for specific service initiatives • Active use of social media and on-line tools to engage customers • Regular council newsletter About Guildford issued quarterly • Consultation responses published on the Council's website (e.g., local plan) • Recognition of the importance of and active engagement in key strategic partnerships such as Guildford Surrey Board, Health and Wellbeing Board, Local Enterprise Partnership (EM3) and service specific partnerships	*During 2018 we adopted a new corporate plan.*
C. Defining outcomes in terms of sustainable economic, social, and environmental benefits	• Corporate Plan 2018-2023 which sets out the Council's vision, key themes and priorities • Monitoring reports against the corporate plan reported to corporate management team • Programme and project management system in place, captures project level risks and performance reporting • Community engagement strategy • Risk management policy and strategy in place • Corporate risk register in place and monitored by corporate management team • Financial risk register in place and used to inform the financial sustainability	*The Council launched a new transformation programme 'Future Guildford' during 2018-19, which was reported to and approved by Council in February 2019.*

	of the budget and adequacy of the level of reserves • Monitoring of key performance indicators undertaken by corporate management team • Business planning process and capital programme development aligned to the corporate plan, bids for funding scored against achievement of corporate plan priorities • Transformation Programme in place including fundamental service reviews, overseen by the transformation board	
D. Determining the interventions necessary to optimise the achievement of the intended outcomes	• Medium term financial strategy and plan in place, reviewed annually and published as part of the Council's budget book • Business planning process in place to align financial resources with corporate plan priorities • Business planning guidance for managers in place and reviewed annually • Scrutiny of the budget and business planning bids by Executive Advisory Board and Councillor working group • Transformation programme in place including fundamental service reviews which include options appraisals for services • Forward programme for committee decisions • Regular corporate management team and Executive liaison meetings to discuss strategy held • Directors and senior officers hold regular 1:1 meetings with Lead Councillors • Corporate management team hold regular directorate level feedback sessions • Senior Leaders group in place • Transformation Board in place which monitors the transformation programme • Major Projects Board in place to monitor the delivery of major projects	*Service planning process was refreshed during 2018-19, co-ordinated by the Business Improvement Team.* Monitoring of service plan progress and KPIs at service level could still improve

	• Property review group in place to review all assets on a rolling programme and optimise property asset utilisation and performance • Capital Programme Monitoring Group in place to monitor progress of capital projects which are not major projects • Risk management protocol in place	
E. Developing capacity, including the capability of leadership and the individuals within it	• Organisational development framework includes continuous performance and development reviews of staff through one to one meetings and clear job descriptions with behavioural profiles. • Managing Director and Leader of the Council hold joint staff briefing sessions • The constitution sets out the role of statutory officers and the role of the Leader • The Council is compliant with CIPFA guidance on the Role of the Chief Financial Officer (CFO) • Head of Paid Service (HoPS) and CFO are part of the corporate management team and always attend Executive-Management team liaison and full Executive meetings • Professionally trained staff in relevant fields in place and continuing professional development encouraged as part of performance and development framework • Regular staff development training programme in place • Active support for staff to obtain external qualifications • Scheme of delegation and financial procedure rules reviewed annually • Councillor development steering group in place which develops and implements an active programme of Councillor training • Achievement of the South East Charter accreditation for Elected Member Development • Recognition of the importance of and active engagement in key strategic	Due to staff changes and senior management restructuring, the Monitoring Officer is not a member of corporate management team but does have regular 1:1 meetings with the Head of Paid Service and Chief Financial Officer and attends the Executive Liaison and Executive meetings.

	partnerships such as Guildford Surrey Board, Health and Wellbeing Board, Local Enterprise Partnership (EM3) and service specific partnerships	
F. Managing Risks and performance through robust internal control and strong public financial management	• Risk management strategy and protocol in place approved by Corporate Governance and Standards Committee (CGSC) • Internal audit work programme informed by risks • Internal audit is fully resourced and effective • Compliance the CIPFA code on managing the risk of fraud and corruption • Corporate risk register regularly monitored by corporate management team • The Council uses IDEA software to interrogate data systems for audit and risk management purposes • Role of the overview and scrutiny committee is clearly set out in the constitution and its work programme is developed by the chairperson and officers. Agendas and minutes are published on line. • Regular MO and CFO meetings in place to address statutory responsibilities • Officer corporate governance group oversees key governance, data protection and risk management information and receives reports from the health and safety group • Role of the Corporate Governance and Standards Committee (CG&SC) is clearly set out in the constitution and has an active work programme informed by the officer corporate governance group and agreed by the chairperson. Agendas and minutes are published on line. • A summary of internal and external audit reports are reported to CG&SC • Progress against audit plan and individual audit recommendations are monitored and reported to CG&SC • Council has comprehensive data protection policies and a designated data protection officer who monitors compliance with legislation • Information security risk group, led by the Senior Information Risk Owner in	*The Council made significant progress against the implemendation of General Data Protection Regulations (GDPR) ahead of implementation. The progress against GDPR was monitored by the officer Corporate Governance Group and the Corporate Governance and Standards Committee.* The Council has not recently reviewed the role and performance of the CG&SC against CIPFA best practice *although previous reviews in relation to the old Audit Committee found the committee were compliant with best practice* Corporate Management Team does not regularly monitor corporate KPIs. However, the data is collected and monitored by Surrey Chief Executives Group quarterly.

	place which reviews the Council's information governance procedures and any necessary improvements • CG&SC receive regular financial monitoring reports	
G. Implementing good practices in transparency, reporting and audit to deliver effective accountability	• The Council published significant information on its website • 'Style guide' in place to encourage officers to write reports in plain English • Annual financial statements includes a narrative summary on the Council's performance during the year as well as reporting the financial position • Effective internal audit function in place which complies with public sector audit standards and the CIPFA statement on the Role of the Head of Internal Audit • Community engagement strategy in place	The council does not currently produce a formal annual report however, the CFO's Narrative Statement in the Council's Statement of Accounts reports the majority of information that an annual report would be expected to cover *In previous years we reported that an internal audit review of the Council's compliance with the requirements under the Local Government Transparency Code 2015 for the publication of data, which the code mandates 'must be published' had given limited assurance that the Council was compliant. As of December 2018, the Council believes is it now largely compliant with the transparency code 2015 and this was confirmed as part of the follow up audit undertaken in summer 2018*

4. REVIEW OF EFFECTIVENESS

4.1. The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and by comments made by the external auditors and other review agencies and inspectorates.

4.2. Internal Audit has conducted an ongoing review of the Council's Corporate Governance processes and carried out audits according to the annual Audit Plan, which was approved by the Corporate Management Team, and the Corporate Governance and Standards Committee (CG&SC). We base the Audit Plan on a risk assessment that provides guidance as to the frequency of audits. It covers four main themes (Financial Control, Asset Management, Management Control and ICT) specifically to address the main concerns of corporate governance.

4.3. Internal Audit has produced an annual report on Corporate Governance, which is an assessment of corporate governance against CIPFA guidelines. They also review standards of internal control including risk and performance management. The overall conclusion is that the Council's systems of governance, risk management and Internal Control for the period to 31 March 2019 were generally sound and operate consistently across departments.

4.4. We have used all of this activity to inform the Annual Governance Statement.

5. INTERNAL AUDIT STATEMENT

5.1 In 2018-19 there were 38 planned pieces of works, including service and lean reviews and some contingency work. Over the year we have completed or are working on 36 audits which represents 95 per cent of the audit plan. The work carried out so far shows that there is no indication of any material or significant issues arising from this work that affect this statement. The results of the work carried out in the year to 31 March 2019 are shown below:

Assurance Rating	**Number of Audits**	
Significant Assurance	0	0%
Significant Assurance with minor improvement opportunities	18	47%
Partial assurance with improvements required	8	22%
No Assurance	0	0%
No Opinion (one-off projects) Value for Money	10	26%
In progress(Inc. fundamental service reviews)	2	5%

5.2 Where appropriate the audit report provides management recommendations designed to address weaknesses in the system of internal control. We report the outcomes of these audits to the CG&SC every six months giving councillors an opportunity to understand the Council's compliance with key controls and to discuss any areas of concern with the auditors. We also update councillors on the progress of recommendations. In 2018-19, there was evidence of sound controls and substantial assurance over our major financial systems. All of the main financial systems that feed into the Council's financial statements have good controls in place and have been given satisfactory assurance following the audit reviews. There were no control weaknesses found in the audits which represent a significant or material risk to the Council.

5.3 There are no material governance, or internal control issues of which Internal Audit have been made aware during the year, which cause any qualification of the above opinion. The main issue and priority from an audit perspective, as recognised by management, is that the Council sustains and completes the programme of transformational change and embeds improvement across the Council whilst maintaining service delivery and the effective operation of key controls. The work over the year identified some governance areas where there were a number of medium risks and the resulting recommendations will be subject follow-up reviews in 2019-20.

6. SIGNIFICANT GOVERNANCE ISSUES AND ACTION PLAN

6.1. This year has been a period of change and there have been ongoing financial pressures. Despite this challenging environment, there have been significant achievements and continuing improvement in the Council's overall governance arrangements as described in section 3. Where we have identified areas for further improvement we will take the necessary action to implement changes that will further develop our governance framework.

6.2. The Openness of Local Government Bodies Regulations, adopted in August 2014, and The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 place a requirement on Councils to publish on its website and make available to the public for inspection, reports on certain decisions taken under authority delegated to Officers or Councillors. Since 2017-18 the Council introduced reporting such decisions on its website through ModernGov. However, a summary of the decisions is not currently reported to a committee of the Council.

Progress on Governance Issues reported in the 2017-18 Annual Governance Statement:

6.3. The significant governance issues arising in 2017-18 and progress made against them are shown in table below:

CYBER SECURITY		
Recommendations	**Actions Agreed**	**Progress made**
The Council must migrate all IT devices onto operating systems that are supported by the developer. Where this is not possible, the devices running unsupported operating systems must be isolated from the Council's IT network.	The on-going remediation work includes the retirement of a number of legacy systems. The residual risk will be managed via the use of hardware based security measures to isolate any unsupported systems which cannot be decommissioned prior to the full refresh programme.	We have removed all but one xp pac and six windows 2003 servers. Plans are in place to remove all remaining systems as part of the ICT refresh programme by the end of April 2019.
There should be a defined ICT patch management procedure in place.	Work was already underway prior to the audit to address this in a proportionate manner and whilst this is not fully automated significant improvements have been made in assessing and applying patches. The ICT refresh programme fully addresses patch management.	Patching policy is in place. Weekly patching ongoing using nessus / wsus for vulnerability scanning. Awarded cyber security essentials accreditation by crest in February

		2019.
Fire Risk Assessments (FRA)		
Recommendations	**Actions Agreed**	**Progress Made**
A procedure should be established to review the FRAs annually, in line with the requirements of the Corporate Fire Safety Policy. All residential properties should be identified and managed. The list should include the date of the latest FRA and the next assessment due date for each property. The listing should be kept up to date to reflect the status of the FRA for each property.	The new Fire Safety Group has been tasked with ensuring the Council has up to date fire risk assessments which will be reviewed annually in accordance with the recommendations in the Council's Corporate Fire Safety Policy.	A new system has been implemented and tested that prompts staff to review their FRAs in line with our policy. Staff have received fire risk workplace assessment test on line training.
Following the completion of a FRA, management should develop an action plan to ensure that all recommendations raised are RAG-rated and prioritised. The action plan should be kept up to date to reflect the status of recommendations.	An action plan is being developed to ensure the Council can clearly identify and sign off what actions need to be undertaken in accordance with the latest fire risk assessments. Outstanding actions will be reviewed by the Fire Safety Group.	Surveyors are now reviewing all action plans to verify that the actions have been implemented.
Asbestos and Legionella		
Recommendations	**Actions Agreed**	**Progress Made**
The Council should ensure there is an up-to-date register, which clearly details all properties owned by the Council where asbestos containing materials (ACM) are present	An up-to-date asbestos register is being developed which will identify all properties where asbestos containing materials have been detected. This will provide a clear record identifying what actions need to be undertaken in accordance with the latest asbestos management surveys and will allow re-inspections to be dated and signed.	This work is on-going and we have revised the target date for completion. A contract for a specialist consultant to complete the review has been let.
The Council should ensure that accountability for asbestos management and appropriate responsibilities are assigned to a named individual within the Council. The Council should establish a Corporate Asbestos Management Group – with individual working groups feeding into it, whereby responsibility of asbestos is clearly assigned.	A new Asbestos Management Group is being established with representatives from service areas. The Group will agree Terms of Reference as well as reviewing and updating the Corporate Asbestos Policy. In addition they will ensure that corporate processes, procedures and training are put in place to provide full and safe management of asbestos. There is a designated responsible officer who together with the Group will review outstanding actions on the asbestos registers. Performance will be monitored by the Corporate Management Team.	All recommendations have been implemented and there are now sufficient governance processes in place. KPIs have been established to monitor contract performance. A training needs analysis has been carried out for Building Responsible Persons and this is reviewed by the Health and Safety Officer.
Business Continuity		
Recommendations	**Actions Agreed**	**Implementation Date**
CMT considers the findings of the audit report and decides how it wants to approach Business Continuity. If the decision is that the Council should have a robust and resilient Business Continuity Plan, it is recommended that a new BCP is developed. Appropriate resources should be identified and allocated to drawing up and maintaining a new BCP based on the findings of the audit report.	There is now a corporate review to update all business continuity plans and revise the current processes and carry out the recommendations of the report	All service leaders completed and updated business continuity plans for their areas during 2018-19. A corporate business continuity plan has been developed and is awaiting management team approval.

New Governance Issues arising in 2018-19:

6.4 During 2018-19 we identified two areas where the governance arrangements are not consistent. These are project management and procurement.

a. **Project Management** - There is robust governance arrangements on our major projects but we need to ensure that there are consistent processes with measurable outcomes for all projects. During 2018-19 we reviewed all of our projects and are in the process of improving the governance particularly relating to monitoring, reporting and benefits realisation.

b. **Procurement** - We are a complex authority and we recognise that the procurement processes may need to be flexible especially in specialist and technical areas. We control certain areas of spend very tightly and centrally but there are areas where it is more efficient and effective to devolve procurement decisions more widely. We are currently considering what the Council's procurement team really needs and wants to control to ensure that we focus on what is important which will include working with specialist teams to obtain the best outcome both financially and operationally. This is an on-going piece of work, which will be considered as part of the Future Guildford project.

7. ASSURANCE SUMMARY

7.1. Good governance is about running things properly. It is the means by which the Council shows it is taking decisions for the good of the people of our area in an equitable and open way. It recognises the standards of behaviour that support good decision-making: collective and individual integrity, openness and honesty. It is the foundation for the delivery of good quality services and fundamental to showing that public money is well spent.

7.2. From the review, assessment and monitoring work undertaken and the ongoing work of internal audit we have reached the opinion that overall key systems are operating soundly and that there are no fundamental control weaknesses.

7.3. We confirm, to the best of our knowledge and belief, that this statement provides an accurate and fair view.

Signed:

……….....................……………………………………………………………………

Leader of the Council on behalf of Guildford Borough Council

SIGNED:

……………………………………………………………………………………

Managing Director on behalf of Guildford Borough Council

Glossary

Accrual – the recording of income and expenditure when it becomes due rather than when the cash is paid or received.

Accruals basis – accounting for income or expenditure when it becomes due rather than when the cash is paid out or received.

Appropriations – amounts transferred to or from revenue or capital reserves.

Balance Sheet – a statement which shows the value of the Council's assets and liabilities on a specific day. The final accounts show the value of the assets and liabilities as at 31 March.

Business Rates Retention Scheme – introduced by the Government in April 2013, the scheme means that each council retains some of the business rates generated in its area. The Government still controls the rateable value of the properties and the rate in the pound to be paid.

Capital commitment – a commitment to make a capital payment under a contract.

Capital expenditure – expenditure to purchase or construct a fixed asset, or expenditure adding to the value of an existing fixed asset. Expenditure that does not enhance an asset, such as repairs and maintenance expenditure, is not capital expenditure.

Capital Financing Requirement (CFR) - the monies required to finance capital expenditure.

Capital Receipt – relates to the money from the sale of a fixed asset. Capital receipts can only be used to pay for new capital expenditure or to repay outstanding loans. Capital receipts cannot be used to finance revenue expenditure.

Cash Equivalents – these are short term, highly liquid investments that are readily convertible into cash. They are subject to an insignificant risk of a change in value.

Cash Flow Statement – this shows the movement in cash and cash equivalents in the year.

Chartered Institute of Public Finance and Accountancy (CIPFA) – this is the professional organisation for accountants working in the public sector.

Code (The) – the Code of Practice on Local Authority Accounting in the United Kingdom. This is the code produced by CIPFA/LASAAC that sets out how councils should show transactions in their accounts and the format of the accounts.

Collection Fund Revenue Account – this shows the transactions relating to national non-domestic rates (NNDR) and council tax. This fund shows on whose behalf Guildford Borough Council collects the amounts due and how these monies are distributed.

Comprehensive Income and Expenditure Statement (CIES) – this shows all the income and expenditure in the year.

Contingency – an amount of money set aside for unforeseen items of expenditure.

Depreciation – a reduction in the balance sheet value of a fixed asset due to either wearing out, consumption, or other reduction in its useful economic life, whether arising from use, passage of time or obsolescence, through technological or other changes.

Earmarked Reserve – money set aside for future use on a specific area of expenditure.

Financial Asset – a right to future economic benefits controlled by the Council.

Financial Liability – an obligation to transfer economic benefits controlled by the Council.

Financial Instrument – a contract that gives rise to a financial asset of one entity and a financial liability or equity investment of another entity.

Financial Year – the year that the accounts relate to. The financial year starts on 1 April and ends on 31 March the following year.

General Fund (GF) – the Council's main revenue fund credited with charges, grants etc. and to which the costs of services are charged. However, separate accounts are maintained for other aspects of council activities, particularly the Collection Fund.

Heritage Assets – assets which are held and maintained principally for their contribution to knowledge and culture. These include monuments such as Guildford Castle, civic regalia at the Guildhall, the art collection at Guildford House Gallery, sculptures and artwork around the Borough and the museum collection at Guildford Museum.

Housing Revenue Account (HRA) – an account used to record the income and expenditure related to council housing. The Housing Revenue Account is ring-fenced from the rest of the General Fund. This is to ensure that the expenditure on managing tenancies and maintaining council houses is funded by rents charged to council tenants.

Housing Revenue Account Income and Expenditure Statement – this shows the income and expenditure relating to the provision of council housing.

Impairment – a reduction in the balance sheet value of a fixed asset.

International Accounting Standard (IAS) – these are the international accounting standards which state how balances, transactions and other events must be calculated and shown in the accounts.

International Financial Reporting Standards (IFRS) - these are the international financial reporting standards which state how balances, transactions and other events must be calculated and shown in the accounts.

Internal Borrowing – Internal borrowing occurs when rather than raising external borrowing to pay for capital expenditure, the Council uses cash, which would otherwise be externally invested.

Investment – a long-term investment is an investment held for use on a continuing basis in the activities of the Council for 365 days or more. A short-term investment relates to the investment of surplus funds for 364 days or fewer.

Investment Property – a property that is used to earn rental income.

LASAAC – Local Authority (Scotland) Accounts Advisory Committee.

Lease – a lease is a contract for the hire of a specified asset. The lessor owns the asset but transfers the right to use the asset to the lessee for an agreed period in return for the payment of specified rentals. A **finance lease** transfers all the risks and rewards of ownership, such as the cost of repairs and maintenance, to the lessee. All other leases are classified as **operating leases**.

Lessee – an organisation to whom a lease is granted.

Lessor – the owner of an asset who leases it to a third party

Local Council Tax Support Scheme (LCTSS) - introduced by the Government in April 2013. Under the LCTSS, council tax payers who previously received a benefit payment, now receive a discounted council tax bill instead.

Long term – a term of 365 days or more.

Minimum Revenue Provision (MRP) – the minimum amount which must be charged each year to the Council's General Fund revenue account and set aside as provision for credit liabilities. There is no MRP requirement for the Housing Revenue Account (HRA).

Movement In Reserves Statement (MIRS) – this shows the movement in the year on the different reserves held by the Council.

Out-turn – actual income and expenditure.

PPE – Property, Plant and Equipment i.e. tangible assets that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and expected to be used for at least part of the succeeding financial year.

Precept – a charge levied by a council. Precepts are levied by Guildford Borough Council, Surrey County Council, Parish Councils and the Surrey Police and Crime Commissioner.

Provision – an amount, set aside in the accounts, for likely liabilities incurred but where the amounts or dates on which they will arise are uncertain.

Prudential Code – a code produced by CIPFA that Councils are required to follow when deciding upon their programme for capital expenditure.

Revenue expenditure – the day-to-day costs incurred by the Council. This is distinct from capital expenditure.

Right to Buy – the right of council tenants to buy their council houses at a discount.

S106 income – money received from planning obligations under Section 106 of the Town and Country Planning Act 1990 (as amended).

Short term – a term of 364 days or fewer.

Straight line basis – depreciation that is charged on a straight line basis is charged in equal amounts for each year of the useful economic life of the fixed asset.

Trade payables – amounts owed to third parties when goods or services have been received but not yet paid for
Trade receivables – amounts due from third parties where goods or services have been supplied

Unapplied capital receipts – capital receipts which have not been used.

Usable reserves – those that the Council can use to finance expenditure or reduce local taxation.

Unusable reserves – these cannot be used to finance expenditure or reduce local taxation. These include reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts only become available if the assets are sold; and reserves that hold timing differences.

Vacant Possession Adjustment Factor - a vacant possession adjustment factor of 32% means that the Council values its council houses at 32% of their open market value in the Balance Sheet. The percentages used are set by central government. The vacant possession adjustment factor is used to reflect that a council owned property has a lower open market value when it is occupied by a tenant.

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Corporate Governance and Standards Committee Report

Ward(s) affected: n/a

Report of Director of Finance

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Date: 30 July 2019

Financial Monitoring 2019-20 (April-May 2019)

Executive Summary

The report summarises the projected outturn position for the Council's general fund revenue account, based on actual and accrued data for the period April to May 2019.

Officers are projecting an increase in net expenditure on the general fund revenue account of £66,594, which includes a £171,280 reduction in the statutory Minimum Revenue Provision (MRP) charge to the general fund to make provision for the repayment of past capital debt reflecting a re-profiling of capital schemes. At service level, the projected outturn is £237,874 higher than the latest estimate once adjusted for items either funded from reserve or transferred to reserve.

A surplus on the Housing Revenue Account will enable a projected transfer of £8.53 million to the new build reserve and £2.5 million to the reserve for future capital at year-end. The transfer is projected to be £97,384 higher than budgeted assumption and reflects modest variations in repair and maintenance expenditure and staffing costs.

Officers are making progress against significant capital projects on the approved programme as outlined in section 7. The Council expects to spend £82.5 million on its capital schemes by the end of the financial year. The expenditure is higher than it has been for many years and demonstrates progress in delivering the Council's capital programme.

The Council's underlying need to borrow to finance the capital programme is expected to be £46.42 million by 31 March 2020, against an estimated position of £53.35 million. The lower underlying need to borrow is a result of slippage on both the approved and provisional capital programme as detailed in paragraph 7.3 to 7.6 of the report.

The Council held £106.5 million of investments and £205.9 million of external borrowing at 31 May 2019, which includes £192.9 million of HRA loans. Officers confirm that the Council has complied with its Prudential indicators in the period, which were set in February 2019 as part of the Council's Capital Strategy.

Recommendation to Corporate Governance and Standards Committee

That the committee notes the results of the Council's financial monitoring for the period April to May 2019 and makes any comments it feels appropriate

Reason for Recommendation:
To allow the committee to undertake its role in relation to scrutinising the Council's finances.

1. Purpose of Report

1.1 Recommendation 8 of the 2015 Council Governance Review was: 'That the importance of the Corporate Governance and Standards Committee to the Council be recognised, particularly in the way in which it supports the overview and scrutiny function through ongoing scrutiny of financial matters, including its proposed expanded remit on the treasury management function and budget monitoring.

1.2 This Committee started its enhanced review of our financial management at its meeting on 24 September 2015. This report covers the period April to May 2019.

2. Strategic Priorities

2.1 Councillors have reviewed and adopted an ambitious corporate plan for the period 2015-2020. The plan includes many significant projects and aspirations that will challenge us financially. Monitoring of our financial position during the course of the financial year is a critical part of our management of resources that will ultimately support delivery of the corporate plan.

3 Background

3.1 The Council undertakes regular financial monitoring in the following ways:

a. reporting the General Fund and Housing Revenue Account position on a bimonthly basis [periods 2, 4, 6, 8 and 10] This report covers the period to May 2019 [period 2] and covers all Council services

b. quarterly monitoring of the capital programme

c. monthly and quarterly monitoring of its treasury management activity

3.2 The Council's Corporate Management Team (CMT), Chief Finance Officer and deputy, and officer capital programme monitoring group review monitoring reports. Financial monitoring for all services is reported to the Council's Corporate Governance and Standards Committee on a regular basis.

3.3 We have amended the monitoring periods for 2019-20 to better align with scheduled dates for this committee. This change enables the committee to scrutinise the financial monitoring on five occasions rather than the previous four occasions.

3.4 This report sets out the financial monitoring and covers:

(a) general fund revenue monitoring (section 4)

(b) housing revenue account monitoring (section 5)

(c) treasury management (section 6)

(d) capital programmes (section 7)

4 General Fund Revenue Account monitoring

4.1 **Appendix 1** shows the summary monitoring report for the general fund revenue Officers have prepared the projected outturn on two months actual and accrued data.

4.2 **Appendix 2** shows detailed information for each service split between direct expenditure and income and indirect costs. We monitor the projected outturn against the revised (or latest) budget as this takes into account any virement or supplementary estimates approved since the original budget was set in February 2019.

4.3 At total service after adjustment for movements to and from reserve, the projected outturn is £237,874 higher than the latest estimate.

4.4 Net external interest is currently projected to be consistent with our original estimate.

4.5 The Minimum Revenue Provision (MRP), based on the Capital Financing Requirement (CFR) at 31 March 2019 for the purposes of this report is shown as £795,000. This is £171,280 lower than originally estimated. The reduction is due to slippage in the capital programme experienced during 2018-19.

4.6 The overall projected position for net expenditure is £66,594 higher than estimate.

4.7 The table shows the supplementary estimates and virements approved to date.

Supplementary Estimates 2019-20

Service/Description	**Approval Date**	**Committee**	**Value**
Nil			
TOTAL			**£NIL**

Virement Record 2019-20

Service/Description	**Nature of Virement**	**Approved by**	**Date of Approval**	**Value £**
Constant Power – Business Continuity [budget responsibility change]	Recurrent	V Worsfold	14th May	4,250
Web Team Salary Account [alignment of general ledger coding]	Recurrent	V Worsfold	29th May	33,680
Planned repair and maintenance months 1 and 2	Non-Recurrent	V Worsfold		116,620
TOTAL				**154,550**

4.8 **Appendix 2** provides detailed information on variances at service level. The table below summarises the main components of the higher than budgeted service level expenditure referred to in paragraph 4.3.

Service/Budget heading	Variance to revised estimate £000	Explanation
Business rates - void units	112	Midleton Industrial estate
Corporate Inflation Budget	(148)	Current working assumption on cost pressures will produce a saving
Building Control	150	Use of short term staff and lower than budgeted income
Planning – Development Control	118	Use of short term staff and lower than budgeted income
Rental income [investment property]	109	Tenant exercising break clause
Crematorium fees	(294)	Reduction in assumed level of disruption
Town Centre Management – Sponsorship and Public Realm	146	Public realm WIFI income and sponsorship
Off-Street Car Parking	254	Projection for income at Farnham Rd, Castle and York Rd MSCP
Salary Costs	(200)	Salary savings net of assumed vacancy level across the organisation.

Use of Reserves

4.9 As part of the budget setting process for 2019-20 we assumed that £2.63 million would be transferred from earmarked reserves during the year. It is currently assumed that the amount to be transferred from earmarked reserves will increase by £3.71 million to £6.34 million. The table below highlights the major movement along with supporting narrative

Reserve	Latest Estimate £000	Projected Outturn £000	Variance £000	Explanation
Budget Pressures	(200)	0	200	In 2017-18 Council approved the use of this reserve to offset the potential loss of income during the crematorium rebuild project of £846,000 in 2018-19 and £200,000 in 2019-20. The disruption has been less than anticipated and consequently it is not currently proposed to use the reserve.
Car Parks Maintenance Reserve	(1,004)	(1,911)	(907)	Profiling of repair and maintenance expenditure at our MSCP's.
Election Costs	62	(104)	(166)	An annual contribution is budgeted as part of the budget process to equalise the cost of Borough Elections held on a four-year cycle. The expenditure shown relates to Borough elections held in May 2019.

Reserve	Latest Estimate £000	Projected Outturn £000	Variance £000	Explanation
Invest to Save	814	490	(323)	Funding to support the ICT transformation programme and ICT cloud migration.
Recycling Reserve	0	(150)	(150)	This reserve equalises the impact in the revenue account of adverse market movements in the income generated from recyclate materials. It is proposed to use the reserve to support £150,000 of costs in 2019-20.
Carry Forward Items	0	(1,798)	(1,798)	Approved and budgeted projects that were ongoing at the end of the financial year. By allowing unspent project budgets to be carried forward to the next budget period, the pressure to use it or lose it is reduced. Budget managers are given more time to purchase goods or services that contribute to the achievement of objectives, which in turn promotes efficient use of resources.
Other Reserves	17	(550)	(567)	Use of the Local Plan reserve to fund consultants' costs. Variations in grant funded programme costs equalised by the use of the reserve e.g. Refugee and Family Support Programme.
TOTAL			**(3,711)**	

5 Housing Revenue Account

5.1 **Appendix 3** shows the budget monitoring report for the Housing Revenue Account (HRA) for the period April 2019 to May 2019. The report shows that HRA gross service expenditure is projected to outturn at 99.48% of the budgeted level, whilst income is projected to be 99.98% of the budgeted level. The projected outturn would enable a transfer of around £11.03 million to the new build reserve and the reserve for future capital.

- The rental income estimate for 2019-20 included a prudent allowance for Right to Buy (RTB) sales and the re-commissioning of units. Rental income is currently projected to be £17,008 (0.06%) lower than budgeted.

- Current projections indicate that salary related expenditure; net of temporary staffing and redundancy costs, will be slightly lower than budget.

- Emphasis continues to be on planned rather than responsive maintenance, supported by the benefits accruing from past levels of expenditure on planned capital and revenue maintenance works. At this early point of the year, the projected expenditure on repairs and maintenance shows a modest saving against budget.

- With the exception of receipts from RTB sales, the estimates for the year do not provide for any repayment of HRA debt principal or for setting aside any amounts towards the repayment of debt. This is consistent with the HRA Business Plan, which prioritised the provision of additional housing. This approach will be subject to regular review and an updated business plan will be submitted reflecting constraints placed on the HRA by the prevailing legislation.

5.2 Tenancy arrears remain stable and are consistent with the assumptions contained in the business plan. Particular attention is paid to introductory tenancies (tenants of less than 12 months), as they often have no previous experience of managing a household budget or of renting a property.

6 Treasury Management

6.1 The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management ("the Code") recommends that Councillors are informed of treasury management activities at least twice a year. This report therefore ensures the Council is embracing best practice in accordance with CIPFA's recommendations by reporting quarterly to Councillors.

Debt management

6.2 We have a substantial long-term PWLB debt portfolio for the HRA totalling £193 million. Currently, the general fund is only borrowing short-term for cash flow purposes. There is no cost of carry on our short-term borrowing.

6.3 The following table summarises the current borrowing position of the Council and the activity to month 2.

Loan type		Balance 31 Mar 19 £000	New loans £000	Loans repaid £000	Balance 31 May 19 £000	Weighted average rate of
PWLB						3.16%
Variable		45,000	0	0	45,000	
Fixed	Maturity	147,435	0	0	147,435	
	EIP	575	0	(115)	460	
Total long-term Loans		**193,010**	**0**	**(115)**	**192,895**	
Temporary Loans		20,000	5,000	(12,000)	13,000	0.83%
Total Loans		**213,010**	**5,000**	**(12,115)**	**205,895**	

Investment activity

6.4 During the period, we have continued with the diversification of our in-house investment portfolio into secure instruments such as bonds and secure bank deposits (not subject to bail-in) in line with our Treasury Management Strategy.

6.5 The Council's budgeted and projected investment income for 2019-20 is £1.7 million. The gross cash balances representing the Council's reserves and working balances at 31 May 2019 available for investment were £106.5 million and net of short-term borrowing £93.5 million.

6.6 The Council's budgeted, and projection of external interest cost, which relates to short and long-term borrowing, for the year is £0.6 million.

6.7 The original net interest receivable budget was £877,355. As at 31 May, we are projecting that the outturn will be in line with the budget.

6.8 The Council's annualised weighted return on investments for the period to May 2019 was 1.7% against an estimate of 1.629%.

6.9 The table below summarises the Council's investment activity for April to May 2019.

Investment	Principal invested £000	Balance 31 Mar 19 £000	Movement in investment £000	Change in capital value £000	Balance 31 May 19 £000	Weighted average rate of interest
Investment Funds						
CCLA	5,000	6,756	0	(4)	6,751	1.11%
M&G	2,008	1,395	0	37	1,432	0.00%
Schroders	1,000	856	0	12	868	1.51%
Funding Circle	490	511	0	0	511	1.51%
UBS	2,500	2,312	0	(7)	2,305	0.00%
In- House Investments:						
Call Accounts		0	1,142		1,142	0.40%
Money Market Funds		13,229	(3)		13,226	0.77%
Notice Accounts		8,000	0		8,000	0.92%
Temporary Fixed Deposits		6,000	8,000		14,000	1.07%
Unsecured bonds		2,300	4,660		6,960	0.76%
Covered Bonds		18,850	0		18,850	0.97%
Long Term Fixed Deposits		21,500	0		27,500	1.65%
Revolving Credit Facility		7,500	(2,500)		5,000	2.14%
Total Investments		**89,209**	**11,299**		**106,546**	

6.10 Some of our externally managed funds have seen a fall in their capital values since inception. The falls are indicative of wider financial market movements over the same period. The Council's external investments are held for long-term purposes and are invested to generate an income for the Council over the longer term. Any loss in investment value will not be realised unless the investment is sold. The Council has an earmarked reserve available to utilise in the event of a loss, thus minimising the impact on the general fund.

Prudential Indicators

6.11 Officers confirm that the Council has complied with its Prudential indicators in the period, which were set in February 2019 as part of the Council's Treasury Management Strategy Statement.

Authorised limit and Operational Boundary for External Debt

6.12 The Local Government Act 2003 requires the Council to set an Affordable Borrowing Limit, irrespective of their indebted status. This is a statutory limit, which we should not breach.

6.13 The Council's authorised borrowing limit was set at £464 million for 2019-20.

6.14 The Operational Boundary is based on the same estimates as the Authorised Limit but reflects the most likely, prudent but not worst-case scenario without the additional headroom included in the Authorised Limit.

6.15 The operational boundary was set at £404 million for 2019-20.

6.16 The Chief Financial Officer confirms that there have been no breaches to the authorised limit and operational boundary during the year. Borrowing, at its peak, was £213 million.

7 Capital Programmes

7.1 **Appendices 4 to 9** of this report set out the following for each scheme on the Council's capital programme

- the gross estimate for the scheme approved by the Executive
- the cumulative expenditure to 31 March 2019 for each scheme
- the estimate for 2019-20 as approved by Council in February 2019
- the 2019-20 revised estimate which takes into account the approved estimate, any project under spends up to 31 March 2019, and any virement or supplementary estimates
- 2019-20 current expenditure
- 2019-20 projected expenditure estimated by the project officer

7.2 The table below summarises the current position on the various strands of the Council's capital programme. Detailed explanation is provided in paragraph 7.3 to 7.11

CAPITAL EXPENDITURE SUMMARY	2019-20 Approved £000	2019-20 Revised £000	2019-20 Outturn £000	2019-20 Variance £000
General Fund Capital Expenditure				
- Main Programme	60,334	69,782	65,962	(3,820)
- Provisional schemes	19,646	20,169	8,485	(11,684)
- Schemes funded by reserves	6,769	9,305	7,927	(1,378)
- S106 Projects	36	150	150	0
- Affordable Housing (General Fund)	0	0	0	0
Total Expenditure	**86,785**	**99,407**	**82,525**	**(16,882)**
Housing Revenue Account Capital Expenditure				
Approved programme	8,567	13,267	13,266	(2)
Provisional programme	406	1,106	1,106	0
Total Expenditure	**8,973**	**14,373**	**14,372**	**(2)**

Approved (main) programme (Appendix 4)

7.3 Expenditure is expected to be £65.96 million representing a £3.82 million variance to the revised estimate of £69.78 million. If a project is on the approved programme, it is an indicator that the project has started or is near to starting following the approval of a final business case by Executive. Whilst actual expenditure for the period of £2.95 million may seem low, a number of significant projects are in progress. These include:

- ED25 – Guildford Park infrastructure works (£3.76 million) - this scheme received planning consent in November 2016 and initial works are progressing with construction of MSCP scheduled for November 2019. A significant amount of the cost of this project is still on the provisional capital programme awaiting final business case approval.
- ED6 – Slyfield area Regeneration Project (SaRP) (£15.22 million) - work is progressing on the detailed design, pre-planning and site investigation work for this scheme to inform the final business case. Report is going to Council on 08 October 2019. Pre-agreement invoices (Thames Water) have been signed off with post- agreement in pipeline.
- PL9 – Crematorium rebuild (£7.26million) – work is progressing on this scheme which is scheduled for completion in 2019-20
- ED32 – Internal Estate Road CLLR Phase 1 (£8.85 million) - a bid for LEP funding has been submitted with decision due July 2019.
- ED49 – Midleton Industrial Estate redevelopment (£1.8 million) – work on design and planning is progressing.

7.4 In addition to the schemes outlined above, the re-profiling of the following significant amounts that were due to be spent on schemes or projects in 2019-20 will now be carried forward into 2020-21 or vice versa:

- Town Centre Gateway Regeneration (£3.48 million) – spend now expected in 2020-21.

Provisional programme (Appendix 5)

7.5 Expenditure on the provisional programme is expected to be £8.48 million, against the revised estimate of £20.16 million, representing a variance of £11.69 million. These projects are still at feasibility stage and will be subject to Executive approval of a business case before they are transferred to the approved capital programme. It is only once the business case is approved that the capital works can start. Monitoring progress of these projects is key to identifying project timescales. The significant projects are:

- ED25(p) – Guildford Park new MSCP and infrastructure works (£4.38 million)
- P11(p) – Guildford West (PB) station (£1.15 million)

The re-profiling of schemes has resulted in a significantly lower level of expenditure than planned in 2019-20.

7.6 A number of other projects, that were also anticipated to start in 2019-20 have been re-profiled into future years including:

- PL21(p) – Ash Road Bridge (£9.04 million)

S106 (Appendix 6)

7.7 Capital schemes funded from s106 developer contributions are expected to total £150,000.

Reserves (Appendix 7)

7.8 Capital schemes funded from the Council's specific reserves. The outturn is anticipated to be £7.92 million. The main projects are:

- expenditure on car parks £2.57 million
- ICT renewals and infrastructure improvements £3.12 million

Capital resources (Appendix 8)

7.9 When the Council approved the budget, the estimated underlying need to borrow for 2019-20 was £53.35 million. The current estimated underlying need to borrow is £46.42 million. The reduction is due to slippage in the programme where schemes are re-profiled into future years.

Housing Investment Programme Approval Capital (Appendix 9)

7.10 The HRA approved capital programme is expected to outturn at £13.26 million against a revised estimate of £13.26 million. A number of projects are in progress. These include:

- Guildford Park - initial works are progressing, a significant amount of the cost of this project is still on the provisional capital programme awaiting final business case approval.
- Ladymead/Fire Station – works started on site in Autumn 2018.

Housing Investment Programme Provisional Capital (Appendix 10)

7.11 The provisional programme revised estimate is £1.10 million with expenditure anticipated this financial year of £1.10 million. This programme includes provision for the opportunity purchase of land and housing for development, which is dependent on the availability of suitable sites.

8 Consultations

8.1 The accountants prepare the budget monitor in consultation with the relevant service managers.

9 Equality and Diversity Implications

9.1 There are no direct equality and diversity implications as a result of this report. Each service manager will consider these issues when providing their services and monitoring their budgets.

10 Financial Implications

10.1 The financial implications are contained throughout the report.

11 Legal Implications

11.1 The Local Government Act 1972, Section 151 states that each local authority has a statutory duty to make arrangements for the proper administration of their financial affairs. In addition, the Accounts and Audit Regulations 2015 impose an explicit duty on the Council to ensure that financial management is adequate and effective and that they have a sound system of internal control, including arrangements for the management of risk.

11.2 Proper administration is not statutorily defined; however, there is guidance, issued by the Charted Institute of Public Finance and Accountancy (CIPFA) on the responsibilities of the Chief Financial Officer (CFO). This states that local authorities have a corporate responsibility to operate within available resources and the CFO should support the effective governance of the authority through development of corporate governance arrangements, risk management and reporting framework. Regular monitoring of the Council's actual expenditure to budget and forecasting of the expenditure for the full year is part of the proper administration and governance of the Council.

11.3 There are no further direct legal implications because of this report.

12 Human Resource Implications

12.1 There are no human resource implications arising from this report.

13 Summary of Options

13.1 This report outlines the anticipated outturn position for the 2019-20 financial year based on two months actual data. There are no specific recommendations and therefore no options to consider.

14 Conclusion

14.1 The report summarises the financial monitoring position for the period April to May 2019 for the 2019-20 financial year.

14.2 Officers are currently projecting a reduction in net income in expenditure of £66,594 on the general fund revenue account.

14.3 The Chief Financial Officer in consultation with the Lead Councillor for Finance and Customer Service will determine the treatment of any balance as part of closing the 2019-20 accounts.

14.4 The surplus on the Housing Revenue Account will enable a transfer of £8.53 million to the new build reserve and £2.5 million to the reserve for future capital at year-end.

14.5 Actual expenditure incurred on our general fund capital programme for the period has been comparatively low against the programme envisaged at the 1 April 2019. Officers are making progress against significant capital projects on the approved programme as outlined in section 7. The Council expects to spend £82.5 million on its capital schemes by the end of the financial year.

14.6 It is anticipated that the Council's underlying need to borrow to finance the capital programme will be £46.42 million by 31 March 2020. The Council has complied with Prudential Indicators during the period with the exception of the upper limit on variable interest rates.

14.7 At the end of May 2019, the Council had £106 million of investment balances, and £206 million borrowing.

15 Background Papers

None

16 Appendices

Appendix 1 - General fund revenue account summary
Appendix 2 - General fund services - revenue detail
Appendix 3 - Housing Revenue Account summary
Appendix 4 - Approved capital programme
Appendix 5 - Provisional capital programme
Appendix 6 - Schemes funded from S106
Appendix 7 - Capital reserves
Appendix 8 - Capital resources
Appendix 9 - Housing Revenue Account approved capital programme
Appendix 10 - Housing Revenue Account provisional capital programme

Actual 2018-19 £	GENERAL FUND SUMMARY [APRIL 2019 - MAY 2019]	Original Estimate 2019-20 £	Latest Estimate 2019-20 £	Projected Outturn 2019-20 £
(13,789,834)	Community Services	(795,580)	(787,910)	(459,779)
10,426,129	Planning and Regeneration	3,247,260	3,247,260	5,058,260
13,240,650	Environment	11,125,160	11,121,740	12,177,166
891,014	Managing Director	801,740	768,055	1,076,701
7,666,720	Finance	6,611,420	6,640,855	7,093,597
18,434,679	**Total Directorate Level**	**20,990,000**	**20,990,000**	**24,945,945**
(2,842,029)	Depreciation (contra to Service Unit Budgets)	(8,011,160)	(8,011,160)	(8,011,160)
15,592,649	**Directorate Level excluding depreciation**	**12,978,840**	**12,978,840**	**16,934,785**
(1,815,098)	External interest receivable (net)	(877,355)	(877,355)	(877,355)
795,190	Minimum Revenue Provision	966,280	966,280	795,000
(27,056)	Revenue income from sale of assets			
	Revenue Contributions to Capital Outlay (RCCO)			
1,641,467	Met from: Capital Schemes reserve			
2,479,854	Other reserves	2,992,000	2,992,000	2,992,000
95,750	General Fund			
18,762,756	**Total before transfers to and from reserves**	**16,059,765**	**16,059,765**	**19,844,430**
	Transfers to and from reserves			
	Capital Schemes reserve			
(1,641,467)	*Funding of Revenue Contribution to Capital Outlay Contribution in year*			
(129,227)	Budget Pressures reserve	(200,000)	(200,000)	0
2,490,052	Business Rates Equalisation reserve	(2,345,206)	(2,345,206)	(2,345,175)
87,376	Car Park Maintenance reserve	(1,003,790)	(1,003,790)	(1,910,990)
62,500	Election Costs reserve	62,500	62,500	(104,500)
456,206	Housing Revenue Account	598,260	598,260	598,260
11,278	Insurance reserve	(530)	(530)	(530)
(896,802)	IT Renewals reserve	(534,290)	(534,290)	(534,290)
3,240	Invest to Save reserve	814,079	814,079	490,343
(351,438)	New Homes Bonus reserve	8,646	8,646	8,646
(68,644)	Energy Management reserve	0	0	0
(169,709)	On Street Parking reserve	(239,780)	(239,780)	(245,958)
(4,522,771)	Pensions reserve (Statutory)	0	0	0
(300,000)	Recycling reserve	0	0	(150,000)
13,340	Spectrum reserve	185,140	185,140	185,140
398,488	Carry Forward Items	0	0	(1,797,811)
1,148,318	Other reserves	17,510	17,510	(548,667)
15,353,495	**Total after transfers to and from reserves**	**13,422,304**	**13,422,304**	**13,488,898**
	Business Rates Retention Scheme payments			
22,269,018	Business Rates tariff payment	31,332,993	31,332,993	31,332,993
	Business Rates levy payment to MHCLG	1,274,000	1,274,000	1,274,000
(475,774)	Business Rates tariff payment from MHCLG	0	0	0
(973,269)	Business Rates pilot gain from Surrey Pilot Pool	0	0	0
	Non specific government grants			
(1,184,857)	s31 grant re BRR scheme	(1,825,148)	(1,825,148)	(1,825,148)
(21,976)	s31 grant re council tax	0	0	0
(23,862)	New Burdens grant	0	0	0
	Other government grant	(44,208)	(44,208)	(44,208)
(1,200,586)	New Homes Bonus grant	(1,039,201)	(1,039,201)	(1,039,201)
33,742,189	**GUILDFORD BOROUGH COUNCIL NET BUDGET**	**43,120,740**	**43,120,740**	**43,187,334**
1,631,985	Parish Council Precepts	1,740,697	1,740,697	1,740,697
35,374,174	**TOTAL NET BUDGET**	**44,861,437**	**44,861,437**	**44,928,031**
(26,159,016)	Business Rates - retained income	(34,941,330)	(34,941,330)	(34,941,330)
52,958	Collection Fund Deficit - Business Rates	1,493,170	1,493,170	1,493,170
38,032	Collection Fund Surplus - Council Tax	85,997	85,997	85,997
9,306,148	**COUNCIL TAX REQUIREMENT**	**11,499,274**	**11,499,274**	**11,565,868**
	Projected (under)/over spend			**66,594**
	Movement in MRP and External Interest			**171,280**
	Underlying (under) / overspend on services			**237,874**

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Community Services Directorate

	Revised Budget	Projected Outturn	Variance	Notes
SERVICE SUMMARY				
Direct Expenditure	15,792,990	16,191,585	398,595	
Income	(19,856,320)	(19,937,913)	(81,593)	
Total Directly Controllable (Income)/Expenditure	**(4,063,330)**	**(3,746,328)**	**317,002**	
Indirect Expenditure	3,275,420	3,286,549	11,129	
Net (Income)/Expenditure	**(787,910)**	**(459,779)**	**328,131**	
BUILDING MAINTENANCE				
Direct Expenditure	3,434,250	3,504,187	69,937	A variation in the level of work undertaken, including an increase in resources to reduce the length of void periods for HRA properties. These additional costs will be recharged to the Housing Revenue Account.
Income	(3,519,350)	(3,589,299)	(69,949)	See above.
Total Directly Controllable (Income)/Expenditure	**(85,100)**	**(85,112)**	**(12)**	
Indirect Expenditure	80,050	80,062	12	
Net (Income)/Expenditure	**(5,050)**	**(5,050)**	**0**	
GYPSY AND TRAVELLER SITES				
Direct Expenditure	96,530	95,831	(699)	
Income	(202,390)	(202,390)	0	
Total Directly Controllable (Income)/Expenditure	**(105,860)**	**(106,559)**	**(699)**	
Indirect Expenditure	3,890	3,896	6	
Net (Income)/Expenditure	**(101,970)**	**(102,663)**	**(693)**	
CITIZENS ADVICE BUREAU				
Direct Expenditure	283,420	283,424	4	
Total Directly Controllable (Income)/Expenditure	**283,420**	**283,424**	**4**	
Indirect Expenditure	1,290	1,292	2	
Net (Income)/Expenditure	**284,710**	**284,716**	**6**	
CIVIL EMERGENCIES				
Direct Expenditure	60,550	60,260	(290)	
Total Directly Controllable (Income)/Expenditure	**60,550**	**60,260**	**(290)**	
Indirect Expenditure	3,090	3,096	6	
Net (Income)/Expenditure	**63,640**	**63,356**	**(284)**	

CORPORATE PROPERTY SERVICES				
Direct Expenditure	2,406,690	2,422,484	15,794	Planned maintenance budgets are held centrally by Corporate Property Services. The carry forward of £113,000 to fund projects which were in progress over the financial year will be added to the revised budget, however this currently offsets a reduction in the forecast of £107,000 for expenditure shown in other services which are budgeted centrally. Salaries have been adjusted to reflect the current establishment; a full time surveyor post has been created and the additional hours worked on capital projects will be charged to capital projects through time sheets £22,000.
Income	(1,176,510)	(1,200,153)	(23,643)	
Total Directly Controllable (Income)/Expenditure	**1,230,180**	**1,222,331**	**(7,849)**	
Indirect Expenditure	474,680	474,780	100	
Net (Income)/Expenditure	**1,704,860**	**1,697,111**	**(7,749)**	
DAY SERVICES				
Direct Expenditure	609,200	573,555	(35,645)	Salary savings resulting from vacancies in Day Services pending a wider restructure totalling £58,000.
Income	(152,610)	(157,684)	(5,074)	
Total Directly Controllable (Income)/Expenditure	**456,590**	**415,871**	**(40,719)**	
Indirect Expenditure	173,920	173,873	(47)	
Net (Income)/Expenditure	**630,510**	**589,744**	**(40,766)**	
EMERGENCY COMMUNICATIONS SYSTEM				
Direct Expenditure	261,440	262,270	830	
Income	(399,520)	(399,520)	0	
Total Directly Controllable (Income)/Expenditure	**(138,080)**	**(137,250)**	**830**	
Indirect Expenditure	68,470	68,480	10	
Net (Income)/Expenditure	**(69,610)**	**(68,770)**	**840**	
EMI SERVICES				
Direct Expenditure	287,930	258,145	(29,785)	Expenditure savings are primarily due to vacant post savings totalling £29,000. It is not anticipated that recruitment will occur until a wider restructure is complete.
Income	(105,680)	(102,273)	3,407	
Total Directly Controllable (Income)/Expenditure	**182,250**	**155,872**	**(26,378)**	
Indirect Expenditure	47,050	47,060	10	
Net (Income)/Expenditure	**229,300**	**202,932**	**(26,368)**	

ENVIRONMENTAL CONTROL

Direct Expenditure	409,600	438,214	28,614	A carry forward to fund air quality totalling £14,000 will be funded from reserve. Additional admin staff not included in the budget £5,000 plus an unacheived credit of £7,000.
Income	(26,180)	(28,472)	(2,292)	
Total Directly Controllable (Income)/Expenditure	**383,420**	**409,742**	**26,322**	
Indirect Expenditure	65,670	66,948	1,278	
Net (Income)/Expenditure	**449,090**	**476,690**	**27,600**	

SURREY FAMILY SUPPORT PROGRAMME

Direct Expenditure	428,720	412,677	(16,043)
Income	(429,510)	(428,217)	1,293
Total Directly Controllable (Income)/Expenditure	**(790)**	**(15,540)**	**(14,750)**
Indirect Expenditure	91,260	91,264	4
Net (Income)/Expenditure	**90,470**	**75,724**	**(14,746)**

FOOD AND SAFETY SERVICES

Direct Expenditure	314,000	310,646	(3,354)
Income	(1,080)	(1,076)	4
Total Directly Controllable (Income)/Expenditure	**312,920**	**309,570**	**(3,350)**
Indirect Expenditure	57,820	57,824	4
Net (Income)/Expenditure	**370,740**	**367,394**	**(3,346)**

HEALTH AND SAFETY

Direct Expenditure	147,470	149,633	2,163
Income	(156,330)	(156,174)	156
Total Directly Controllable (Income)/Expenditure	**(8,860)**	**(6,541)**	**2,319**
Indirect Expenditure	18,090	18,096	6
Net (Income)/Expenditure	**9,230**	**11,555**	**2,325**

HOUSING SURVEYING SERVICES

Direct Expenditure	666,500	664,021	(2,479)
Income	(755,970)	(753,505)	2,465
Total Directly Controllable (Income)/Expenditure	**(89,470)**	**(89,484)**	**(14)**
Indirect Expenditure	102,740	102,754	14
Net (Income)/Expenditure	**13,270**	**13,270**	**0**

GRANTS TO VOLUNTARY ORGANISATIONS - HOUSING AND COMMUNITY				
Direct Expenditure	499,740	472,609	(27,131)	The cash grant for Wey Valley Bowls Club has been replaced with alternative financial support.
Total Directly Controllable (Income)/Expenditure	**499,740**	**472,609**	**(27,131)**	
Indirect Expenditure	5,120	5,124	4	
Net (Income)/Expenditure	**504,860**	**477,733**	**(27,127)**	
HOME FARM ESTATE, EFFINGHAM				
Direct Expenditure	5,510	107,840	102,330	A carry forward to fund works at Home Farm totalling £102,000 will be funded from reserve.
Income	(11,000)	(11,000)	0	
Total Directly Controllable (Income)/Expenditure	**(5,490)**	**96,840**	**102,330**	
Indirect Expenditure	23,410	22,568	(842)	
Net (Income)/Expenditure	**17,920**	**119,408**	**101,488**	
HOMELESSNESS AND EMERGENCY ACCOMMODATION				
Direct Expenditure	781,620	788,842	7,222	
Income	(9,000)	(13,002)	(4,002)	
Total Directly Controllable (Income)/Expenditure	**772,620**	**775,840**	**3,220**	
Indirect Expenditure	101,730	101,738	8	
Net (Income)/Expenditure	**874,350**	**877,578**	**3,228**	
HOUSING ADVICE				
Direct Expenditure	302,580	302,594	14	
Total Directly Controllable (Income)/Expenditure	**302,580**	**302,594**	**14**	
Net (Income)/Expenditure	**302,580**	**302,594**	**14**	
AFFORDABLE HOUSING DEVELOPMENT				
Direct Expenditure	92,690	102,688	9,998	
Total Directly Controllable (Income)/Expenditure	**92,690**	**102,688**	**9,998**	
Indirect Expenditure	23,810	23,814	4	
Net (Income)/Expenditure	**116,500**	**126,502**	**10,002**	

INDUSTRIAL ESTATES				
Direct Expenditure	197,400	383,011	185,611	Provision has been made for essential road maintenance works at Slyfield Industrial Estate amounting to £30,000 although liability for the final cost is still being established. Business rates payable for void units relating to Midleton Industrial Estate amount to £112,000. A carry forward relating to the Industrial Estates growth strategy amounting to £36,000 will be funded from reserve. Overall income is forecast to be £11,000 higher than budgeted. Voids at Midleton Industrial Estate (with Lexicon House incuring significant void business rate liabilities) and Thornberry Way are covered by the new lease agreement for 23 Woodbridge Meadows since the budget was set and other lease extensions at improved terms.
Income	(3,256,620)	(3,268,120)	(11,500)	
Total Directly Controllable (Income)/Expenditure	**(3,059,220)**	**(2,885,109)**	**174,111**	
Indirect Expenditure	160,260	163,099	2,839	
Net (Income)/Expenditure	**(2,898,960)**	**(2,722,010)**	**176,950**	
INVESTMENT PROPERTY				
Direct Expenditure	229,720	223,295	(6,425)	
Income	(5,274,890)	(5,164,962)	109,928	A £109,000 reduction in rental income due to a tenant going into liquidation (The Billings), a tenant exercising a lease break clause (Liongate House, Ladymead) and other tenancies coming to an end.
Total Directly Controllable (Income)/Expenditure	**(5,045,170)**	**(4,941,667)**	**103,503**	
Indirect Expenditure	166,750	172,794	6,044	
Net (Income)/Expenditure	**(4,878,420)**	**(4,768,873)**	**109,547**	
LICENSING SERVICES				
Direct Expenditure	269,040	287,605	18,565	Increase in salary costs resulting from the approval of a Licensing Officer's post £20,000 offset by anticipated increase in various licence fees £5,000.
Income	(179,350)	(184,186)	(4,836)	
Total Directly Controllable (Income)/Expenditure	**89,690**	**103,419**	**13,729**	
Indirect Expenditure	91,510	91,562	52	
Net (Income)/Expenditure	**181,200**	**194,981**	**13,781**	

COMMUNITY MEALS AND TPT				
Direct Expenditure	882,140	824,990	(57,150)	Savings resulting from vacancies in the Meals on Wheels and Community Meals Service, pending a wider restructuring of the service.
Income	(273,280)	(268,881)	4,399	
Total Directly Controllable (Income)/Expenditure	**608,860**	**556,109**	**(52,751)**	
Indirect Expenditure	104,160	104,172	12	
Net (Income)/Expenditure	**713,020**	**660,281**	**(52,739)**	
OFFICE SERVICES TEAM				
Direct Expenditure	1,500,640	1,546,128	45,488	Additional expenditure relating to the provision of office equipment for SCC £30,000 will be recovered in income.
Income	(2,222,440)	(2,254,883)	(32,443)	
Total Directly Controllable (Income)/Expenditure	**(721,800)**	**(708,755)**	**13,045**	
Indirect Expenditure	683,970	683,765	(205)	
Net (Income)/Expenditure	**(37,830)**	**(24,990)**	**12,840**	
HOUSING OUTSIDE THE HRA				
Direct Expenditure	3,720	6,602	2,882	
Income	(7,460)	(6,915)	545	
Total Directly Controllable (Income)/Expenditure	**(3,740)**	**(313)**	**3,427**	
Indirect Expenditure	49,890	50,237	347	
Net (Income)/Expenditure	**46,150**	**49,924**	**3,774**	
OTHER PROPERTY				
Direct Expenditure	294,010	316,136	22,126	
Income	(1,050,850)	(1,058,450)	(7,600)	
Total Directly Controllable (Income)/Expenditure	**(756,840)**	**(742,314)**	**14,526**	
Indirect Expenditure	418,890	419,059	169	
Net (Income)/Expenditure	**(337,950)**	**(323,255)**	**14,695**	
PEST CONTROL				
Direct Expenditure	49,880	49,930	50	
Income	(55,000)	(54,926)	74	
Total Directly Controllable (Income)/Expenditure	**(5,120)**	**(4,996)**	**124**	
Indirect Expenditure	6,000	6,006	6	
Net (Income)/Expenditure	**880**	**1,010**	**130**	

PRIVATE SECTOR HOUSING				
Direct Expenditure	689,590	708,182	18,592	
Income	(330,620)	(402,881)	(72,261)	Additional 5yr HMO licence income totalling £58,000
Total Directly Controllable (Income)/Expenditure	**358,970**	**305,301**	**(53,669)**	
Indirect Expenditure	115,910	115,938	28	
Net (Income)/Expenditure	**474,880**	**421,239**	**(53,641)**	
PROJECT ASPIRE				
Direct Expenditure	0	8,239	8,239	Project Aspire is funded from reserve.
Total Directly Controllable (Income)/Expenditure	**0**	**8,239**	**8,239**	
Net (Income)/Expenditure	**0**	**8,239**	**8,239**	
PUBLIC HEALTH				
Direct Expenditure	73,220	84,329	11,109	A carry forward to support the "Stubbie" Cigarette Pouches £9,400 will be funded from reserve.
Total Directly Controllable (Income)/Expenditure	**73,220**	**84,329**	**11,109**	
Indirect Expenditure	6,680	6,690	10	
Net (Income)/Expenditure	**79,900**	**91,019**	**11,119**	
COMMUNITY WELLBEING				
Direct Expenditure	280,420	281,192	772	
Total Directly Controllable (Income)/Expenditure	**280,420**	**281,192**	**772**	
Indirect Expenditure	49,930	49,936	6	
Net (Income)/Expenditure	**330,350**	**331,128**	**778**	
TAXI LICENSING AND PRIVATE HIRE VEHICLES				
Direct Expenditure	153,400	176,419	23,019	A carry forward to support works to Taxi Ranks is unlikely to be required in 2019-20.
Income	(167,350)	(133,371)	33,979	Anticipated reduction in income due to drivers transferring to UBER £34,000
Total Directly Controllable (Income)/Expenditure	**(13,950)**	**43,048**	**56,998**	
Indirect Expenditure	67,420	68,656	1,236	
Net (Income)/Expenditure	**53,470**	**111,704**	**58,234**	
WOKING ROAD DEPOT STORES				
Direct Expenditure	81,370	85,607	4,237	
Income	(93,330)	(97,573)	(4,243)	
Total Directly Controllable (Income)/Expenditure	**(11,960)**	**(11,966)**	**(6)**	
Indirect Expenditure	11,960	11,966	6	
Net (Income)/Expenditure	**0**	**0**	**0**	

Environment Directorate

	Revised Budget	Projected Outturn	Variance	Notes
SERVICE SUMMARY				
Direct Expenditure	29,593,090	30,499,957	906,867	
Income	(28,570,180)	(28,437,103)	133,077	
Total Directly Controllable (Income)/Expenditure	**1,022,910**	**2,062,854**	**1,039,944**	
Indirect Expenditure	10,098,830	10,114,312	15,482	
Net (Income)/Expenditure	**11,121,740**	**12,177,166**	**1,055,426**	
ABANDONED VEHICLES				
Direct Expenditure	37,380	35,626	(1,754)	
Total Directly Controllable (Income)/Expenditure	**37,380**	**35,626**	**(1,754)**	
Indirect Expenditure	4,240	4,246	6	
Net (Income)/Expenditure	**41,620**	**39,872**	**(1,748)**	
BUSINESS FORUM				
Direct Expenditure	36,510	78,973	42,463	A carry forward for the Business Grants Scheme totalling £30,000 will be funded from reserve. A part-time events coordinator has been recruited for 3 months to cover vacant posts.
Total Directly Controllable (Income)/Expenditure	**36,510**	**78,973**	**42,463**	
Indirect Expenditure	1,570	1,574	4	
Net (Income)/Expenditure	**38,080**	**80,547**	**42,467**	
CCTV SYSTEMS				
Direct Expenditure	80,860	80,674	(186)	
Total Directly Controllable (Income)/Expenditure	**80,860**	**80,674**	**(186)**	
Indirect Expenditure	20,330	22,547	2,217	
Net (Income)/Expenditure	**101,190**	**103,221**	**2,031**	
CEMETERIES AND CLOSED CHURCHYARDS				
Direct Expenditure	215,850	286,000	70,150	A carry forward for Memorial Safety Inspections totalling £30,000 will be funded from reserve.
Income	(60,430)	(63,634)	(3,204)	
Total Directly Controllable (Income)/Expenditure	**155,420**	**222,366**	**66,946**	
Indirect Expenditure	68,540	70,473	1,933	
Net (Income)/Expenditure	**223,960**	**292,839**	**68,879**	

CLINICAL WASTE

Direct Expenditure	2,460	6,428	3,968	
Total Directly Controllable (Income)/Expenditure	**2,460**	**6,428**	**3,968**	
Indirect Expenditure	290	292	2	
Net (Income)/Expenditure	**2,750**	**6,720**	**3,970**	

CREMATORIUM

Direct Expenditure	778,900	735,183	(43,717)	Salary savings totalling £35,000.
Income	(1,014,360)	(1,308,428)	(294,068)	It was anticipated that the redevelopment of the Crematorium would result in reduced revenue, with the Budget Pressures Reserve being utilised to manage this short term scenario. The level of disruption has been minimised and consequently it is not currently anticipated that the reserve will be required. The figures reflect this presentation.
Total Directly Controllable (Income)/Expenditure	**(235,460)**	**(573,245)**	**(337,785)**	
Indirect Expenditure	397,740	398,030	290	
Net (Income)/Expenditure	**162,280**	**(175,215)**	**(337,495)**	

ELECTRIC THEATRE

Direct Expenditure	0	2,784	2,784	
Total Directly Controllable (Income)/Expenditure	**0**	**2,784**	**2,784**	
Indirect Expenditure	0	1,992	1,992	
Net (Income)/Expenditure	**0**	**4,776**	**4,776**	

FLEET MANAGEMENT SERVICE

Direct Expenditure	1,075,260	968,141	(107,119)	Savings associated with the insurance tender.
Income	(2,827,430)	(2,826,350)	1,080	
Total Directly Controllable (Income)/Expenditure	**(1,752,170)**	**(1,858,209)**	**(106,039)**	
Indirect Expenditure	1,713,460	1,713,550	90	
Net (Income)/Expenditure	**(38,710)**	**(144,659)**	**(105,949)**	

LEGAL SERVICES				
Direct Expenditure	1,160,370	1,298,219	137,849	Employee costs are forecast to be £17,000 lower than budget, with vacancies covered by temporary staff pending a restructuring of the department. External legal fees are forecast to be £152,000 higher than budget with revenue outsourced legal work forecast at £250,000 compared with £444,000 in 2018-19. Consequently income recharged to departments will be higher than budgeted.
Income	(1,354,450)	(1,519,646)	(165,196)	
Total Directly Controllable (Income)/Expenditure	**(194,080)**	**(221,427)**	**(27,347)**	
Indirect Expenditure	226,420	216,890	(9,530)	
Net (Income)/Expenditure	**32,340**	**(4,537)**	**(36,877)**	
ENGINEERING AND TRANSPORT SERVICES				
Direct Expenditure	353,110	275,348	(77,762)	There are salary savings due to vacancies.
Income	(398,170)	(379,974)	18,196	
Total Directly Controllable (Income)/Expenditure	**(45,060)**	**(104,626)**	**(59,566)**	
Indirect Expenditure	45,060	45,070	10	
Net (Income)/Expenditure	**0**	**(59,556)**	**(59,556)**	
GUILDFORD HOUSE				
Direct Expenditure	364,510	363,817	(693)	
Income	(77,180)	(72,654)	4,526	
Total Directly Controllable (Income)/Expenditure	**287,330**	**291,163**	**3,833**	
Indirect Expenditure	125,850	126,952	1,102	
Net (Income)/Expenditure	**413,180**	**418,115**	**4,935**	
GUILDHALL				
Direct Expenditure	120,580	123,766	3,186	
Income	(35,030)	(33,242)	1,788	
Total Directly Controllable (Income)/Expenditure	**85,550**	**90,524**	**4,974**	
Indirect Expenditure	63,900	65,274	1,374	
Net (Income)/Expenditure	**149,450**	**155,798**	**6,348**	
INFORMATION RIGHTS OFFICER				
Direct Expenditure	65,950	69,886	3,936	
Income	(72,640)	(72,616)	24	
Total Directly Controllable (Income)/Expenditure	**(6,690)**	**(2,730)**	**3,960**	
Indirect Expenditure	7,590	7,594	4	
Net (Income)/Expenditure	**900**	**4,864**	**3,964**	

LAND DRAINAGE

Direct Expenditure	141,270	129,218	(12,052)	
Total Directly Controllable (Income)/Expenditure	**141,270**	**129,218**	**(12,052)**	
Indirect Expenditure	163,700	151,916	(11,784)	
Net (Income)/Expenditure	**304,970**	**281,134**	**(23,836)**	

LEISURE ART DEVELOPMENT

Direct Expenditure	94,120	144,196	50,076	A carry forward to support the Dementia Project in Sports, Arts and Disability Sports project totalling £10,000 will be funded from reserve. The additional £40,000 expenditure relates to the "Whatever the Weather Project" with income from Woking Borough Council shown below.
Income	0	(40,000)	(40,000)	See above.
Total Directly Controllable (Income)/Expenditure	**94,120**	**104,196**	**10,076**	
Indirect Expenditure	22,700	22,776	76	
Net (Income)/Expenditure	**116,820**	**126,972**	**10,152**	

LEISURE COMMUNITY CENTRES

Direct Expenditure	34,410	36,408	1,998	
Income	(11,270)	(11,270)	0	
Total Directly Controllable (Income)/Expenditure	**23,140**	**25,138**	**1,998**	
Indirect Expenditure	90,990	91,029	39	
Net (Income)/Expenditure	**114,130**	**116,167**	**2,037**	

LEISURE G LIVE

Direct Expenditure	415,490	415,317	(173)	
Income	(44,110)	(73,850)	(29,740)	The higher than budget management fee income reflects the improved performance of the contract.
Total Directly Controllable (Income)/Expenditure	**371,380**	**341,467**	**(29,913)**	
Indirect Expenditure	1,167,430	1,169,710	2,280	
Net (Income)/Expenditure	**1,538,810**	**1,511,177**	**(27,633)**	

LEISURE GRANTS

Direct Expenditure	393,380	393,403	23	
Total Directly Controllable (Income)/Expenditure	**393,380**	**393,403**	**23**	
Indirect Expenditure	2,900	2,904	4	
Net (Income)/Expenditure	**396,280**	**396,307**	**27**	

LEISURE MANAGEMENT CONTRACT				
Direct Expenditure	1,359,840	1,459,281	99,441	A carry forward to support contract management and repair and maintenance works will be funded from reserve.
Income	(2,118,190)	(2,118,355)	(165)	
Total Directly Controllable (Income)/Expenditure	**(758,350)**	**(659,074)**	**99,276**	
Indirect Expenditure	1,900,750	1,902,340	1,590	
Net (Income)/Expenditure	**1,142,400**	**1,243,266**	**100,866**	
LEISURE PLAY DEVELOPMENT				
Direct Expenditure	221,850	219,826	(2,024)	
Income	(39,000)	(39,000)	0	
Total Directly Controllable (Income)/Expenditure	**182,850**	**180,826**	**(2,024)**	
Indirect Expenditure	29,680	29,702	22	
Net (Income)/Expenditure	**212,530**	**210,528**	**(2,002)**	
LEISURE RANGERS				
Direct Expenditure	230,010	228,329	(1,681)	
Total Directly Controllable (Income)/Expenditure	**230,010**	**228,329**	**(1,681)**	
Indirect Expenditure	10,930	10,936	6	
Net (Income)/Expenditure	**240,940**	**239,265**	**(1,675)**	
LEISURE SPORT DEVELOPMENT				
Direct Expenditure	87,020	82,838	(4,182)	
Income	(3,750)	(626)	3,124	
Total Directly Controllable (Income)/Expenditure	**83,270**	**82,212**	**(1,058)**	
Indirect Expenditure	13,940	13,942	2	
Net (Income)/Expenditure	**97,210**	**96,154**	**(1,056)**	
MARKETS				
Direct Expenditure	57,640	56,422	(1,218)	
Income	(160,410)	(157,922)	2,488	
Total Directly Controllable (Income)/Expenditure	**(102,770)**	**(101,500)**	**1,270**	
Indirect Expenditure	5,430	5,434	4	
Net (Income)/Expenditure	**(97,340)**	**(96,066)**	**1,274**	
MOT BAY				
Direct Expenditure	127,010	127,549	539	
Income	(164,070)	(157,945)	6,125	
Total Directly Controllable (Income)/Expenditure	**(37,060)**	**(30,396)**	**6,664**	
Indirect Expenditure	31,670	31,678	8	A carry forward to fund additional resources to support the core support support the Dementia Project in Sports, Arts and Disability Sports project totalling £10,000 will be funded from reserve.
Net (Income)/Expenditure	**(5,390)**	**1,282**	**6,672**	

GUILDFORD MUSEUM				
Direct Expenditure	432,960	527,340	94,380	There is a total of £90,800 being funded from reserve which includes an additional resources to support the core service whilst staff are seconded to support the re-accreditation assessments which, if successful, will increase the opportunities around grant and other financial support for the museum redevelopment.
Income	(59,460)	(59,660)	(200)	
Total Directly Controllable (Income)/Expenditure	**373,500**	**467,680**	**94,180**	
Indirect Expenditure	132,230	136,177	3,947	
Net (Income)/Expenditure	**505,730**	**603,857**	**98,127**	
OFF STREET PARKING				
Direct Expenditure	3,988,140	4,781,073	792,933	It is projected that repair and maintenance expenditure funded from the Car Parks Maintenance Reserve will be £886,000. The reserve will also fund the Pay and Display installation and upgrade £70,000 and a half share of the cost of the parking study £30,000, the other half being met from a Major Project budget. It is currently projected that income at Farnham Road, Castle and York Rd MSCP will be £254,000 under budget.
Income	(11,008,440)	(10,754,044)	254,396	
Total Directly Controllable (Income)/Expenditure	**(7,020,300)**	**(5,972,971)**	**1,047,329**	
Indirect Expenditure	1,473,750	1,482,481	8,731	
Net (Income)/Expenditure	**(5,546,550)**	**(4,490,490)**	**1,056,060**	
ON STREET PARKING				
Direct Expenditure	1,360,400	1,385,166	24,766	The higher than budgeted costs relate to the outcome of the recent job evaluation exercise for enforcement staff and car parks cleaning staff which has resulted in an increase to employee related costs.
Income	(1,942,930)	(1,928,240)	14,690	
Total Directly Controllable (Income)/Expenditure	**(582,530)**	**(543,074)**	**39,456**	
Indirect Expenditure	148,710	148,736	26	
Net (Income)/Expenditure	**(433,820)**	**(394,338)**	**39,482**	

ORDNANCE SURVEY AND MAPPING SERVICES				
Direct Expenditure	3,540	4,675	1,135	
Total Directly Controllable (Income)/Expenditure	**3,540**	**4,675**	**1,135**	
Indirect Expenditure	4,530	4,497	(33)	
Net (Income)/Expenditure	**8,070**	**9,172**	**1,102**	
PARKS AND COUNTRYSIDE				
Direct Expenditure	3,974,330	4,046,061	71,731	Two carry forwards totalling £77,000 relating to consultancy costs and measure to prevent traveller incursions will be funded from reserve.
Income	(1,221,230)	(1,216,392)	4,838	
Total Directly Controllable (Income)/Expenditure	**2,753,100**	**2,829,669**	**76,569**	
Indirect Expenditure	864,630	873,030	8,400	
Net (Income)/Expenditure	**3,617,730**	**3,702,699**	**84,969**	
PARK AND RIDE SERVICES				
Direct Expenditure	695,020	668,488	(26,532)	The current security contract will come to an end in October when existing Guildford staff will assume responsibility for locking and unlocking the premises. It is projected this will result in a saving of £34,000.
Income	(37,500)	(44,347)	(6,847)	
Total Directly Controllable (Income)/Expenditure	**657,520**	**624,141**	**(33,379)**	
Indirect Expenditure	115,650	114,941	(709)	
Net (Income)/Expenditure	**773,170**	**739,082**	**(34,088)**	
PROCUREMENT				
Direct Expenditure	96,810	133,746	36,936	The additional £39,000 relates to two temporary staff members - one is covering the vacant Procurement Assistant Post and the second has been agreed to undertake a number of short term procurement projects which will be funded from reserve.
Income	(122,510)	(122,518)	(8)	
Total Directly Controllable (Income)/Expenditure	**(25,700)**	**11,228**	**36,928**	
Indirect Expenditure	25,700	25,702	2	
Net (Income)/Expenditure	**0**	**36,930**	**36,930**	
PUBLIC CONVENIENCES				
Direct Expenditure	205,760	260,559	54,799	There are planned works at Stoke Park Tennis Courts and Woodbridge Road. The budget for these works will be transferred from the corporate repair and maintenance budget for the next reporting period.
Income	(12,050)	(12,050)	0	
Total Directly Controllable (Income)/Expenditure	**193,710**	**248,509**	**54,799**	
Indirect Expenditure	95,930	100,818	4,888	
Net (Income)/Expenditure	**289,640**	**349,327**	**59,687**	

REFUSE AND RECYCLING				
Direct Expenditure	6,540,950	6,707,529	166,579	Agency costs will be less than in previous years as temporary staff move into vacant posts. Additional gate fee costs relating to the disposal of co-mingled recyclate totalling £150,000 will be met from the recycling equalisation reserve (linked to presentation of income). October will see the end of gate fees and a transitional payment will be received to compensate on a per household basis. It is not currently assumed that the publicity and promotional budgets will be spent this year. Trade refuse disposal charges will be less than budgeted, but conseqently trade refuse income is also reduced.
Income	(3,552,440)	(3,480,123)	72,317	See above.
Total Directly Controllable (Income)/Expenditure	**2,988,510**	**3,227,406**	**238,896**	
Indirect Expenditure	501,600	501,664	64	
Net (Income)/Expenditure	**3,490,110**	**3,729,070**	**238,960**	
RIVER CONTROL				
Direct Expenditure	32,300	31,978	(322)	
Total Directly Controllable (Income)/Expenditure	**32,300**	**31,978**	**(322)**	
Indirect Expenditure	4,910	4,923	13	
Net (Income)/Expenditure	**37,210**	**36,901**	**(309)**	
ROADS AND FOOTPATHS MAINTENANCE				
Direct Expenditure	37,400	31,914	(5,486)	
Total Directly Controllable (Income)/Expenditure	**37,400**	**31,914**	**(5,486)**	
Indirect Expenditure	72,110	72,820	710	
Net (Income)/Expenditure	**109,510**	**104,734**	**(4,776)**	
SNOW AND ICE PLAN HOLDING ACCOUNT				
Direct Expenditure	52,340	52,168	(172)	
Income	(55,140)	(55,140)	0	
Total Directly Controllable (Income)/Expenditure	**(2,800)**	**(2,972)**	**(172)**	
Indirect Expenditure	1,230	1,066	(164)	
Net (Income)/Expenditure	**(1,570)**	**(1,906)**	**(336)**	

SPA SITES				
Direct Expenditure	105,000	92,116	(12,884)	
Income	(105,000)	(273,099)	(168,099)	SPA income for the future development and maintenance of green spaces is projected to exceed budget by £168,000. Am element of this income will be used in the current year to fund revenue spending, the remainder will be transferred to reserve at year-end.
Total Directly Controllable (Income)/Expenditure	**0**	**(180,983)**	**(180,983)**	
Net (Income)/Expenditure	**0**	**(180,983)**	**(180,983)**	
STREET CLEANSING				
Direct Expenditure	2,343,670	2,178,104	(165,566)	There are salary savings due to vacancies.
Income	(154,690)	(153,903)	787	
Total Directly Controllable (Income)/Expenditure	**2,188,980**	**2,024,201**	**(164,779)**	
Indirect Expenditure	173,970	173,986	16	
Net (Income)/Expenditure	**2,362,950**	**2,198,187**	**(164,763)**	
STREET FURNITURE				
Direct Expenditure	83,310	74,810	(8,500)	
Total Directly Controllable (Income)/Expenditure	**83,310**	**74,810**	**(8,500)**	
Indirect Expenditure	24,780	23,954	(826)	
Net (Income)/Expenditure	**108,090**	**98,764**	**(9,326)**	
TOURIST INFORMATION CENTRE				
Direct Expenditure	245,290	245,290	0	
Income	(53,050)	(50,321)	2,729	
Total Directly Controllable (Income)/Expenditure	**192,240**	**194,969**	**2,729**	
Indirect Expenditure	50,690	50,696	6	
Net (Income)/Expenditure	**242,930**	**245,665**	**2,735**	
BUSINESS AND TOURISM				
Direct Expenditure	498,150	508,817	10,667	
Income	(162,660)	(154,114)	8,546	
Total Directly Controllable (Income)/Expenditure	**335,490**	**354,703**	**19,213**	
Indirect Expenditure	106,070	106,014	(56)	
Net (Income)/Expenditure	**441,560**	**460,717**	**19,157**	

TOWN CENTRE MANAGEMENT				
Direct Expenditure	101,920	101,716	(204)	
Income	(272,380)	(126,338)	146,042	Income from Public Realm Enhancements has been delayed resulting in an adverse variance of £41,000. The decision has been made to move away from a WIFI concession, and in its place to run a mini competition for a larger scale WIFI joint venture. As the scope of this project is much projected it is currently projected it will deliver £10,000 this financial year. Planned sponsorship has taken longer to establish than initially anticipated and as a result will acheive £80,000 this financial year, £108,000 lower than the budgeted level.
Total Directly Controllable (Income)/Expenditure	**(170,460)**	**(24,622)**	**145,838**	
Indirect Expenditure	16,790	16,808	18	
Net (Income)/Expenditure	**(153,670)**	**(7,814)**	**145,856**	
TRANSPORTATION				
Direct Expenditure	12,740	12,708	(32)	
Total Directly Controllable (Income)/Expenditure	**12,740**	**12,708**	**(32)**	
Indirect Expenditure	7,910	7,171	(739)	
Net (Income)/Expenditure	**20,650**	**19,879**	**(771)**	
VEHICLE MAINTENANCE WORKSHOP				
Direct Expenditure	760,900	789,089	28,189	
Income	(807,560)	(836,385)	(28,825)	
Total Directly Controllable (Income)/Expenditure	**(46,660)**	**(47,296)**	**(636)**	
Indirect Expenditure	49,110	49,118	8	
Net (Income)/Expenditure	**2,450**	**1,822**	**(628)**	
WOKING ROAD DEPOT				
Direct Expenditure	491,190	495,724	4,534	
Income	(534,770)	(530,392)	4,378	
Total Directly Controllable (Income)/Expenditure	**(43,580)**	**(34,668)**	**8,912**	
Indirect Expenditure	102,730	102,167	(563)	
Net (Income)/Expenditure	**59,150**	**67,499**	**8,349**	
RECYCLING, CLEANSING AND PARKING SERVICES OVERHEAD ACCOUNT				
Direct Expenditure	77,190	76,615	(575)	
Income	(87,880)	(87,886)	(6)	
Total Directly Controllable (Income)/Expenditure	**(10,690)**	**(11,271)**	**(581)**	
Indirect Expenditure	10,690	10,692	2	
Net (Income)/Expenditure	**0**	**(579)**	**(579)**	

Finance Directorate

	Revised Budget	Projected Outturn	Variance	Notes
SERVICE SUMMARY				
Direct Expenditure	41,915,145	40,221,162	(1,693,983)	
Income	(37,635,390)	(35,488,997)	2,146,393	
Total Directly Controllable (Income)/Expenditure	**4,279,755**	**4,732,165**	**452,410**	
Indirect Expenditure	2,361,100	2,361,432	332	
Net (Income)/Expenditure	**6,640,855**	**7,093,597**	**452,742**	
ACCESS GROUP FOR GUILDFORD				
Direct Expenditure	2,440	3,047	607	
Total Directly Controllable (Income)/Expenditure	**2,440**	**3,047**	**607**	
Indirect Expenditure	2,430	2,430	0	
Net (Income)/Expenditure	**4,870**	**5,477**	**607**	
ACCOUNTANCY				
Direct Expenditure	752,600	717,765	(34,835)	Vacancies resulting in salary savings.
Income	(960,910)	(960,974)	(64)	
Total Directly Controllable (Income)/Expenditure	**(208,310)**	**(243,209)**	**(34,899)**	
Indirect Expenditure	107,520	107,538	18	
Net (Income)/Expenditure	**(100,790)**	**(135,671)**	**(34,881)**	
BUSINESS RATES				
Direct Expenditure	205,780	205,558	(222)	
Income	(261,850)	(255,452)	6,398	
Total Directly Controllable (Income)/Expenditure	**(56,070)**	**(49,894)**	**6,176**	
Indirect Expenditure	39,850	39,862	12	
Net (Income)/Expenditure	**(16,220)**	**(10,032)**	**6,188**	
CIVIC EXPENSES				
Direct Expenditure	202,840	236,577	33,737	The additional expenditure relates to support for borough events which are projected to exceed budget by £19,000. The timeline for Mayoral events mean that headline costs will be £11,000 higher in 2019-20, but they will be supported by a carry forward of the 2018-19 underspend.
Income	0	(62)	(62)	
Total Directly Controllable (Income)/Expenditure	**202,840**	**236,515**	**33,675**	
Indirect Expenditure	30,330	30,340	10	
Net (Income)/Expenditure	**233,170**	**266,855**	**33,685**	

COUNCIL AND COMMITTEE SUPPORT				
Direct Expenditure	212,150	212,872	722	
Income	(39,150)	(39,126)	24	
Total Directly Controllable (Income)/Expenditure	**173,000**	**173,746**	**746**	
Indirect Expenditure	255,270	255,326	56	
Net (Income)/Expenditure	**428,270**	**429,072**	**802**	
CORPORATE FINANCIAL				
Direct Expenditure	204,230	187,257	(16,973)	
Income	(150,000)	(150,000)	0	
Total Directly Controllable (Income)/Expenditure	**54,230**	**37,257**	**(16,973)**	
Indirect Expenditure	249,660	249,690	30	
Net (Income)/Expenditure	**303,890**	**286,947**	**(16,943)**	
CORPORATE SERVICES				
Direct Expenditure	838,460	874,350	35,890	A compromise agreement included in the projection will be funded from reserves. It is not currently projected that the intern budget will not be fully spent.
Income	(119,570)	(127,484)	(7,914)	
Total Directly Controllable (Income)/Expenditure	**718,890**	**746,866**	**27,976**	
Indirect Expenditure	412,860	412,896	36	
Net (Income)/Expenditure	**1,131,750**	**1,159,762**	**28,012**	
COMMITTEE SERVICES				
Direct Expenditure	185,730	183,691	(2,039)	
Income	(221,340)	(221,354)	(14)	
Total Directly Controllable (Income)/Expenditure	**(35,610)**	**(37,663)**	**(2,053)**	
Indirect Expenditure	37,690	37,700	10	
Net (Income)/Expenditure	**2,080**	**37**	**(2,043)**	
COUNCIL TAX				
Direct Expenditure	705,430	718,050	12,620	Temporary staffing resources at a net additional cost of £13,000 have been agreed to cover vacancies in Council Tax collection until the outcome of the Future Guildford project is known, as it is essential to keep on top of collection responsibilities. Council Tax court fees are forecast to be £10,000 lower than budget.
Income	(290,000)	(280,000)	10,000	
Total Directly Controllable (Income)/Expenditure	**415,430**	**438,050**	**22,620**	
Indirect Expenditure	135,680	135,694	14	
Net (Income)/Expenditure	**551,110**	**573,744**	**22,634**	

DEMOCRATIC REPRESENTATION AND MANAGEMENT				
Direct Expenditure	684,980	688,008	3,028	
Income	(107,800)	(107,800)	0	
Total Directly Controllable (Income)/Expenditure	**577,180**	**580,208**	**3,028**	
Indirect Expenditure	210,370	210,396	26	
Net (Income)/Expenditure	**787,550**	**790,604**	**3,054**	
ELECTIONS				
Direct Expenditure	72,980	250,464	177,484	The cost of the May 2019 Guildford Borough Elections will be funded from reserves. [An annual contribution is made to reserve to fund the cost of elections]
Income	0	(10,000)	(10,000)	
Total Directly Controllable (Income)/Expenditure	**72,980**	**240,464**	**167,484**	
Indirect Expenditure	21,700	21,708	8	
Net (Income)/Expenditure	**94,680**	**262,172**	**167,492**	
ELECTORAL REGISTRATION				
Direct Expenditure	264,050	267,660	3,610	
Income	(22,630)	(22,630)	0	
Total Directly Controllable (Income)/Expenditure	**241,420**	**245,030**	**3,610**	
Indirect Expenditure	34,120	34,128	8	
Net (Income)/Expenditure	**275,540**	**279,158**	**3,618**	
FEASIBILITY STUDIES				
Direct Expenditure	40,000	40,971	971	
Total Directly Controllable (Income)/Expenditure	**40,000**	**40,971**	**971**	
Indirect Expenditure	470	470	0	
Net (Income)/Expenditure	**40,470**	**41,441**	**971**	
DEBTORS				
Direct Expenditure	165,800	158,351	(7,449)	
Income	(209,800)	(209,814)	(14)	
Total Directly Controllable (Income)/Expenditure	**(44,000)**	**(51,463)**	**(7,463)**	
Indirect Expenditure	44,620	44,628	8	
Net (Income)/Expenditure	**620**	**(6,835)**	**(7,455)**	

HOUSING BENEFITS				
Direct Expenditure	31,173,400	29,330,162	(1,843,238)	The increase in direct expenditure relates to Discretionary Housing Payments [DHP] of £255,000, offset by grant from the Department of Work and Pensions [DWP] There is also an additional £12,000 of staff costs relating to a temporary staff resources to undertake a specific piece of work funded by government grant. The overall fluctuation in claimant numbers resulting in variations in expenditure and a corresponding reduction in costs recovered from DWP.
Income	(30,985,330)	(29,152,442)	1,832,888	
Total Directly Controllable (Income)/Expenditure	**188,070**	**177,720**	**(10,350)**	
Indirect Expenditure	206,140	206,158	18	
Net (Income)/Expenditure	**394,210**	**383,878**	**(10,332)**	
INSURANCE REVENUE ACCOUNT				
Direct Expenditure	831,190	808,166	(23,024)	
Income	(1,104,880)	(826,414)	278,466	Our insurance cover was re-tendered in the last quarter of 2018-19. The exercise generated savings of approximately £250,000 which were removed as a single line entry [late in the budget process] from the expenditure budget of the *Insurance Revenue Account.* The reduced recharged income reflects this change, with corresponding savings against the insurance budget in the service accounts.
Total Directly Controllable (Income)/Expenditure	**(273,690)**	**(18,248)**	**255,442**	
Indirect Expenditure	6,220	6,220	0	
Net (Income)/Expenditure	**(267,470)**	**(12,028)**	**255,442**	
IT RENEWALS REVENUE ACCOUNT				
Income	(893,250)	(893,634)	(384)	
Total Directly Controllable (Income)/Expenditure	**(893,250)**	**(893,634)**	**(384)**	
Indirect Expenditure	225,880	225,894	14	
Net (Income)/Expenditure	**(667,370)**	**(667,740)**	**(370)**	
MANAGEMENT POLICY STRATEGY				
Direct Expenditure	285,710	288,082	2,372	
Income	(303,800)	(303,820)	(20)	
Total Directly Controllable (Income)/Expenditure	**(18,090)**	**(15,738)**	**2,352**	
Indirect Expenditure	23,690	23,698	8	
Net (Income)/Expenditure	**5,600**	**7,960**	**2,360**	

MISCELLANEOUS ITEMS				
Direct Expenditure	904,940	756,447	(148,493)	Saving reflects the current working assumption on the use of the corporate inflation budget.
Income	(10,360)	(9,537)	823	
Total Directly Controllable (Income)/Expenditure	**894,580**	**746,910**	**(147,670)**	
Indirect Expenditure	450	450	0	
Net (Income)/Expenditure	**895,030**	**747,360**	**(147,670)**	
OPERATIONS TECHNICAL SERVICES				
Direct Expenditure	1,135,050	1,286,438	151,388	Shift allowances arising from revised helpdesk service provision not included in the budget. A carry forward to provide revenue support for software development and enhancement totalling £100,000 will be funded from reserve.
Income	(1,267,110)	(1,268,044)	(934)	
Total Directly Controllable (Income)/Expenditure	**(132,060)**	**18,394**	**150,454**	
Indirect Expenditure	127,810	127,834	24	
Net (Income)/Expenditure	**(4,250)**	**146,228**	**150,478**	
PARISH AND LOCAL LIAISON				
Direct Expenditure	187,450	187,584	134	
Total Directly Controllable (Income)/Expenditure	**187,450**	**187,584**	**134**	
Indirect Expenditure	8,010	8,018	8	
Net (Income)/Expenditure	**195,460**	**195,602**	**142**	
PAYMENTS AND PURCHASING				
Direct Expenditure	265,240	223,566	(41,674)	
Income	(433,230)	(432,726)	504	
Total Directly Controllable (Income)/Expenditure	**(167,990)**	**(209,160)**	**(41,170)**	
Indirect Expenditure	99,850	99,864	14	
Net (Income)/Expenditure	**(68,140)**	**(109,296)**	**(41,156)**	
PORTFOLIO MANAGEMENT				
Direct Expenditure	266,660	263,783	(2,877)	
Income	(254,380)	(217,684)	36,696	No external income from street naming service is currently projected pending the finalisation of the scheme.
Total Directly Controllable (Income)/Expenditure	**12,280**	**46,099**	**33,819**	
Indirect Expenditure	27,800	27,804	4	
Net (Income)/Expenditure	**40,080**	**73,903**	**33,823**	

NON DISTRIBUTED COSTS

Direct Expenditure	2,074,790	2,074,792	2
Total Directly Controllable (Income)/Expenditure	**2,074,790**	**2,074,792**	**2**
Indirect Expenditure	25,510	25,512	2
Net (Income)/Expenditure	**2,100,300**	**2,100,304**	**4**

WEBSITE

Direct Expenditure	253,245	257,521	4,276
Total Directly Controllable (Income)/Expenditure	**253,245**	**257,521**	**4,276**
Indirect Expenditure	27,170	27,174	4
Net (Income)/Expenditure	**280,415**	**284,695**	**4,280**

Management

	Revised Budget	Projected Outturn	Variance	Notes
SERVICE SUMMARY				
Direct Expenditure	2,226,645	2,540,358	313,713	
Income	(1,792,240)	(1,797,391)	(5,151)	
Total Directly Controllable (Income)/Expenditure	**434,405**	**742,967**	**308,562**	
Indirect Expenditure	333,650	333,734	84	
Net (Income)/Expenditure	**768,055**	**1,076,701**	**308,646**	
COMMUNITY DEVELOPMENT				
Direct Expenditure	289,830	311,287	21,457	A carry forward in respect of the Safer Guildford Partnership totalling £37,000 is included in the projection and will be funded from reserve. The service currently has one vacant post.
Income	(15,000)	(19,880)	(4,880)	
Total Directly Controllable (Income)/Expenditure	**274,830**	**291,407**	**16,577**	
Indirect Expenditure	43,170	43,182	12	
Net (Income)/Expenditure	**318,000**	**334,589**	**16,589**	
CUSTOMER SERVICE CENTRE				
Direct Expenditure	302,130	312,425	10,295	
Income	(453,570)	(453,602)	(32)	
Total Directly Controllable (Income)/Expenditure	**(151,440)**	**(141,177)**	**10,263**	
Indirect Expenditure	79,890	79,896	6	
Net (Income)/Expenditure	**(71,550)**	**(61,281)**	**10,269**	
INTERNAL AUDIT				
Direct Expenditure	117,090	118,520	1,430	
Income	(149,610)	(149,620)	(10)	
Total Directly Controllable (Income)/Expenditure	**(32,520)**	**(31,100)**	**1,420**	
Indirect Expenditure	7,150	7,156	6	
Net (Income)/Expenditure	**(25,370)**	**(23,944)**	**1,426**	
BUSINESS IMPROVEMENT				
Direct Expenditure	243,580	252,341	8,761	
Income	(249,120)	(249,136)	(16)	
Total Directly Controllable (Income)/Expenditure	**(5,540)**	**3,205**	**8,745**	
Indirect Expenditure	30,910	30,922	12	
Net (Income)/Expenditure	**25,370**	**34,127**	**8,757**	

FUTURE GUILDFORD				
Direct Expenditure	0	251,211	251,211	Costs connected with the Future Guildford project are being funded from the invest to save reserve.
Total Directly Controllable (Income)/Expenditure	**0**	**251,211**	**251,211**	
Net (Income)/Expenditure	**0**	**251,211**	**251,211**	
HR SERVICES				
Direct Expenditure	488,400	490,051	1,651	
Income	(564,740)	(564,778)	(38)	
Total Directly Controllable (Income)/Expenditure	**(76,340)**	**(74,727)**	**1,613**	
Indirect Expenditure	76,340	76,348	8	
Net (Income)/Expenditure	**0**	**1,621**	**1,621**	
OTHER EMPLOYEE COSTS				
Direct Expenditure	308,190	320,790	12,600	The Budget for the Salary Sacrifice Scheme is held in *Other Employee Costs* - the actuals appear in the individual service areas, resulting in a variance to this account £10,000.
Income	(218,230)	(218,397)	(167)	
Total Directly Controllable (Income)/Expenditure	**89,960**	**102,393**	**12,433**	
Indirect Expenditure	16,460	16,466	6	
Net (Income)/Expenditure	**106,420**	**118,859**	**12,439**	
PAYROLL AND INSURANCE				
Direct Expenditure	115,640	116,222	582	
Income	(137,470)	(137,478)	(8)	
Total Directly Controllable (Income)/Expenditure	**(21,830)**	**(21,256)**	**574**	
Indirect Expenditure	21,830	21,846	16	
Net (Income)/Expenditure	**0**	**590**	**590**	
PUBLIC RELATIONS AND MARKETING				
Direct Expenditure	361,785	367,511	5,726	
Income	(4,500)	(4,500)	0	
Total Directly Controllable (Income)/Expenditure	**357,285**	**363,011**	**5,726**	
Indirect Expenditure	57,900	57,918	18	
Net (Income)/Expenditure	**415,185**	**420,929**	**5,744**	

Planning and Regeneration Directorate

	Revised Budget	Projected Outturn	Variance	Notes
SERVICE SUMMARY				
Direct Expenditure	4,715,080	6,421,951	1,706,871	
Income	(2,593,020)	(2,491,506)	101,514	
Total Directly Controllable (Income)/Expenditure	**2,122,060**	**3,930,445**	**1,808,385**	
Indirect Expenditure	1,125,200	1,127,815	2,615	
Net (Income)/Expenditure	**3,247,260**	**5,058,260**	**1,811,000**	
BUILDING CONTROL SUMMARY				
Direct Expenditure	765,430	857,379	91,949	Vacant post savings are being used to part-fund two agency surveyors, although there is an overall shotfall in funding from this arrangement of £32,000. Consultants costs will be £30,000 higher than budget and fee income is currently projected to be £58,000 lower than budgeted.
Income	(503,510)	(445,202)	58,308	
Total Directly Controllable (Income)/Expenditure	**261,920**	**412,177**	**150,257**	
Indirect Expenditure	120,270	120,280	10	
Net (Income)/Expenditure	**382,190**	**532,457**	**150,267**	
CLIMATE CHANGE				
Direct Expenditure	110,810	130,828	20,018	The vacant post in the service is currently being covered by the use of casual staff £12,000. A carry forward to support the Green Network Travel Plan of £9,200 is included in the projection and will be funded from reserve.
Income	(201,630)	(201,638)	(8)	
Total Directly Controllable (Income)/Expenditure	**(90,820)**	**(70,810)**	**20,010**	
Indirect Expenditure	49,010	49,026	16	
Net (Income)/Expenditure	**(41,810)**	**(21,784)**	**20,026**	
DEVELOPMENT CONTROL				
Direct Expenditure	1,946,960	2,254,559	307,599	Salary, casual and agency costs are projected to be £46,000 higher than budgeted. It is currently anticipated that planning fee income will be £72,700 lower than budgeted. The first Planning Performance Application has been received and will result in £50,500 of income.
Income	(1,606,000)	(1,578,758)	27,242	
Total Directly Controllable (Income)/Expenditure	**340,960**	**675,801**	**334,841**	
Indirect Expenditure	575,150	577,895	2,745	
Net (Income)/Expenditure	**916,110**	**1,253,696**	**337,586**	

LOCAL LAND CHARGES				
Direct Expenditure	214,200	198,052	(16,148)	
Income	(266,880)	(250,725)	16,155	
Total Directly Controllable (Income)/Expenditure	**(52,680)**	**(52,673)**	**7**	
Indirect Expenditure	32,730	32,778	48	
Net (Income)/Expenditure	**(19,950)**	**(19,895)**	**55**	
MAJOR PROJECTS				
Direct Expenditure	459,790	1,502,118	1,042,328	Employee related costs are expected to be £22,700 under the revenue budget which takes into account a capital allocation of £186,300. The allocation between revenue and capital will be revised at each monitoring period as the individual projects move from revenue to capital. Consultants costs for specific project totalling £1,067,000 will be funded from the carry forward reserve.
Total Directly Controllable (Income)/Expenditure	**459,790**	**1,502,118**	**1,042,328**	
Indirect Expenditure	145,360	145,386	26	
Net (Income)/Expenditure	**605,150**	**1,647,504**	**1,042,354**	
POLICY				
Direct Expenditure	1,164,860	1,425,908	261,048	There are salary savings resulting from vacancies, although agency and consultants have been retained in lieu of some posts. Referendum and consultants costs for Lovelace, Puttenham and Send Neighbourhood Plans will be £32,000 with government grant of £60,000 not due until 2020-21. At this early stage of 2019-20 CIL consultants costs are expected to be on budget. Consultants costs connected with the Local Plan will be funded from reserve. Planning policy software costs of £32,000 will be funded from the Planning Policy reserve. The Local Plan inspectors budget of £50,000 will not be required this year.
Income	(15,000)	(15,183)	(183)	
Total Directly Controllable (Income)/Expenditure	**1,149,860**	**1,410,725**	**260,865**	
Indirect Expenditure	180,800	180,562	(238)	
Net (Income)/Expenditure	**1,330,660**	**1,591,287**	**260,627**	
SLYFIELD AREA REGENERATION PROJECT (SARP)				
Direct Expenditure	53,030	53,107	77	
Total Directly Controllable (Income)/Expenditure	**53,030**	**53,107**	**77**	
Indirect Expenditure	21,880	21,888	8	
Net (Income)/Expenditure	**74,910**	**74,995**	**85**	

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HOUSING REVENUE ACCOUNT SUMMARY - BUDGET MONITOR (APRIL 2019 - MAY 2019)

2017-18 Actual £	2018-19 Actual £	Analysis	2019-20 Estimate £	2019-20 Projection £
		Borough Housing Services		
613,565	738,104	Income Collection	682,940	692,827
948,978	1,036,217	Tenants Services	938,680	935,756
64,128	81,030	Tenant Participation	148,270	122,281
68,808	69,865	Garage Management	101,340	96,901
64,083	59,064	Elderly Persons Dwellings	66,740	67,762
524,075	584,036	Flats Communal Services	447,530	525,645
432,181	423,867	Environmental Works to Estates	482,000	451,541
5,523,575	5,676,678	Responsive & Planned Maintenance	5,357,668	5,306,029
120,028	121,665	SOCH & Equity Share Administration	141,950	133,049
8,359,422	**8,790,527**		**8,367,118**	**8,331,791**
		Strategic Housing Services		
360,623	419,543	Advice, Registers & Tenant Selection	360,450	340,899
210,368	217,026	Void Property Management & Lettings	210,010	189,947
9,142	9,700	Homelessness Hostels	5,120	5,116
142,418	155,194	Supported Housing Management	163,210	161,273
392,915	426,311	Strategic Support to the HRA	380,990	380,005
1,115,468	**1,227,774**		**1,119,780**	**1,077,240**
		Community Services		
911,190	938,878	Sheltered Housing	827,400	819,676
		Other Items		
5,528,728	5,638,889	Depreciation	5,528,730	5,528,730
(44,323)	(45,515)	Revaluation and other Capital items	0	0
165,468	163,276	Debt Management	160,590	160,590
280,328	343,578	Other Items	632,390	632,312
16,316,281	**17,057,407**	**Total Expenditure**	**16,636,008**	**16,550,338**
(32,247,174)	(31,991,396)	Income	(32,445,282)	(32,441,491)
(15,930,894)	**(14,933,989)**	**Net Cost of Services(per inc & exp a/c)**	**(15,809,274)**	**(15,891,153)**
264,207	**258,720**	HRA share of CDC	**256,800**	**251,530**
(15,666,687)	**(14,675,269)**	**Net Cost of HRA Services**	**(15,552,474)**	**(15,639,623)**
(384,996)	(456,206)	Investment Income	(598,260)	(598,260)
5,004,072	5,159,240	Interest Payable	5,142,230	5,131,995
(11,047,611)	**(9,972,235)**	**Deficit for Year on HRA Services**	**(11,008,504)**	**(11,105,888)**
627,309	0	REFCUS - Revenue funded from capital	75,000	75,000
2,500,000	2,500,000	Contrib to/(Use of) RFFC	2,500,000	2,500,000
7,563,162	7,849,699	Contrib to/(Use of) New Build Reserve	8,433,504	8,530,888
309,017	(421,229)	Tfr (fr) to Pensions Reserve	0	0
640,110	0	Tfr (from)/to CAA re: Voluntary Revenue Provision	0	0
71,504	76,058	Tfr (from)/to CAA re: Revaluation	0	0
(627,309)	0	Tfr (from)/to CAA re: REFCUS	0	0
(27,181)	(30,543)	Tfr (from)/to CAA re: Intangible assets	0	0
(9,000)	(1,750)	Tfr (from)/to CAA re: rev. inc. from sale of asset	0	0
0	**0**	**HRA Balance**	**0**	**(0)**
(2,500,000)	(2,500,000)	Balance Brought Forward	(2,500,000)	(2,500,000)
(2,500,000)	**(2,500,000)**	**Balance Carried Forward**	**(2,500,000)**	**(2,500,000)**

2017-18 Actual £	2018-19 Actual £	Analysis	2019-20 Estimate £	2019-20 Projection £
		Borough Housing Services		
(29,579,133)	(29,236,342)	Rent Income - Dwellings	(29,736,103)	(29,719,095)
(207,228)	(208,349)	Rent Income - Rosebery Hsg Assoc	(209,980)	(209,980)
(199,874)	(206,530)	Rents - Shops, Buildings etc	(194,300)	(221,172)
(699,962)	(718,083)	Rents - Garages	(739,774)	(754,194)
(30,686,197)	**(30,369,304)**	**Total Rent Income**	**(30,880,157)**	**(30,904,441)**
(316,404)	(140,122)	Supporting People Grant	(105,000)	(105,000)
(937,611)	(1,023,033)	Service Charges	(1,007,580)	(1,018,505)
(21,432)	(9,144)	Legal Fees Recovered	(28,840)	(19,880)
(44,698)	(51,614)	Service Charges Recovered	(40,000)	(43,872)
(240,832)	(398,179)	Miscellaneous Income	(383,705)	(349,794)
(32,247,174)	**(31,991,396)**	**Total Income**	**(32,445,282)**	**(32,441,491)**

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GENERAL FUND CAPITAL PROGRAMME - ESTIMATED EXPENDITURE 2019-20 to 2024-25

Ref	Directorate/Service and Capital Scheme name	Approved gross estimate	Cumulative spend at 31-03-19	2019-20 Estimate approved by Council in February	Revised estimate	Expenditure at 29.05.19	Projected exp est by project officer	2020-21 Est for year	2021-22 Est for year	2022-23 Est for year	2023-24 Est for year	2024-25 Est for year	Future years est exp	Projected expenditure total	Grants / Contributions towards cost of scheme	Net cost of scheme
		(a)	*(b)*	*(c)*	*(d)*	*(e)*	*(f)*	*(ii)*	*(iii)*	*(iv)*	*(v)*	*(v)*	*(g)*	*(b)+(g) = (h)*	*(i)*	*(h)-(i) = (j)*
		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
	APPROVED SCHEMES															
	COMMUNITY DIRECTORATE															
	General Fund Housing															
ED30	Home Farm, Effingham - provision of Gypsy and Travellor	1,000	987	-	-	(11)	-	-	-	-	-	-	-	987	-	987
	Disabled Facilities Grants		annual	605	605	40	605	605	605	605	605	605	3,025	3,630	-	3,630
	Better Care Fund			-		14	-	-						-		-
	Home Improvement Assistance			-	-	5	-	-					-	-	-	-
	Solar Energy Loans			-	-	-	-	-					-	-	-	-
	SHIP			-	-	1	-	-					-	-	-	-
	General Grants to HAs		annual	100	100	-	100	100	100	100	100	100	500	600	-	600
	General feasibility, site preparation costs for affordable housing		annual	120	120		120	120	120	120	120	120	600	720	-	720
	Bright Hill Car Park Site		19			-							-	-	-	-
	Garage Sites-General		160			-							-	-	-	-
	Garage Sites Phase 1		10			-							-	-	-	-
	Park Barn		2			-										
	Japonica Court/Shawfield Day Centre		4			2										
	Corporate Prorperty															
ED3/15	Disabled Access (DDA) Improvements: ph.2 & 3	404	368	-	36	-	36	-	-	-	-	-	-	404	-	404
ED14(e)	Void investment property refurbishment works	400	237	10	57	-	57	-	-	-	-	-	-	400	-	400
ED14	5 High Street void works		-	55	105	3	105	-					-			
ED15	Unit 3 The Billings void works				1	1	1									
ED19	Asbestos surveys and removal in non-residential council	158	130	32	28	4	28	-	-	-	-	-	-	158	-	158
ED21	Methane gas monitoring system	100	45	45	55	-	55	-	-	-	-	-	-	100	-	100
ED22	Energy efficiency compliance - Council owned properties	245	58	-	187	1	187	-	-	-	-	-	-	245	-	245
ED26	Bridges -Inspections and remedial works	317	173	-	130	-	130	-	-	-	-	-	-	317	-	317
ED26	Bridges - Millmead Footbridge		4			-	-									
ED26	Bridges - Shalford Common		1			-	-									
ED26	Bridges - Millmead Lattice		9			-	-									
ED26	Bridges - Shalford Rd/Millmead Island		0			-	-									
ED35	Electric Theatre - new boilers	120	-	120	120	-	120	-	-	-	-	-	-	120	-	120
ED41	The Billings roof	200	27	-	(2)	(5)	(2)	175	-	-	-	-	175	200	-	200
ED44	Broadwater cottage	224	69	172	155	1	155	-	-	-	-	-	-	224	-	224
ED45	Gunpowder mills - scheduled ancient monument	50	5	25	45	0	45	-	-	-	-	-	-	50	-	50
ED46	New House - short term works following acquisition	70	54	-	16	-	16	-	-	-	-	-	-	70	-	70
ED51(p)	Guildford House Exhibition lighting	50	-	50	50	-	50	-	-	-	-	-	-	50	-	50
ED52	Chapel Street (Castle Street/Tunsgate Public Realm Scheme)	2,260	992	1,425	1,268	2	1,268	-	-	-	-		-	2,260	(10)	2,250
ED47	Cladding of Ash Vale units	145	13	135	132	(12)	132	-	-	-	-	-	-	145	-	145
ED55	48 Quarry Street, Museum - structural works	250	15	232	235	13	235	-	-	-	-	-	-	250	-	250
ED53	Tyting Farm Land-removal of barns and concrete hardstanding	200	-	200	200	1	200	-	-	-	-	-	-	200	-	200
ED56	Foxenden Tunnels safety works	110		110	110		110	-					-	110	-	110
ED57	Holy Trinity Church boundary wall	63		63	63		63	-					-	63	1	64
	Office Services															
BS4	Hydro private wire - Tollhouse to Millmead	4	3	-	1	-	1	-	-	-	-	-	-	4	-	4
	Millmead - IT Cooling System	150	18		132	(1)	132						-	150		150
					-											
	COMMUNITY DIRECTORATE TOTAL	**6,520**	**3,404**	**3,499**	**3,949**	**58**	**3,949**	**1,000**	**825**	**825**	**825**	**825**	**4,300**	**11,457**	**(9)**	**11,448**
	ENVIRONMENT DIRECTORATE															
	Operational Services															
OP1	Safer Guildford: CCTV & Lighting Strategy - Lighting Strategy	345	324	21	21	-	0	21	-	-	-	-	21	345	-	345
OP5	Mill Lane (Pirbright) Flood Protection Scheme	71	55	16	16	-	16	-	-	-	-	-	-	71	(19)	52
OP6	Vehicles, Plant & Equipment Replacement Programme	6,445	5,750	579	695	135	695	-	-	-	-	-	-	6,445	(26)	6,419
	Mary Road Flood (EA grant)	45	16	29	29	-	0	-						16	(16)	-
OP20	Flood resilience measures (use in conjunction with grant	100	-	100	100	-	100	-	-	-	-	-	-	100	-	100
OP22	Litter bins replacement	265	112	-	153	-	153	-	-	-	-	-	-	265	-	265
OP23	Flats recycling - new bins	50	46	-	4	-	0	-	-	-	-	-	-	46	-	46
OP25	WRD roads and footpaths	150	95	40	55	-	55	-	-	-	-	-	-	150	-	150
OP26	Merrow lane grille & headwall construction	60	3	57	57	-	57	-	-	-	-	-	-	60	-	60
OP27	Merrow & Burpham surface water study	15	-	15	15	-	15	-	-	-	-	-	-	15	-	15
OP28	Crown court CCTV	10	-	10	10	-	10	-	-	-	-	-	-	10	-	10
OP17	New vehicle washing system	155	1	-	154	-	154	-	-	-	-	-	-	155	-	155
	Parks and Leisure						-									
PL11	Spectrum Roof replacement	4,000	1,535	300	435	0	435	-	-	-	-	-	-	3,100	-	3,100
	Spectrum roof - steelwork ph2	-	409	-	-	-	-	-	-	-	-	-	-	-	-	-
	Spectrum roof - steelwork ph3	-	720			-	-							-		-
PL15	Infrastructure works: Guildford Commons	150	3	-	-	-	-	-	-	-	-	-	-	3	-	3
PL15(a)	Infrastructure works: Guildford Commons: Merrow	-	12	-	5	-	5	-	-	-	-	-	-	17	-	17
PL15(b)	Infrastructure works: Guildford Commons: Shalford	-	111	-	19	14	19	-	-	-	-	-	-	130	-	130
PL20(b)	Westnye Gardens play area	125	118	-	7	1	7	-	-	-	-	-	-	125	(1)	124

GENERAL FUND CAPITAL PROGRAMME - ESTIMATED EXPENDITURE 2019-20 to 2024-25

Ref	Directorate/Service and Capital Scheme name	Approved gross estimate (a) £000	Cumulative spend at 31-03-19 (b) £000	2019-20 Estimate approved by Council in February (c) £000	Revised estimate (d) £000	Expenditure at 29.05.19 (e) £000	Projected exp est by project officer (f) £000	2020-21 Est for year (ii) £000	2021-22 Est for year (iii) £000	2022-23 Est for year (iv) £000	2023-24 Est for year (v) £000	2024-25 Est for year (v) £000	Future years est exp (g) £000	Projected expenditure total (b)+(g) = (h) £000	Grants / Contributions towards cost of scheme (i) £000	Net cost of scheme (h)-(i) = (j) £000
PL34	Stoke cemetry re-tarmac	47	-	47	47	-	-	47	-	-	-	-	47	47	-	47
PL35	Woodbridge rd sportsground replace fencing	250	195	-	55	25	55	-	-	-	-	-	-	250	-	250
PL36	Stoke Park Composting facility	105	-	105	105	-	-	-	-	-	-	-	-	-	-	-
PL42	Pre-sang costs	100	24	61	76	14	76	-	-	-	-	-	-	100	-	100
ED18	Museum and castle development	1,652	188	180	444	(72)	444	1,020	-	-	-	-	1,020	1,652	-	1,652
PL57	Parks and Countryside - repairs and renewal of paths,roads	165	94	-	71	-	71	-	-	-	-	-	-	165	-	165
PL24	Kings college astro turf	547	76	-	470	417	470	-	-	-	-	-	-	547	(427)	120
PL58	Shalford Common - regularising car parking/reduction of	121		60	60		-	121	-				121	121	-	121
	ENVIRONMENT TOTAL DIRECTORATE	**14,973**	**9,889**	**1,620**	**3,103**	**535**	**2,837**	**1,209**	**-**	**-**	**-**	**-**	**1,209**	**13,935**	**(489)**	**13,446**
	FINANCE DIRECTORATE															
						-										
	Financial Services															
FS1	Capital contingency fund	annual	-	5,000	5,000	-	5,000	5,000	5,000	5,000	5,000	5,000	25,000	30,000	-	30,000
	RESOURCES DIRECTORATE TOTAL	**0**	**0**	**5,000**	**5,000**	**0**	**5,000**	**5,000**	**5,000**	**5,000**	**5,000**	**5,000**	**25,000**	**30,000**	**0**	**30,000**
	DEVELOPMENT/INCOME GENERATING/COST REDUCTION PROJECTS															
	COMMUNITY DIRECTORATE															
ED25	Guildford Park - new MSCP and infrastructure works	6,500	1,803	3,509	3,762	2	3,762	-	-	-	-	-	-	6,500	-	6,500
	Guildford Park - Housing for private sale		935			2	-									
	Investment in North Downs Housing (60%)	15,180	4,619	3,600	4,379	144	4,379	4,500	1,682	-	-	-	6,182	15,180	-	15,180
	Equity shares in Guildford Holdings ltd (40%)	10,120	3,083	2,400	2,920	96	2,920	3,000	1,117	-	-	-	4,117	10,120	-	10,120
ED49	Middleton Ind Est Redevelopment	3,850	255	3,649	3,595	2	3,595	-	-	-	-		-	3,850		3,850
P12	Strategic property acquisitions	8,520	-	4,647	8,520	0	8,520	-	-	-	-	-	-	8,520	-	8,520
	ENVIRONMENT DIRECTRORATE															
P5	Walnut Bridge replacement	3,341	1,366	801	864	63	864	1,094	17	-	-	-	1,111	3,341	(1,630)	1,711
PL9	Rebuild Crematorium	11,732	4,472	7,372	7,260	407	7,260	-	-	-	-	-	-	11,732	-	11,732
PL25	Spectrum Combined Heat and Power (GF contr)	867	290	-	77	15	77	-	-	-	-	-	-	367	-	367
PL29	Woodbridge Rd sportsground	1,900	2,211	-	(311)	-	(0)	-	-	-	-	-	-	2,211	(496)	1,715
	PLANNING & REGENERATION DIRECTORATE															
ED32	Internal Estate Road - CLLR Phase 1	11,139	2,292	6,500	8,847	1,117	8,847	-	-	-	-	-	-	11,139	(1,000)	10,139
ED6	Slyfield Area Regeneration Project (SARP)	15,225	3,214	6,000	5,670	542	5,670	700	5,641	-	-	-	6,341	15,225	-	15,225
ED27	North Street Development / Guild Town Centre regeneration	977	741	-	236	0	0	236	-	-	-	-	236	977	(50)	927
P9c	Town Centre Gateway Regeneration	3,523	43	3,481	3,480	6	(0)	3,480	-	-	-	-	3,480	3,523	-	3,523
	SMC(West) Phase 1	3,850	250	1,383	1,935	26	1,935	1,665	-				1,665	3,850	(2,725)	1,125
P16	A331 hotspots	3,930	147	2,230	2,383	-	2,383	1,400	-	-	-	-	1,400	3,930	(1,965)	1,965
P14	Town Centre Approaches	1,033	-	1,033	1,033	-	1,033	-	-	-	-	-	-	1,033	(700)	333
P20	Bedford Wharf Landscaping	150	1	150	149	-	-	149	-	-	-	-	149	150	-	150
P22	Ash Bridge Land acquistion	120	2	-	118	-	118		-	-	-	-	-	120	-	120
P21	Ash Road Bridge	3,460	646	3,460	2,814	(63)	2,814	-	-	-	-	-	-	3,460	(3,460)	-
	DEVELOPMENT/INCOME GENERATING/COST REDUCTION	**105,417**	**26,370**	**50,215**	**57,731**	**2,361**	**54,177**	**16,224**	**8,457**	**0**	**0**	**0**	**24,681**	**105,228**	**(12,026)**	**93,202**
	APPROVED SCHEMES TOTAL	**126,909**	**39,663**	**60,334**	**69,782**	**2,954**	**65,962**	**23,433**	**14,282**	**5,825**	**5,825**	**5,825**	**55,190**	**160,620**	**(12,524)**	**148,096**

GENERAL FUND CAPITAL PROGRAMME - ESTIMATED EXPENDITURE 2019-20 to 2024-25

Ref	Directorate / Service Units Capital Schemes	Gross estimate approved by Executive	Cumulative spend at 31-03-19	2019-20 Estimate approved by Council in February	Revised estimate	Expenditure at 29.05.19	Projected exp est by project officer	2020-21 Est for year	2021-22 Est for year	2022-23 Est for year	2023-24 Est for year	2024-25 Est for year	Future years estimated expenditure	Projected expenditure total	Grants or Contributions towards cost of scheme	Net total cost of scheme to the Council
		(a)	(b)	(c)	(e)	(f)	(g)	(i)	(ii)	(iii)	(iv)	(v)	(h)	(b) to (g)=(i)	(j)	(i) - (j) = (k)
		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
	PROVISIONAL SCHEMES (schemes approved in principle; further report to the Executive required)															
	COMMUNITY DIRECTORATE															
	General Fund Housing															
CM1(p)	Old Manor House - replacement windows	193	-	193	193	-	193	-	-	-	-	-	-	193	-	193
	Corporate Property															
ED14(P)	Void investment property refurbishment works	300	-	300	300	-	-	300	-	-	-	-	300	300	-	300
ED18(P)	Guildford Museum	5,010	-	-	-	-	-	5,010	-	-	-	-	5,010	5,010	-	5,010
ED21(P)	Methane gas monitoring system	150	-	150	150	-	-	150	-	-	-	-	150	150	-	150
ED22(P)	Energy efficiency compliance - Council owned properties	950	-	-	-	-	-	950	-	-	-	-	950	950	-	950
ED26(P)	Bridges	370	-	370	370	-	-	370	-	-	-	-	370	370	-	370
ED45(P)	Gunpowder mills - scheduled ancient monument	172	-	120	120	-	120	52	-	-	-	-	52	172	-	172
ED48(p)	Westfield/Moorfield rd resurfacing	3,152	-	-	-	-	-	3,152	-	-	-	-	3,152	3,152	-	3,152
ED53(p)	Tyting Farm Land-removal of barns and concrete hardstanding	50	-	50	50		50	-	-	-	-	-	-	50	-	50
ED54(p)	Rodboro Buildings - electric theatre through road and parking	450	10	450	440	2	440	-	-	-	-	-	-	450	-	450
ED56(p)	Land to the rear of 39-42 Castle Street	10		10	10		10	-	-	-	-	-	-	10	-	10
PL54(p)	Shawfield DC - fire alarm system and LED lighting upgrade	83	-	83	83	-	83	-	-	-	-	-	-	83	-	83
	Office Services						-									
CD3(P)	Renewables	65		-	65	-	65	-	-	-	-	-	-	65	-	65
BS3(p)	Millmead House - M&E plant renewal	33		-	33		33	-	-	-	-	-	-	33	-	33
BS4(p)	Hydro private wire - Tollhouse to Millmead	85		-	82		82	-	-	-	-	-	-	82	-	82
	COMMUNITY DIRECTORATE TOTAL	**11,073**	**10**	**1,726**	**1,896**	**2**	**1,076**	**9,984**	**-**	**-**	**-**	**-**	**9,984**	**11,070**	**-**	**11,070**
	ENVIRONMENT DIRECTORATE															
	Operational Services															
OP5(P)	Mill Lane (Pirbright) Flood Protection Scheme	200	-	200	200	-	200	-	-	-	-	-	-	200	(20)	180
OP6(P)	Vehicles, Plant & Equipment Replacement Programme	5,000	-	-	-	-	-	5,000	-	-	-	-	5,000	5,000	-	5,000
OP21(P)	Surface water management plan	200	-	200	200	-	200	-	-	-	-	-	-	200	-	200
OP22(P)	Town Centre CCTV upgrade	250		250	250		250	-	-	-	-	-	-	250	-	250
	Parks and Leisure						-									
PL16(P)	New burial grounds - acquisition & development	7,834	38	100	100	-	50	2,396	5,300	-	-	-	7,696	7,784	-	7,784
PL18(P)	Refurbishment / rebuild Sutherland Memorial Park Pavilion	150	-	-	-	-	-	-	-	-	150	-	150	150	-	150
PL20(P)	Council owned playground refurbishment	320	-	250	250	-	120	200	-	-	-	-	200	320	-	320
PL39(P)	Aldershot rd allotment expansion & improvement	200	-	-	-	-	40	160	-	-	-	-	160	200	-	200
PL41(P)	Stoke pk office accomodation & storage buildings	665	-	-	-	-	-	665	-	-	-	-	665	665	-	665
PL44(p)	Sutherland memorial park all weather courts new posts and	25	-	-	25	-	-	-	-	-	-	-	-	-	-	-
PL45(p)	Stoke Pk gardens water feature refurb	81	-	-	-	-	81	-	-	-	-	-	-	81	(59)	22
PL55(p)	Sutherland Memorial Park - electrical works	39	-	-	39	-	39	-	-	-	-	-	-	39	-	39
PL56(p)	Stoke Park Masterplan enabling costs	500	-	100	100	-	-	100	150	100	150		500	500	-	500
PL57(p)	Parks and Countryside - repairs and renewal of paths,roads and	1,735	-	400	535	-	535	400	400	400	-	-	1,200	1,735	-	1,735
PL58(p)	Sports pavillions - replace water heaters	154	-	-	154	-	154	-	-	-	-	-	-	154	-	154
PL59(p)	Millmead fish pass	60	-	60	60	-	60	-	-	-	-	-	-	60	-	60
PL60(p)	Traveller encampments	250		180	180	-	90	160	-	-	-	-	160	250	-	250
	ENVIRONMENT DIRECTORATE TOTAL	**17,663**	**38**	**1,740**	**2,093**	**-**	**1,819**	**9,081**	**5,850**	**500**	**300**	**-**	**15,731**	**17,588**	**(79)**	**17,509**
	DEVELOPMENT/INCOME GENERATING/COST REDUCTION PROJECTS															
	COMMUNITY DIRECTORATE															
ED25(P)	Guildford Park new MSCP and infrastructure works	23,125	-	4,380	4,380	-	4,380	11,625	7,120	-	-	-	18,745	23,125	-	23,125
	Investment in North Downs Housing	30,100	-	-	-	-	-	-	5,518	12,539	-	-	18,057	18,057	-	18,057
	Equity shares in Guildford Holdings ltd	-	-	-	-	-	-	-	3,683	8,360	-	-	12,043	12,043	-	12,043
ED49(p)	Redevelop Midleton industrial estate	11,057	-	-	-	-	-	11,057	-	-	-	-	11,057	11,057	-	11,057
	ENVIRONMENT DIRECTRORATE						-									
PL51(p)	Stoke Park - Home Farm Redevelopment	4,000	-	-	-	-	-	-	-	-	4,000	-	4,000	4,000	-	4,000
							-									
							-									
	PLANNING & REGENERATION DIRECTORATE						-									
ED16(P)	Slyfield Area Regeneration Project (SARP) (GBC share)	59,083	-	-	-	-	-	-	17,321	41,762	-	-	59,083	59,083	(7,500)	51,583
ED38(P)	North Street development	29,590	-	-	-	-	-	29,590	-	-	-	-	29,590	29,590	-	29,590
HC4(p)	Bright Hill Development	13,500	-	180	180	-	180	500	5,000	7,000	820	-	13,320	13,500	-	13,500
P10(p)	Sustainable Movement Corrider	6,045	-	-	-	-	-	-	-	6,045	-	-	6,045	6,045	-	6,045
P11(p)	Guildford West (PB) station	5,200	-	1,150	1,150	-	500	1,700	3,000	-	-	-	4,700	5,200	(3,750)	1,450
P12(p)	Strategic property acquisitions	23,227	-	-	-	-	-	9,427	13,800	-	-	-	23,227	23,227	-	23,227
P14(p)	Guildford Gyratory & approaches	10,967	-	-	-	-	-	3,500	3,500	3,967	-	-	10,967	10,967	(5,000)	5,967
P15(p)	Guildford bike share	530	-	530	530	-	530	-	-	-	-	-	-	530	-	530
P17(p)	Bus station relocation	500	-	300	300	-	-	500	-	-	-	-	500	500	-	500

GENERAL FUND CAPITAL PROGRAMME - ESTIMATED EXPENDITURE 2019-20 to 2024-25

Ref	Directorate / Service Units Capital Schemes	Gross estimate approved by Executive	Cumulative spend at 31-03-19	2019-20 Estimate approved by Council in February	Revised estimate	Expenditure at 29.05.19	Projected exp est by project officer	2020-21 Est for year	2021-22 Est for year	2022-23 Est for year	2023-24 Est for year	2024-25 Est for year	Future years estimated expenditure	Projected expenditure total	Grants or Contributions towards cost of scheme	Net total cost of scheme to the Council
		(a)	*(b)*	*(c)*	*(e)*	*(f)*	*(g)*	*(i)*	*(ii)*	*(iii)*	*(iv)*	*(v)*	*(h)*	*(b) to (g)=(i)*	*(j)*	*(i) - (j) = (k)*
		£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
P19(p)	Access for all Ash Station funding	250		250	250		-	-	-	-	-	-	-	-	-	-
P20(p)	Bedford Wharf Landscaping	350		350	350		-	350	-	-	-	-	350	350	-	350
P21(p)	Ash Road Bridge	9,040		9,040	9,040		-	9,040	-	-	-	-	9,040	9,040	(9,040)	-
							-									
	OPMENT/INCOME GENERATING/COST REDUCTION PROJECTS TOTAL	**226,564**	**-**	**16,180**	**16,180**	**-**	**5,590**	**77,289**	**58,942**	**79,673**	**4,820**	**-**	**220,724**	**226,314**	**(25,290)**	**201,024**
	PROVISIONAL SCHEMES - GRAND TOTALS	**255,300**	**48**	**19,646**	**20,169**	**2**	**8,485**	**96,354**	**64,792**	**80,173**	**5,120**	**-**	**246,439**	**254,972**	**(25,369)**	**229,603**

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GENERAL FUND CAPITAL PROGRAMME - S106 ESTIMATED EXPENDITURE 2019-20 to 2024-25

Ref	Service Units / Capital Schemes	Approved gross estimate (a) £000	Cumulative spend at 31-03-19 (b) £000	2019-20 Estimate approved by Council in February (c) £000	Revised estimate (d)	Expenditure at 29.05.19 (e) £000	Projected exp est by project officer (f) £000	2020-21 Est for year (i) £000	2021-22 Est for year (ii) £000	2022-23 Est for year (iii) £000	2023-24 Est for year (iv) £000	2024-25 Est for year (v) £000	Future years est exp (g) £000	Projected expenditure total (b)+(g) = (h) £000	Grants / Contributions towards cost of scheme (i) £000	Net cost of scheme (h)-(i) = (j) £000
	APPROVED SCHEMES (fully funded from S106 contributions)															
	ENVIRONMENT DIRECTORATE															
	Operational Services															
S-OP3	Hayden Place CCTV - P92310	35	12		23	-	23							35	(35)	
	Parks and Leisure															
S-PL8	Baird Drive/Briars Playground Refurb	10	8	-	2	-	2	-	-	-	-	-	-	10	(10)	-
S-PL36	Gunpowder mills - signage, access and woodland imps	36	17	-	19	-	19	-	-	-	-	-	-	36	(36)	-
S-PL38	Chantry Wood Campsite	36		36	36	-	36	-	-	-	-	-	-	36	(36)	-
S-PL47	Fir Tree Garden	28	-	-	28	-	28	-	-	-	-	-	-	28	(28)	-
S-PL54	Shalford Swift Tower (Art)	7			7	-	7							7	(7)	-
S-PL55	Provision Play Area Tongham Recreation ground	36			36		36							36	(36)	-
	ENVIRONMENT DIRECTORATE TOTAL	**152**	**25**	**36**	**150**	**-**	**150**	**-**	**-**	**-**	**-**	**-**	**-**	**153**	**(153)**	**-**
	APPROVED S106 SCHEMES TOTAL	**886**	**25**	**36**	**150**	**-**	**150**	**-**	**-**	**-**	**-**	**-**	**-**	**887**	**(887)**	**-**

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GENERAL FUND CAPITAL SCHEMES - PROJECTS FUNDED VIA RESERVES: ESTIMATED EXPENDITUF

Item No.	Projects & Sources of Funding	Approved gross estimate (a) £000	Cumulative spend at 31-03-19 (b) £000	2019-20 Estimate approved by Council in February (c) £000	Revised estimate £000	Expenditure at 29.05.19 (e) £000	Projected exp est by project officer (f) £000	2020-21 Est for year (i) £000	2021-22 Est for year (ii) £000	2022-23 Est for year (iii) £000	2023-24 Est for year (iv) £000	2024-25 Est for year (v) £000	Future years est exp (g) £000	Projected expenditure total (b)+(g) = (h) £000
	COMMUNITY DIRECTORATE													
	ENERGY PROJECTS per SALIX RESERVE:(PR220)			-		-	-	-					-	-
R-EN10	LED Lighting replacement	80	49	193	193	-	193	-	-	-	-	-	-	242
R-EN11	WRD energy reduction	70	-	70	70	-	70	-	-	-	-	-	-	70
	ENERGY PROJECTS per GBC INVEST TO SAVE RESERVE:													
	GBC 'Invest to Save' energy projects (to be repaid in line			-	164	-	164	-					-	164
R-EN12	PV/energy efficiency projects	100	2	-	98	-	98	-	-	-	-	-	-	100
R-EN13	Park Barn Day Centre - air source heat pump COMPLETE	143	100	-	-	9	-	-	-	-	-	-	-	221
R-EN14	SMP - air source heat pump	28	-	-	28	1	28	-	-	-	-	-	-	28
	ENERGY RESERVES TOTAL	**421**	**151**	**263**	**553**	**9**	**553**	**-**	**-**	**-**	**-**	**-**	**-**	**826**
	BUDGET PRESSURES RESERVE													
	Future Guildford implementation team	2,600		1,000	1,000	-	1,000	1,600	-	-	-	-	1,600	2,600
	BUDGET PRESSURES RESERVE TOTAL	**2,600**	**-**	**1,000**	**1,000**	**-**	**1,000**	**1,600**	**-**	**-**	**-**	**-**	**1,600**	**2,600**
	FINANCE DIRECTORATE													
	INFORMATION TECHNOLOGY - IT Renewals Reserve (PR265) : approved annually													
	Hardware / software budget		-	527	1,639	-	1,639	500	500	500	-	-	1,500	3,139
R-IT1	Hardware	annual	annual	-	-	0	-	-	-	-	-	-	-	-
R-IT2	Software	annual	annual	-	-	-	-	-	-	-	-	-	-	-
	ICT infrastructure improvements	1,250	1,345	-	-	18	-	-	-	-	-	-	-	1,345
R-IT3	IDOX Acolaid to Uniform	275		275	275		275		-	-	-	-	-	275
R-IT4	LCTS alternative	56		6	6		6	50		-	-	-	50	56
R-IT5	Future Guildford ICT	1,200		1,200	1,200		1,200		-	-	-	-	-	1,200
	IT RENEWALS RESERVE TOTAL	**2,781**	**1,345**	**2,008**	**3,120**	**19**	**3,120**	**550**	**500**	**500**	**-**	**-**	**1,550**	**6,015**
	ENVIRONMENT DIRECTORATE													
	SPECTRUM RESERVE													
R-S14	Spectrum schemes (to be agreed with Freedom Leisure)	700	168	450	532	-	532	-					-	700
	SPECTRUM RESERVE TOTAL	**700**	**168**	**450**	**532**	**-**	**532**	**-**	**-**	**-**	**-**	**-**	**-**	**700**
	CAR PARKS RESERVE													
R-CP1	Car parks - install/replace pay-on-foot equipment	1,170	240	860	930	-	930	-	-	-	-	-	-	1,170
	Car Parks - Lighting & Electrical improvements:													
R-CP13	- Castle, Farnham & York Rd Lighting	300	-	-	300	-	-	-	-	-	-	-	-	-

GENERAL FUND CAPITAL SCHEMES - PROJECTS FUNDED VIA RESERVES: ESTIMATED EXPENDITUF

Item No.	Projects & Sources of Funding	Approved gross estimate (a) £000	Cumulative spend at 31-03-19 (b) £000	2019-20 Estimate approved by Council in February (c) £000	Revised estimate £000	Expenditure at 29.05.19 (e) £000	Projected exp est by project officer (f) £000	2020-21 Est for year (i) £000	2021-22 Est for year (ii) £000	2022-23 Est for year (iii) £000	2023-24 Est for year (iv) £000	2024-25 Est for year (v) £000	Future years est exp (g) £000	Projected expenditure total (b)+(g) = (h) £000
R-CP8	- Castle car park (PR000299) deck surfacing	325	144	175	181	101	181	-	-	-	-	-	-	325
R-CP18	- Deck Millbrook car park	2,000	-	1,000	1,000	-	-	1,000	1,000	-	-	-	2,000	2,000
R-CP14	Lift replacement (PR000293)	841	209	187	445	-	445	187	-	-	-	-	187	841
R-CP16	Bright Hill Barrier essential works (PR000425)	80	2	-	78	-	(0)	-	-	-	-	-	-	2
R-CP17	Leapale rd MSCP drainage (PR000433)	90	26	-	64	-	64	-	-	-	-	-	-	90
R-CP19	Structural works to MSCP	300	-	233	300	-	300	-	-	-	-	-	-	300
R-CP20	MSCP- Deck surface replacement & barriers	652		593	652	-	652	-	-	-	-	-	-	652
						-								
	CAR PARKS RESERVE TOTAL	**5,758**	**622**	**3,048**	**3,949**	**101**	**2,571**	**1,187**	**1,000**	**-**	**-**	**-**	**2,187**	**5,380**
	SPA RESERVE :													
	SPA schemes (various)	100	annual	-	151	-	151	-	-	-	-	-	-	151
R-SPA1	Chantry Woods					-	-						-	
R-SPA2	Effingham					-	-						-	
R-SPA3	Lakeside					-	-						-	
R-SPA4	Riverside					-	-						-	
R-SPA5	Parsonage					-	-						-	
	SPA RESERVE TOTAL	**100**	**-**	**-**	**151**	**-**	**151**	**-**	**-**	**-**	**-**	**-**	**-**	**151**
	GRAND TOTALS	**12,360**	**2,286**	**6,769**	**9,305**	**129**	**7,927**	**3,337**	**1,500**	**500**	**-**	**-**	**5,337**	**15,672**

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GENERAL FUND CAPITAL PROGRAMME : SUMMARY OF RESOURCES AND FINANCIAL IMPLICATIONS

1.0 **AVAILABILITY OF RESOURCES - NOTES :**

1.1 The following balances have been calculated taking account of estimated expenditure on the approved capital schemes

1.2 The actuals for 2018-19 have not yet been audited.

1.3 **Funding assumptions:**

1. All capital expenditure will be funded in the first instance from available capital receipts and the General Fund capital programme reserve.
2. Once the above resources have been exhausted in any given year, the balance of expenditure will be financed from borrowing, both internally and externally, depending upon the Council's financial situation at the time.

1.4 These projections are based on estimated project costs, some of which will be 'firmed up' in due course. Any variations to the estimates and the phasing of expenditure will affect year on year funding projections.

2.0 **Capital receipts - Balances (T01001)**

	2018-19 Actuals £000	2019-20 Budget £000	2019-20 Est Outturn £000	2020-21 Estimate £000	2021-22 Estimate £000	2022-23 Estimate £000	2023-24 Estimate £000	2024-25 Estimate £000
Balance as at 1 April	0	0	0	0	0	0	0	44,122
Add estimated usable receipts in year	3,039	0	1,800	0	4,000	11,200	55,067	57,093
Less applied re funding of capital schemes	(3,039)	0	(1,800)	0	(4,000)	(11,200)	(10,945)	(5,825)
Balance after funding capital expenditure as at 31 March	**0**	**0**	**0**	**0**	**0**	**0**	**44,122**	**95,390**

GENERAL FUND CAPITAL PROGRAMME : SUMMARY OF RESOURCES AND FINANCIAL IMPLICATIONS

during year = outturn (col v, actual = col u)

3.0 **Capital expenditure and funding - summary**	**2018-19 Actuals £000**	**2019-20 Budget £000**	**2019-20 Est Outturn £000**	**2020-21 Estimate £000**	**2021-22 Estimate £000**	**2022-23 Estimate £000**	**2023-24 Estimate £000**	**2024-25 Estimate £000**
Estimated captial expenditure								
Main programme - approved	35,234	60,334	65,962	23,433	14,282	5,825	5,825	5,825
Main programme - provisional	15	19,646	8,485	96,354	64,792	80,173	5,120	0
s106	51	36	150	0	0	0	0	0
Reserves	2,371	6,769	7,927	3,337	1,500	500	0	0
GF Housing	0	0	0	0	0	0	0	0
Total estimated capital expenditure	**37,671**	**86,785**	**82,525**	**123,124**	**80,574**	**86,498**	**10,945**	**5,825**
To be funded by:								
Capital receipts *(per 2.above)*	(6,215)	0	(1,800)	0	(4,000)	(11,200)	(10,945)	(5,825)
Contributions	(1,673)	(19,681)	(17,832)	(5,565)	(5,500)	(5,500)	0	0
R.C.C.O. :								
Other reserves	(2,558)	(13,749)	(15,576)	(3,557)	(1,720)	(720)	0	0
	0	0	0	0	0	0	0	0
	(10,446)	(33,430)	(35,209)	(9,122)	(11,220)	(17,420)	(10,945)	(5,825)
Balance of funding to be met from (i) the Capital Reserve, and (ii) borrowing	(27,225)	(53,355)	(47,316)	(114,002)	(69,354)	(69,078)	0	0
Total funding required	**(37,671)**	**(86,785)**	**(82,525)**	**(123,124)**	**(80,574)**	**(86,498)**	**(10,945)**	**(5,825)**

4.0 **General Fund Capital Schemes Reserve (U01030)**	**2018-19 Actuals £000**	**2019-20 Budget £000**	**2019-20 Est Outturn £000**	**2020-21 Estimate £000**	**2021-22 Estimate £000**	**2022-23 Estimate £000**	**2023-24 Estimate £000**	**2024-25 Estimate £000**
Balance as at 1 April	1,641	0	894	0	0	0	0	0
Add: General Fund Revenue Budget variations	0	0	0	0	0	0	0	0
Contribution from revenue	894	0	0	0	0	0	0	0
	2,535	0	894	0	0	0	0	0
Less: Applied re funding of capital programme	(1,641)	0	(894)	0	0	0	0	0
Balance after funding capital expenditure etc.as at 31 March	**894**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Estimated shortfall at year-end to be funded from borrowing	**25,584**	**53,355**	**46,422**	**114,002**	**69,354**	**69,078**	**0**	**0**

GENERAL FUND CAPITAL PROGRAMME : SUMMARY OF RESOURCES AND FINANCIAL IMPLICATIONS

5.0	**Housing capital receipts (pre 2013-14) - estimated availability/usage for Housing, Affordable Housing and Regeneration projects - GBC policy**	**2018-19 Actuals £000**	**2019-20 Budget £000**	**2019-20 Est Outturn £000**	**2020-21 Estimate £000**	**2021-22 Estimate £000**	**2022-23 Estimate £000**	**2023-24 Estimate £000**	**2024-25 Estimate £000**
	Balance as at 1 April (T01008)	12,760	6,760	9,559	0	0	0	0	0
	Add: Estimated receipts in year	0	0	0	0	0	0	0	0
	Less: Applied re Housing (General Fund) capital programme	0	0	0	0	0	0	0	0
	Less: Applied re Housing company	(3,201)	(6,760)	(7,500)	0	0	0	0	0
		9,559	0	2,059	0	0	0	0	0
	Less: Applied on regeneration schemes	0	0	0	0	0	0	0	0
	Housing receipts - estimated balance in hand at year end	**9,559**	**0**	**2,059**	**0**	**0**	**0**	**0**	**0**

5.1	**Housing capital receipts (post 2013-14) - estimated availal availability/usage for Housing, Affordable Housing and Regeneration projects only (statutory (impact CFR))**	**2018-19 Actuals £000**	**2019-20 Budget £000**	**2019-20 Est Outturn £000**	**2020-21 Estimate £000**	**2021-22 Estimate £000**	**2022-23 Estimate £000**	**2023-24 Estimate £000**	**2024-25 Estimate £000**
	Balance as at 1 April (T01012)	422	0	0	0	0	0	0	0
	Add: Estimated receipts in year	898	289	286	289	292	295	298	301
	Less: Applied re Housing (General Fund) capital programme	(14)	(220)	(220)	(220)	(220)	(220)	(220)	(220)
	Less: Applied re Housing Improvement programme	(1,306)	(69)	(66)	(69)	(72)	(75)	(78)	(81)
		0	0	0	0	0	0	0	0
	Less: Applied on regeneration schemes	0	0	0	0	0	0	0	0
	Housing receipts - estimated balance in hand	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

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										Total £'000s
6.1	Estimated annual borrowing requirement	**25,584**	**53,355**	**46,422**	**114,002**	**69,354**	**69,078**	**0**	**0**	**298,856**
	Bids for funding (net)		0	0	0	0	0	0	0	0
	Total estimated borrowing requirement if all bids on Appendix 1 appro		**53,355**	**46,422**	**114,002**	**69,354**	**69,078**	**0**	**0**	**298,856**

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Appendix 8

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GUILDFORD B.C. - HOUSING INVESTMENT PROGRAMME 2019-20 to 2024-25: HRA APPROVED PROGRAMME

	Project Budget £000	2018-19 Actual £000	Project Spend at 31-03-19 £000	2019-20 Estimate £000	Carry Forward	Expenditure as at 29.05.2019 £000	2019-20 Projected Outturn £000	2020-21 Estimate £000	2021-22 Estimate £000	2022-23 Estimate £000	2023-24 Estimate £000	2024-25 Estimate £000	Total Project Exp £000
Acquisition of Land & Buildings	10,700	519	920	0	2,581	0	2,581	1,800	1,800	1,800	1,800	0	10,700
New Build													
Guildford Park	75	0	75	0	0	2	0	0	0	0	0	0	75
Appletree pub site	3,200	2,209	2,764	338	98	191	436	0	0	0	0	0	3,200
Slyfield Green (Corporation Club)	2,448	0	2,376	0	72	61	72	0	0	0	0	0	2,376
Willow Way	1,000	179	952	0	48	0	48	0	0	0	0	0	1,000
Garage sites-	2,500		0	0	189			0	0	0	0	0	0
Pond Meadow		62	562	0		0	38						600
Rowan Close		4	549	0		0	51						600
Great Goodwin Drive		431	945	0		1	55						1,000
The Homestead	500	327	756	0	0	1	44	0	0	0	0	0	800
Fire Station/Ladymead	2,000	643	643	1,196	136	146	1,332	25	0	0	0	0	2,000
Bright Hill	500	0	0	0	500	0	500	0	0	0	0	0	500
Various small sites & feasibility/Site preparation	1,000		0	0			0	0	0	0	0	1,000	1,000
Pipeline projects	9,425			575			575	1,825	3,325	1,825	1,875	0	9,425
Redevelopment bid 13	533			533			533						533
Redevelopment bid 14	300			300			300						300
Schemes to promote Home-Ownership													
Equity Share Re-purchases	annual	143	annual	400		0	400	400	400	400	400	400	annual
Major Repairs & Improvements													
Retentions & minor carry forwards	annual	0	annual	40		0	40						annual
Modern Homes - Kitchens, Bathroons & Void refurb	annual	1,253	annual	1,050		249	1,050						annual
Doors and Windows	annual	256	annual	525	0	1	525						annual
Structural	annual	545	annual	400	300	6	700						annual
Energy efficiency: Central heating/Lighting	annual	1,101	annual	1,530		47	1,530						annual
General	annual	1,210	annual	1,605	776	145	2,381						annual
Grants													
Cash Incentive Scheme	annual	0	annual	75		0	75						annual
TOTAL APPROVED SCHEMES	34,181	8,883	10,540	8,567	4,700	850	13,266	4,050	5,525	4,025	4,075	1,400	34,109

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GUILDFORD B.C. - HOUSING INVESTMENT PROGRAMME 2019-20 to 2023-24: HRA PROVISIONAL PROGRAMME

	Project Budget £000	2018-19 Actual £000	Project Spend at 31-03-19 £000	2019-20 Estimate £000	Carry Forward	2019-20 Projected Outturn £000	2020-21 Estimate £000	2021-22 Estimate £000	2022-23 Estimate £000	2023-24 Estimate £000	2024-25 Estimate £000	Total Project Exp £000
Acquisition of Land & Buildings	10,000	0	0	0		0	0	3,000	3,000	4,000	0	10,000
New Build												
Guildford Park	16,000	341	907	406	700	1,106	6,760	7,201	26	0	0	16,000
Bright Hill	3,000	0	0	0	0	0	1,500	1,500	0	0	0	3,000
Slyfield (25/26 £5m; 26/27 £44m)	1,000	0	0	0	0	0	0	0	1,000	0	0	1,000
Redevelopment bid 13	10,124						3,197	5,861	1,066	0	0	10,124
Redevelopment bid 14	3,000						1,000	1,500	500	0	0	3,000
Major Repairs & Improvements												
Major Repairs & Improvements	annual		annual	0		0	5,500	5,500	5,500	5,500	5,500	annual
Retentions & minor carry forwards	annual		annual									annual
Modern Homes: Kitchens and bathrooms	annual		annual									annual
Doors and Windows	annual		annual									annual
Structural	annual		annual									annual
Energy efficiency: Central heating	annual		annual									annual
General	annual		annual									annual
Grants												
Cash Incentive Scheme	annual		annual	0		0	75	75	75	75	75	annual
Total Expenditure to be financed	**43,124**	**341**	**907**	**406**	**700**	**1,106**	**18,032**	**24,637**	**11,167**	**9,575**	**5,575**	**43,124**

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Corporate Governance and Standards Committee Report
Ward(s) affected: n/a
Report of Chief Internal Auditor
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Date: 30 July 2019

Summary of Internal Audit Reports - October 2018 – March 2019

Recommendation

The Committee is requested to note the summary of audit reports and other associated work for the period October 2018 to March 2019.

Reason for Recommendation:
To ensure an adequate level of audit coverage.

1. Purpose of Report

1.1. To present a summary of audit work for the period October 2018 to March 2019.

2. Strategic Priorities

2.1. The audit of Council services supports the priority of providing efficient, cost effective and relevant quality public services that give the community value for money.

3. Summary of Audit Reports – October 2018 to March 2019

3.1. The summaries of the audit reports that we have carried out in the period October 2018 to March 2019 are set out below. Internal Audit uses a scale to categorise the findings and audit opinion under five classifications. These are:

- **Significant Assurance** -The area under review is well controlled with no problems found
- **Significant Assurance with minor improvement opportunities** - systems are sound with a low level of risk

- **Partial Assurance with improvements required** - controls working but inconsistently applied and increased risk of problems occurring
- **No Assurance** - fundamental control weaknesses and/or significant problems that need immediate action
- **No Opinion** (one-off projects) - results of on-off investigations or consultancy work on which no audit opinion is given

3.2. The classifications are included in the reports to managers and have been included here to provide the Committee with an overall conclusion on the findings of the audits. The reports are ranked in order of audit opinion.

4. NO OPINION

4.1. There were no reports with “No opinion” in this period.

5. NO ASSURANCE

5.1. There were no reports with a “No Assurance” opinion in this period.

6. PARTIAL ASSURANCE - Progress Report

6.1. There were a number of partial assurance reviews in 2018-19 and as a result, much of the work was focused on in year follow up audits to ensure that the agreed recommendations have been put in place or are scheduled. Progress against the main findings in each audit is set out in the table below.

Fire Risk Assessments (FRAs)		
Recommendations	**Actions Agreed**	**Implementation Date**
A procedure should be established to review the FRAs annually, in line with the requirements of the Corporate Fire Safety Policy. All residential properties should be identified and managed. The list should include the date of the latest FRA and the next assessment due date for each property. The listing should be kept up to date to reflect the status of the FRA for each property**.**	The matrix in the policy is for guidance only, as the FRA should always be re-performed in accordance with the contractors' suggested review date. The new Fire Safety Group has been tasked with ensuring the Council has up to date fire risk assessments which will be reviewed annually in accordance with the recommendations in the Council's Corporate Fire Safety Policy.	This has been agreed and we are currently testing a system that prompts staff to review their risk assessments on the due date. Staff are now required to carry out an on-line Fire Risk workplace assessment test. These are reviewed by the Health and Safety Officer
Following the completion of a FRA, management should develop an action plan to ensure that all recommendations raised are RAG-rated and prioritised. The action plan should be kept up to date to reflect the status of recommendations.	An action plan is being developed to ensure the Council can clearly identify and sign off what actions need to be undertaken in accordance with the latest fire risk assessments. The Fire Safety Group will review outstanding actions.	Surveyors are reviewing all action plans to verify that all the actions have been implemented. Completed January 2019

Asbestos		
Recommendations	**Actions Agreed**	**Implementation Date**
The Council should ensure there is an up-to-date register, which clearly details all properties owned by the Council where asbestos containing materials (ACM) are present	An up-to-date asbestos register has been developed which identifies all properties where asbestos containing materials have been detected. This will identify what needs to be actioned following the asbestos management surveys and allow re-inspections to be signed off.	A specialist consultant has been appointed to review the corporate properties register.
The Council should ensure that accountability for asbestos management and appropriate responsibilities are assigned to a named individual within the Council. The Council should establish a Corporate Asbestos Management Group – with individual working groups feeding into it, whereby responsibility for asbestos management is clearly assigned.	An Asbestos Management Group is being established with representatives from relevant service areas. The Group will agree Terms of Reference and update the Corporate Asbestos Policy. They will ensure that corporate processes, procedures and training are put in place to provide comprehensive management of asbestos. The designated responsible officer and the Group will review outstanding actions on the asbestos registers. Performance will be monitored by Corporate Mgt Team.	All recommendations have been implemented and there are now sufficient governance processes in place. Key Performance Indicators (KPIs) have been established to monitor contract performance. A training needs analysis has been carried out for Building Responsible Persons and this is reviewed by the Health and Safety Officer.
Legionella	**Actions Agreed**	**Implementation Date**
The review found that not all properties had an up to date legionella risk assessment (LRA) in place. Risk assessments should be completed every 2 years or sooner if work has been carried out. There is also a concern that in a limited number of instances work had been carried out and Mechanical and Engineering staff had not been informed and therefore the risk assessments had not been updated. Not performing LRAs in a timely manner increases the risk of legionella going undetected	Management should review the dates of the latest LRAs for the Council's properties and ensure that an assessment is completed for all properties where an assessment is overdue. An appropriate process should be established whereby M&E are notified of all works on properties that will result in the requirement of a new LRA being completed.	All recommendation arising from the audit last year have been actioned and implemented. There are now regular meetings with the contractor and performance is monitored on a bi-monthly basis. The Legionella Policy was signed off by the Health & Safety Group on 23/08/18 and was uploaded onto the Intranet ensuring access to all staff. A training needs analysis has been carried out for Building Responsible Persons and this is reviewed by the Health & Safety Officer.

6.2. **Transparency Code**
In February 2015, the government issued a revised Local Government Transparency Code and while compliance with the Code is compulsory, the Local Government Association has made it clear that it is very unlikely that any external inspections will be made of individual councils. However, it is possible that members of the public will complain to the Information Commissioner should they consider a council to be failing to comply.

6.3. In summary, councils are required to publish the following information, subject to certain restrictions relating to issues such as commercial confidentiality, data protection, copyright, licenses and statutory requirements:

- Expenditure exceeding £500
- Government Procurement Card Transactions
- Details of tenders above £5,000
- Details of contracts above £5,000
- Local authority land
- Social housing assets
- Grants to voluntary, community and social enterprise organisations
- Organisation chart
- Trade union facility time
- Parking account
- Parking spaces
- Senior salaries
- Constitution
- Pay multiple
- Fraud

6.4. The Code requires that information is:
- demand led - requiring an understanding of what data communities want and how it should be published.
- open - helpful and accessible presentation and availability and promoted and publicised.
- timely - available as soon as possible after production.

6.5. The Code recognises that the method of publication is essential to true transparency and endorses what the Government calls the "five step journey to a fully open format", which includes a star rating:

- One Star - Available on the web (whatever format) but with open license
- Two Star - As for one star plus available as machine-readable structured data (e.g. Excel instead of an image scan of a table)
- Three Star - As for two star plus use a non-proprietary format (e.g. CSV and XML)
- Four Star - All of the above plus use open standards from the World Wide Web Consortium (such as RDF and SPARLQL21)
- Five Star - All the above plus links an organisation's data to others' data to provide context

6.6. The Government recommends that local authorities publish data in Three Star formats where this is suitable and appropriate, alongside open and machine-readable format within six months of the Code being issued**.**

6.7. The review in 2017 identified areas for improvement and made recommendations detailed in the table below:

	Recommendation	**Implementation**
1	The Web Team carries out a review of the Transparency web page in order to review the content and increase traffic to the page.	Partially implemented. Will be re-visited as part of the Future Guildford Intranet and web review
2	The Council reviews the content of the web page to ensure that it is up to date.	This will be done as part of the review of the web page
4	Ensure that where the Transparency information is published in a larger document, it is also published as an extract in the appropriate format to ensure accessibility and utility.	Implemented in full
5	Ensure that all information is published in the appropriate format to achieve the Three Star level required by the Code.	Will be part of the web review
6	Make the Council's Information Rights Officer responsible for the oversight of the Council's response to the Transparency Agenda.	Implemented in full
7	Review the Council's procurement processes to ensure the publication of tender and contract details.	Implemented

7. Significant Assurance with minor improvement opportunities

7.1. **Payroll**
The Council employs around 730 staff with employee related expenditure last year of £31 million. The payroll review found that there was a robust process for ensuring segregation of duties when creating and making changes to employee's payroll records. Payroll and HR staff were knowledgeable and had a clear understanding of the processes and outcomes expected of them.

7.2. Where over-payments have occurred, there was evidence that we raise an invoice to chase the debt, through the Council's internal debtors' team. We did not identify any instances where leavers were incorrectly paid after their leave date.

7.3. The process for running the monthly pay-run is well-designed with the use of exception reports which create triggers in relation to anomalous data that requires further investigation. There are multiple checks in the process to ensure values paid are appropriate – this includes performing reconciliations by both the payroll and finance teams and segregation of duties throughout the process for authorising the BACS payment which provides additional assurance over appropriateness of transactions.

7.4. We performed data analytic routines on reports produced by the payroll system covering periods between April – September 2018 to identify potentially unusual trends. This included identifying employees who were paid following their leave date, employees who had paid nil tax and National Insurance contributions and individuals with multiple payroll records. We are satisfied there were no anomalous results from this testing.

7.5. We did note some inconsistencies in the administration of leavers. with either the manager or employee contacting HR. Problems are more likely to occur where there is ambiguity in roles and responsibilities of staff, which can be resolved by clearly defined roles and responsibilities**.**

Audit Opinion-Significant Assurance with minor improvement opportunities

7.6. **Rents**
The Council manages 5,213 social housing properties with a rental income of £29 million in 2018-19. The collection rate in 2018-19 was 99.11%. Our review of the rent setting and collection process found it to be robust and well-designed. Decisions for changes in rent charges are transparent and comply with legislative requirements. They are reviewed at multiple senior management meetings thus allowing for appropriate challenge and oversight. The changes in rent charges were applied appropriately and communicated properly to tenants.

7.7. Income from rent is monitored on a daily basis with the rent officers receiving regular reports to identify which tenants fall into arrears. These reports are used to inform how to prioritise cases for chasing that both support the tenant to meet liabilities as well as taking preventative measures to ensure that the tenant does not fall into further debt.

7.8. Our testing found that appropriate efforts were made to contact the tenant to negotiate repayments. In addition, greater emphasis is now placed on assisting the tenant to meet rent obligations and providing debt management support prior to escalating the case to Court.

7.9. Rent account reconciliations are performed on a regular basis to ensure that cash received is appropriately reflected on Orchard. Any outliers are identified via the daily suspense account review exercise as well as via the rent arrears process managed by rent officers.

7.10. There is sufficient oversight and review of rent income and expenditure against budget with several levels of senior management reviewing the budgeting reports. Additionally, proposed decisions regarding use of funds and reserves are transparent and decisions supported at various stages. We have reviewed processes in place for monitoring rent setting and collection, including the design of information and Key Performance Indicators reported through to management and found there to be good governance and reporting arrangements in place.

Audit Opinion-Significant Assurance with minor improvement opportunities

7.11. **S106**

Planning obligations under Section 106 of the Town and Country Planning Act 1990 are commonly known as s106 agreements. They are a mechanism which makes a development proposal acceptable in planning terms, that would not otherwise be acceptable. They are focused on site specific mitigation of the impact of development. S106 agreements are often referred to as 'developer contributions**.**

7.12. A common use of planning obligations is to secure financial contributions to provide infrastructure or secure affordable housing. However, this is not the only use for a s106 obligation. A S106 obligation can also:

- restrict the development or use of the land in any specified way
- require specified operations or activities to be carried out on the land
- require the land to be used in any specified way; or
- require a sum or sums to be paid to the authority on specified dates

7.13. In the event of non-compliance with the S106 agreement it can be enforced against the person that entered into the obligation and any subsequent owner. In cases of a breach of the obligation, the authority can take direct action and recover expenses. The planning obligation is a formal document, a deed, which states that it is an obligation for planning purposes, identifies the relevant land, the person entering the obligation and their interest and the relevant local authority that would enforce the obligation.

7.14. The review looked at the design of controls associated with S106 funding, focusing on the key controls covering**:**

- The identification of schemes eligible for funding under a S106 agreement;
- The administration of S106 agreements, including monitoring and tracking;
- The process for collecting income due from S106 agreements; and
- Whether S106 funds are only used for the purposes of the agreements.

7.15. There is an established process for producing new Section 106 agreements, monitoring payment of contributions, and spending monies received. In producing a new agreement, there is a clear trail to support why the contribution was raised, and use of the Geographic Information System (GIS) makes it quick and straightforward to identify Special Protection Area (SPA) contributions. These form the majority of the Council's Section 106 agreements. There is effective communication of agreements to the Council's legal service, which has controls to ensure that agreements are finalised in an efficient and cost-effective manner. There was proper segregation of duties for approving the agreements prior to issuing to the developer.

7.16. We did find that there needs to be more consistent communication between teams. For example, we identified in some cases changes to contributions were discussed between the legal team and the planning officer without informing the Section 106 Officer. However, we found that the eventual invoicing was accurate, and the agreements were consistent with the properties built.

7.17. Agreements are monitored via Acolaid, which alerts the Section 106 Officer when triggers have been reached or payments are due. Developers do not always notify the Council on a timely basis that commencement triggers are reached and while the Section 106 Officer does review building control and land charges records, we feel that the focus should be on chasing agreements where the application is close to expiry, which would be the ones at highest risk of having commenced.

7.18. The Section 106 Officer does, however, follow up all developments that have not started. The Council has appropriate controls over the release of funds and ensures that they are released to contribute to costs in line with what is set out in the Section 106 deed. The Council maintains separate records of funds billed and funds received in order to mitigate against system weaknesses and all agreements in our testing sample reconciled correctly.

7.19. There is limited internal reporting of Section 106 transactions and while this does not impair the day to day operation of the service, it is important that performance is tracked and reported to allow prompt action on potential issues.

Audit Opinion-Significant Assurance with minor improvement opportunities

7.20. **Creditors**
The current system for processing purchase invoices is in a state of transition with the introduction of a new system. We tested the design and operating effectiveness of controls around both processes and found the new process to be well-designed and has addressed the weaknesses in the old system process, such as the lack of a three-way match and the need to raise and authorise purchase

requisitions. These are controls most commonly associated with best practice and allow for more accurate budget monitoring.

7.21. We found the processes for reconciling ledgers, processing payment runs, and authorising one-off payments were well-designed with segregation of duties implemented at each stage to ensure appropriateness of transactions. Additionally, we found that there was a checklist in place for payment-runs which incorporate common pitfalls to consider prior to authorising payments to ensure best practice is followed.

7.22. Supplier amendments to bank details are done both centrally and locally by different teams. When supplier amendments are requested, the relevant local teams are responsible for carrying out independent verification of bank details prior to completing the payment requisition form and forwarding this to the Payments team for payment. Departments do not always send evidence of verification to the central team. The requirement to perform independent verification is not formally defined in a policy and there is additionally no central assurance that local teams are performing this control.

7.23. We performed data analytics routines over the listing of invoices raised between April –October 2018 to identify potentially anomalous trends. This included identifying potential duplicate transactions, reviewing whether payments were made on weekends and whether unusual payments were made to suppliers. We encountered some issues when attempting to determine whether transactions were approved in line with the scheme of delegation. Further investigations were made and we are satisfied that there were no exceptions.

Audit Opinion-Significant Assurance with minor improvement opportunities

7.24. **Debtors**

The review of the Debtors system found the following areas of good practice:

- Time frames for chasing debt are defined depending on the type of customer. This is to account for their individual circumstance and to better tailor an approach that has proved most effective in recovering debts. These timeframes are defined in policy and are embedded in the general ledger to allow for automatic debt chasing.
- Monthly reports are issued to senior members of staff to allow for appropriate performance management and oversight of outstanding debts. The report includes details of outstanding debt as well as an audit trail of actions taken against key debts (defined as being older than 6 months and greater than £2,000).
- There are several layers of segregation of duties involved in processing write-offs. The debtor team members identify cases they believe should be written off. This list is further reviewed by the debtors supervisor who determines whether further debt chasing is possible or not. The debtors supervisor then proposes write-offs to an appropriate signatory per the debt recovery policy

7.25. We found the design of the debt chasing and monitoring processes to be robust. The responsibility for monitoring debts is allocated to different debtor team members based on the type of debt thus encouraging accountability. In addition, on a monthly basis, reports are circulated to senior staff members to allow for performance management and oversight of outstanding debts. This performance report includes an audit log of prioritised debts (greater than £2,000 in value and older than 6 months) stating actions taken against each debt.

7.26. There is also a further control in which a report of unallocated cash receipts is run on a daily basis with to resolve and allocate these balances.

7.27. The areas recommended for improvement related to the scheme of delegation for authorised signatories did not always accurately reflect their approval limits.

Audit Opinion-Significant Assurance with minor improvement opportunities

7.28. **Homelessness**

The Homelessness Reduction Act 2017 was a major change in legislation, which significantly increased the duties of the Council. The Act places a new statutory duty on the Council to take reasonable steps to help all applicants who are threatened with homelessness. This duty is blind to priority need, local connection and intentional homelessness. The Act sets out the extent of the advice we must provide and requires it to be specifically tailored to vulnerable groups. Generic advice is not permitted and there is now a new obligation to provide those who approach us with a 'Personalised Housing Plan' (PHP). The plan needs to last up to 6 months ahead and set out the reasonable steps the applicant and the Council will take.

7.29. The Act also imposes a new duty for councils to relieve the homelessness of eligible persons. In such cases, there may be a requirement to provide accommodation for 56 days (previously 28 days) even if the applicant is found not to have a priority need and/or may have become homeless intentionally.

7.30. The Act introduces additional requirements to issue written decisions at various points in the process and grants rights to have decisions reviewed. Whilst this protection already exists, the legislation introduces significantly more decision stages, creating the potential for a corresponding number of review hearings.

7.31. The audit review found that the Council has demonstrated a planned approach to the introduction of the Homelessness Reduction Act. The key element to the Council's compliance was the introduction of an electronic casework system, Housing Jigsaw, which is closely aligned to the requirements of the Act. The Council has a well-designed approach to reporting matters to Homelessness Prevention Officers, partially via automated Jigsaw dashboards showing cases with actions or decisions about to fall due or are overdue; as well as escalating matters upwards to directors and councillors.

7.32. The Council has outsourced (prior to the introduction of the Act) part of the service to "HOST" (Homelessness Outreach and Support Team). This service works with certain hard-to-reach groups such as rough sleepers and young single individuals. Outsourcing complex areas to specialists is in line with best practice.

7.33. The Council has oversight of the outsourced provision; however, it was found that the contract and the performance monitoring have not evolved with changes in the law. Furthermore, testing identified that documentation obtained by HOST was not always uploaded onto Jigsaw, which is not in line with Council policy. HOST maintains its own internal records as well as updating Jigsaw and has to double key the data. In many cases HOST uploads an extract of its system to Jigsaw, but it is not fully complete. Staff do not have complete visibility of HOST records, and as a result Jigsaw does not always contain a complete case file. The inability to access this documentation can prevent officers from having the full context required to make decisions.

7.34. It was recommended that the Council should require HOST to more effectively use Jigsaw. This could be achieved by investigating access to mobile devices within the HOST contract, additional training of HOST staff, and more clearly defining expectations with HOST managers. In addition, the Council should review a sample of HOST cases on a rolling basis to ensure compliance with documentation requirements and a compliance target should be defined in agreement with them to monitor performance.

Audit Opinion-Significant Assurance with minor improvement opportunities

7.35. **ICT Project Management**
Our evaluation and testing confirmed that there is generally a sound system of internal control to help ensure that the ICT Transformation Project delivers its intended objectives. The ICT Strategy adopted in January 2017 sets out a clear vision for enabling transformational change across all Council services through a modern infrastructure which is aligned to support delivery of both the Corporate Plan and individual services.

7.36. There is a formal governance structure for the project which aligns the project with the organisation's strategy and portfolio direction. There is a Programme team which manages the various work streams and which reports to the Programme Board. Key stakeholders are involved including cross functional areas so that project deliverables meet the organisation's operational and strategic requirements. There is a formal issues management process with any specific issues or incidents logged which are escalated if necessary to the Corporate Programme Governance board. Issues are monitored during the weekly project management meetings. However, the following areas for improvement were identified:

- The project risk management documentation should be completed in terms of risk treatment plans, qualitative rankings and identification of risks.
- A detailed resource schedule showing project resources has been defined for the project; however, detailed roles, responsibilities and skillsets required for each role should be defined.

Audit Opinion-Significant Assurance with minor improvement opportunities

7.37. **Network Controls**
The Council is going through a modernisation programme to replace existing, end-of-life network and network security infrastructure. We assessed network controls in the current state while noting improvements that will be introduced by the modernisation programme.

7.38. The Council is running on CISCO 3750 switches which have been patched to the highest level available in anticipation of a switch to new Dell switches as the current switches are outdated and no longer supported. This was completed in March 2019. We confirmed that internal network vulnerability scans of the network are now performed monthly by a dedicated resource additionally, external vulnerability scans are performed annually by NTA Monitor Limited.

7.39. Remote access to the Council's network is controlled via Citrix NetScaler desktop virtualisation software; users require two factor authentication through a valid username and password as well as an access code generated from an authorised token device. We confirmed that as part of the network upgrade, the Council will be switching to a new remote access solution.

7.40. A patch management policy including patching schedules has been documented and approved, this includes a detailed patching schedule for all servers and desktop devices. Patch updates are centrally managed on Windows Server Updates Services (WSUS). The patching regime for servers and desktops is operating as intended.

7.41. The Council uses F-secure anti-virus software on its internal network environment with automatic updates to client terminals from a central update server. We confirmed from inspection of the anti-virus Health report that anti-virus definitions were up to date with the latest virus definitions.

7.42. We identified the following areas which could be improved to further strengthen network controls.

- There are no Security Information and Event Management (SIEM) capabilities to proactively correlate and analyse a centralised collection of logs to flag potential security events. While a SIEM solution has not been defined in the anticipated future state of the network, this would be an important consideration for management given the increased security risks of migrating to a cloud based computing environment.
- Network Access Control (NAC) is not enabled on the Council's wired network. NAC is a method of restricting access to the network to authorised computing devices only. Without NAC there is a risk that unauthorised non-Council devices can connect to the Council's network and potentially breach security. Management is aware of this risk which will be addressed by the new Dell Switches on the network.

<u>Audit Opinion-Significant Assurance with minor improvement opportunities</u>

7.43. **Parking**
The review of the Council's parking services identified that there is a thorough robust process for collection of income from Pay and Display machines. Parking

staff are knowledgeable and have a clear understanding of the processes. There is a clear and effective working relationship with the outsourced service provider for cash collection (CSS –Contract Security Services) with evidence of communication and investigation where there are anomalous trends in takings.

7.44. We did note, however, that for the reconciliation performed by the finance team (i.e. between cash counted and actual cash received in the bank), discrepancies were not followed up. The highest discrepancy noted is £15 and the cumulative net effect across the six months reviewed is less than £5; however, without verifying that the figures banked agree with what was communicated as being received, there is a risk that discrepancies are not picked up and reflected in the Council's accounts.

7.45. In addition, though the parking staff are sufficiently knowledgeable of their duties and responsibilities, we noted that the policies and procedures for parking services had not been updated since 2014, which is an insufficient basis for any new staff to ensure they are well-informed of concerned processes.

7.46. The process for issuing penalty charge notices (PCNs) and chasing debt are well designed and testing showing that the controls in this area are operating effectively. We noted, however, that there is some judgement involved in determining whether a challenge to a PCN is appropriate or not. Whilst this is not unexpected, the absence of a second review of subjective cases increases the risk of inconsistency in the way decisions are made across the team.

7.47. Refunds are rarely issued with over-payments identified via regular exception reporting. Our sample testing found that for all refunds issued, there was appropriate evidence to support the refunds and our discussion with Management and review of the system showed us that there was sufficient segregation of duties between teams in processing refunds.

7.48. There are multiple levels of oversight of parking income and expenditure at senior management level, thus ensuring that management are kept informed of any developments in the service. In addition, review of papers reported to each senior management meeting evidenced that funds were appropriately ring-fenced to cover costs of the Council's park and ride service, which per section 55 of the Road Traffic Act is appropriate as this falls under 'provision for public passenger transport services'.

7.49. The areas for improvement relate to PCN appeals and while it is recognised that there is a level of judgement in determining whether appeals against penalty charge notices (PCNs) are upheld or not. The cancellation rate amongst enforcement officers is variable, and there is no second review of judgements. There is a risk that the decision on whether a case may be appealed or not could depend on the subjectivity of the enforcement officer reviewing the case and a second review should be introduced.

Audit Opinion-Significant Assurance with minor improvement opportunities

7.50. **Treasury Management**
The review found that the Council has a robust treasury management strategy. It details treasury management procedures and outlines roles and responsibilities of different officers and defines access rights for staff. The treasury management strategy (TMS) was developed to comply with the revised CIPFA Code of Practice on Treasury Management in the Public Services and ensures that our processes reflect current regulations. It includes key details around procedures to guide staff in performing their duties and reflects compliance with best practice.

7.51. There is sufficient oversight of treasury management activities at several levels of senior management with reports on activity regularly reviewed at senior management committees and provides them with sufficient information to support their decision-making capabilities.

7.52. Forecasts are produced for the short, medium and long-term with review of long-term forecasts used to aid strategic decisions at senior management level and use of short and medium term forecasts to inform operational decisions regarding cash management.

7.53. Criteria for making investments and borrowings are defined in the capital strategy authorised by senior management. The Council uses external treasury advisors to assist with identifying qualifying transactions.

7.54. The use of brokers is spread to ensure diversification of risk. Our sample testing of investments and borrowings found that they had been carried out in line with policy and that they had been considered when developing cash flow forecasts**.**

7.55. We reviewed the access rights regarding the online banking system and bank mandate. We found that all authorisation rights were at the right level and had been delegated to the right staff within the finance team.

Audit Opinion-Significant Assurance with minor improvement opportunities

7.56. **Housing Term Contracts**
The Council has a number of term contracts and applies a bespoke approach to each contract, depending on the complexity, volume, and risk of each contract. A key control is the segregation of duties in commencing work – a contractor must provide a quote which is accepted prior to the order being approved. As the schedule of rates is built into Orchard, the quote is checked against the contractually agreed values. This is in line with industry practice.

7.57. Except for voids, which are unpredictable, each contract is governed by a work programme which is set out at the start of each year. This is an appropriate way to schedule a term contract. From minutes and papers reviewed, we saw that these work programmes are monitored on a contract-by-contract basis although we could not see whether the overall scheme of work as a whole was on-plan due to a lack of consolidated report for senior management.

7.58. The Council has an appropriate approach for monitoring the quality of work performed. Orchard has been configured to not allow payment of any order over £500, and 10% of other orders, without post-inspection, which helps to ensure that the Council's highest risk orders and a selection of lower-risk orders are inspected routinely.

7.59. Each contract has an assigned contract manager who has a detailed level of knowledge about the contract and so is able to effectively review the work. In the case of the kitchen and bathroom contract, which has the potential to significantly disrupt a tenant's living arrangements, we saw that tenants are asked to sign off the work as acceptable. The level of reporting provided to senior management is limited. The key determinant as to whether the contracts are performing to schedule is whether the agreed programme of work is adhered to. We did observe some basic reporting on the key projects for the benefit of senior management, and we understand that the preferred method of monitoring is through regular one-on-one meetings. However, we could not clearly see the programmes being reported upwards.

7.60. There is a clear segregation of duties in place for orders. All orders are quoted and the Orchard system tags each quote against the property being serviced to support monitoring.

7.61. There is a clear schedule of rates for each contractor, and the schedule of rates is loaded into the system to help ensure that quotes are in line with the contractual rates. Import files are used to increase the efficiency of this process.

7.62. Where relevant work programmes for the year ahead are agreed with the contractor, which reduces administrative effort for the Council.

7.63. The system automatically selects orders for post-inspection in line with the order value, and a random sample of other orders. This ensures all contractors are subject to quality monitoring.

7.64. Performance is regularly discussed with each contractor, and there is a clear trail of the discussions which have taken place. There are named contacts on each side of the relationship.

7.65. Contracts have been arranged to provide flexibility for key services. For instance, there are multiple gas contractors (split by area) but all can cross-service, and likewise the Kitchen and Bathrooms contractor can perform voids work and vice versa.

7.66. Contractor performance is not formally monitored in line with best practice and performance is not reported to senior leadership. This prevents emerging issues from being promptly followed up.

7.67. The KPIs need to be accurately defined to prevent disagreements between contractor statistics and the Council's records.

Audit Opinion-Significant Assurance with minor improvement opportunities

7.68. **Fraud Awareness**
Overall, we found that there was good awareness amongst staff of key fraud risks related to their area, but a more structured approach to monitoring fraud risks and

controls could ensure that fraud risks are more appropriately mitigated across the Council.

7.69. The Anti-Fraud and Corruption Policy and Local Anti-Bribery Policy are thorough and updated on a regular basis. The Anti-Fraud and Corruption Policy clearly outlines the responsibilities of members of staff and Councillors and details how concerns should be raised. The definition of fraud should be updated to align to the Fraud Act 2006 and the scope of the policy could be made clearer. The Council has not identified a nominated Anti-Fraud Officer, who would be able to advise on fraud allegations and concerns in confidence where individuals do not feel comfortable approaching their line manager, they should ensure oversight of fraud risks and the implementation of the awareness programme, as we see elsewhere in the public sector**.**

7.70. The Local Anti-Bribery Policy states how and to whom allegations of fraud and bribery should be raised. It makes reference to appropriate legislation, although the responsibilities of members of staff are not clearly articulated as in the Anti-Fraud and Corruption Policy. Both policies are available on the Loop but are not explicitly referenced during staff induction.

7.71. Members of staff demonstrated a good understanding of key fraud risks in their relevant area (including invoice fraud, procurement fraud, tenancy fraud and benefit fraud).

7.72. There are generally appropriate processes and controls to mitigate fraud risks, although some processes operate across several departments (for example, changing bank details operates in Finance and in the Housing Benefits departments), meaning it is important that controls operate effectively across the Council in these areas. Where responsibilities are divided between Service Leads and central services (such as the approval and monitoring of spend on procurement cards) it is important that these responsibilities are clearly defined.

Audit Opinion-Significant Assurance with minor improvement opportunities

8. SERVICE REVIEWS

Over the last six months Internal Audit has worked with managers on a number of lean reviews which will link into the Future Guildford Project. Although this is not traditional audit work, many of the business process re-engineering disciplines involved are closely related to audit systems analysis. This has the benefit of helping managers make efficiency savings but it also increases our understanding of the services and the business risks. We have been working on a number of reviews including:

- Bereavement Services
- Parking
- Depot Review
- Service Challenge sessions / Data Discovery – activity analysis
  Electric Theatre contract monitoring

8.1. These reviews look at all the business processes, structures and synergies to deliver more streamlined efficient and effective services which will feed into the Future Guildford project. The reviews are in various stages and will inform any future re-structures.

9. CONCLUSION

9.1 The last six months have been a period of change as we are making greater use of our external contractor rather than relying on internal resources. It has worked well so far and the feedback has been positive. The Council is seeking to become more entrepreneurial and the challenge for the team is to balance the requirement for robust governance and control and helping to deliver the Council's ambitious change agenda.

10. FINANCIAL IMPLICATIONS

10.1 There are no financial implications.

11. LEGAL IMPLICATIONS

11.1 The Local Government Act 1972 (S151) requires that a local council "shall make arrangements for the proper administration of their financial affairs". The 1972 Act is supported by the Accounts and Audit Regulations 2011, which state, "A relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control". The internal audit plan is necessary to satisfy these legal obligations.

12. HUMAN RESOURCES

12.1 There are no Human Resource implications.

13. Background Papers

None

14. Appendices

None

Corporate Governance and Standards Committee Report
Ward(s) affected: n/a
Report of Director of Finance
Author: John Armstrong
Tel: 01483 444102
Email: john.armstrong@guildford.gov.uk
Date: 30 July 2019

Corporate Governance and Standards Committee – 12 month rolling Work Programme

Recommendation

That the Committee considers and approves its updated 12 month rolling work programme, as detailed in Appendix 1 to this report.

Reason for recommendation:
To allow the Committee to maintain and update its work programme.

1. Purpose of report

1.1 The draft work programme attached as Appendix 1 sets out the items scheduled to be considered by this Committee at its meetings over the next 12 months.

2. Draft work programme

2.1 The draft work programme for the Corporate Governance and Standards Committee is set out in Appendix 1 to this report. The timing of the reports contained in the work programme is subject to change, in consultation with the chairman. The items to be considered include decisions to be made by the Executive and/or full Council, with consideration of any comments or recommendations made by this Committee.

3. Financial Implications

3.1 There are no financial implications arising directly from this report.

4. Legal Implications

4.1 There are no legal implications arising directly from this report.

5. Human Resource Implications

5.1 There are no human resources implications arising directly from this report.

6. Background Papers

- Guildford Borough Council Forward Plan
- Corporate Management Team Forward Plan

7. Appendices

Appendix 1: Corporate Governance and Standards Committee draft work programme

CORPORATE GOVERNANCE AND STANDARDS COMMITTEE DRAFT WORK PROGRAMME

<u>25 July 2019</u>

Subject	Details of decision to be taken	Decision to be taken by	Contact Officer
2018-19 Audit Findings Report: Year ended 31 March 2019	To note the external auditor's findings and management's response in the Action Plan	Corporate Governance and Standards Committee	Claire Morris 01483 444827
2018-19 Audited Statement of Accounts	To approve the 2018-19 Statement of Accounts	Corporate Governance and Standards Committee	Claire Morris 01483 444827
Financial Monitoring 2019-20 Period 2 (April/May 2019)	To note the results of the Council's financial monitoring for the period April/May 2019	Corporate Governance and Standards Committee	Claire Morris 01483 444827
Summary of Internal Audit Reports October 2018 – March 2019	To consider the summary of internal audit reports for the period October 2018 to March 2019, including an update on complaints to the Local Government Ombudsman for that period	Corporate Governance and Standards Committee	Joan Poole 01483 444854

CORPORATE GOVERNANCE AND STANDARDS COMMITTEE DRAFT WORK PROGRAMME

<u>19 September 2019</u>

Subject	Details of decision to be taken	Decision to be taken by	Contact Officer
Financial Monitoring 2019-20 Period 4 (April to July 2019)	To note the results of the Council's financial monitoring for the period April to July 2019	Corporate Governance and Standards Committee	Claire Morris 01483 444827
Councillor Training and Development Update	To consider a report from the Councillors' Development Steering Group relating to councillor training and development	Corporate Governance and Standards Committee	Sophie Butcher 01483 444056
Procurement Procedure Rules	To approve amendments to Procurement Procedure Rules following review	Council: 8 October 2019	Diane Owens 01483 444027
General Data Protection Regulation (GDPR)	To consider a six monthly update on compliance with the GDPR	Corporate Governance and Standards Committee	Joyce Hamilton 01483 444053
Freedom of Information Compliance update	To consider the update report on the Council's performance in dealing with Freedom of Information requests (January to June 2019)	Corporate Governance and Standards Committee	Ciaran Ward 01483 444072

CORPORATE GOVERNANCE AND STANDARDS COMMITTEE DRAFT WORK PROGRAMME

19 November 2019

Subject	Details of decision to be taken	Decision to be taken by	Contact Officer
Annual Audit Letter for 2018-19	To consider the Annual Audit Letter for 2018-19	Executive: 7 January 2020	Claire Morris 01483 444827
Financial Monitoring 2018-19: Period 6 (April to October 2019)	To note the results of the Council's financial monitoring for the period April to October 2019	Corporate Governance and Standards Committee	Claire Morris 01483 444827
Summary of internal audit reports (April to September 2019)	To consider the summary of internal audit reports and progress on the internal audit plan for April to September 2019, including update on complaints to the Local Government Ombudsman for that period.	Corporate Governance and Standards Committee	Joan Poole 01483 444854
Review of Protocol on Councillor/Officer Relations	To consider recommendations of the task group appointed by the Committee to review the Protocol	Council: 3 December 2019	John Armstrong 01483 444102
Review of the Councillors' Code of Conduct	To consider a review of the Councillors' Code of Conduct following an all councillor workshop.	Council: 3 December 2019	Robert Parkin 01483 444135

CORPORATE GOVERNANCE AND STANDARDS COMMITTEE DRAFT WORK PROGRAMME

16 January 2020

Subject	Details of decision to be taken	Decision to be taken by	Contact Officer
Capital and investment strategy (2020-21 to 2023-24)	To comment on various recommendations to the Executive and Council	Executive: 21 January 2020 Council: 5 February 2020	Victoria Worsfold 01483 444834
Financial Monitoring 2019-20 Period 8 (April to November 2019)	To note the results of the Council's financial monitoring for the period April to November 2019	Corporate Governance and Standards Committee	Claire Morris 01483 444827
Annual report of the Monitoring Officer regarding misconduct allegations	(1) To note the cases dealt with; and (2) To advise the Monitoring Officer of any areas of concern upon which they would like further information and/or further work carried out.	Corporate Governance and Standards Committee	Robert Parkin 01483 444135
Equalities Scheme Action Plan	Annual monitoring report on the implementation of the actions in the Equalities Scheme action plan approved in January 2018	Corporate Governance and Standards Committee	Lucy Richards 01483 444013
Gender Pay Gap Report 2020-21	To note the Council's gender pay gap report	Corporate Governance and Standards Committee	Francesca Smith 01483 444014
Freedom of Information Compliance - Annual Report 2019	To consider the annual report for 2019 on the Council's performance in dealing with Freedom of Information requests.	Corporate Governance and Standards Committee	Ciaran Ward 01483 444072
General Data Protection Regulation Update	To consider a six monthly update on compliance with the GDPR	Corporate Governance and Standards Committee	Joyce Hamilton 01483 444053

CORPORATE GOVERNANCE AND STANDARDS COMMITTEE DRAFT WORK PROGRAMME

26 March 2020

Subject	Details of decision to be taken	Decision to be taken by	Contact Officer
Discussions with those charged with governance	To agree the Committee's response to the external auditor's audit plan	Corporate Governance and Standards Committee	Claire Morris 01483 444827
Annual Governance Statement 2019-20	To adopt the Council's Annual Governance Statement 2019-20	Executive: 21 April 2020	Claire Morris 01483 444827
Audit Report on the Certification of Financial Claims and Returns 2018-19: Housing Benefit Subsidy and Pooling Housing Capital Receipts	To note the position regarding the certification of financial claims and returns for 2018-19	Corporate Governance and Standards Committee	Belinda Hayden 01483 444867
External Audit Plan and Audit Update 2019-20	To approve the external audit plan for 2019-20, and to note the content of the External Auditor's update report and make any appropriate comments.	Corporate Governance and Standards Committee	Claire Morris 01483 444827
General Data Protection Regulation (GDPR)	To consider a report on progress with compliance with the GDPR	Corporate Governance and Standards Committee	Joyce Hamilton 01483 444053
Financial Monitoring 2019-20 Period 10 (April 2019 to January 2020)	To note the results of the Council's financial monitoring for the period April 2019 to January 2020	Corporate Governance and Standards Committee	Claire Morris 01483 444827

CORPORATE GOVERNANCE AND STANDARDS COMMITTEE DRAFT WORK PROGRAMME

June 2020

Subject	Details of decision to be taken	Decision to be taken by	Contact Officer
Capital and Investment outturn report 2019-20	To submit any comments to the Executive when it considers this matter in June 2020.	Executive: June 2020 Council: July 2020	Victoria Worsfold 01483 444834
Revenue Outturn Report 2019-20	To note the Draft Statement of Accounts 2019-20, and to make any comments to officers in advance of the audit.	Executive: June 2020	Claire Morris 01483 444827
Housing Revenue Account Final Accounts 2019-20	To submit any comments to the Executive when it considers this matter in June 2019.	Executive: June 2020	Philip O'Dwyer 01483 444318
External Audit 2020-21 Fee Letter	To consider the planned audit fee	Corporate Governance and Standards Committee	Claire Morris 01483 444827
Internal Audit Plan 2020-21	To consider the internal audit plan for 2020-21	Corporate Governance and Standards Committee	Joan Poole 01483 444854
Review of the Councillors' Development Steering Group	(1) To approve the numerical allocation of seats on the Steering Group to each political group for 2020-21. (2) To ask political group leaders to confirm the councillor membership of the Steering Group for 2020-21	Corporate Governance and Standards Committee	John Armstrong 01483 444102