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

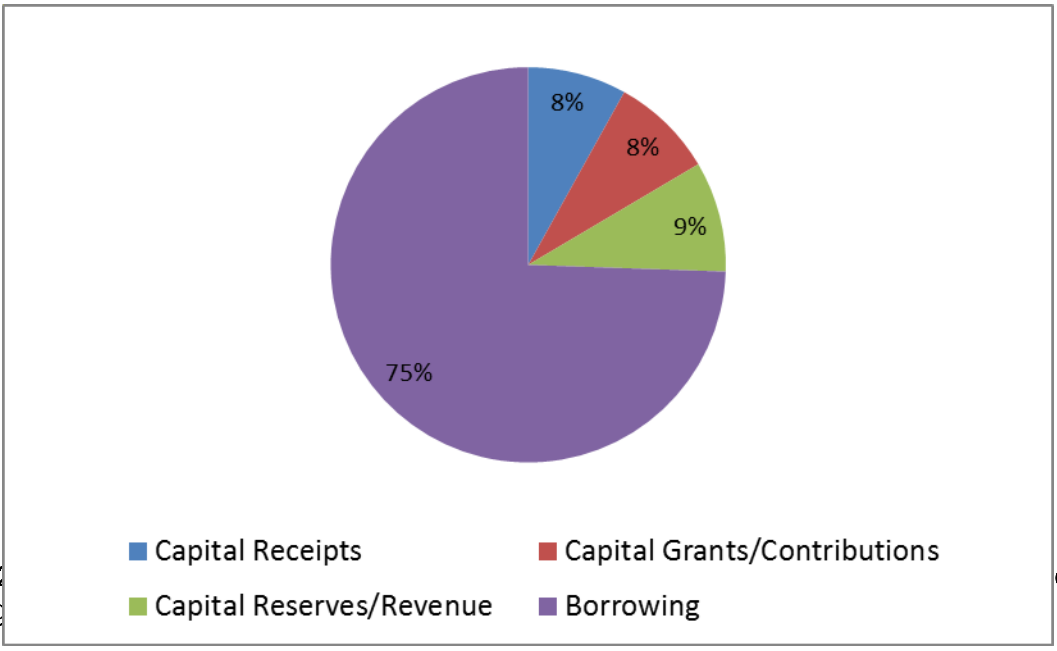
Capital expenditure in the year totalled £47 million. The major areas of capital spend are shown in the table below:

	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 £2 … 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.

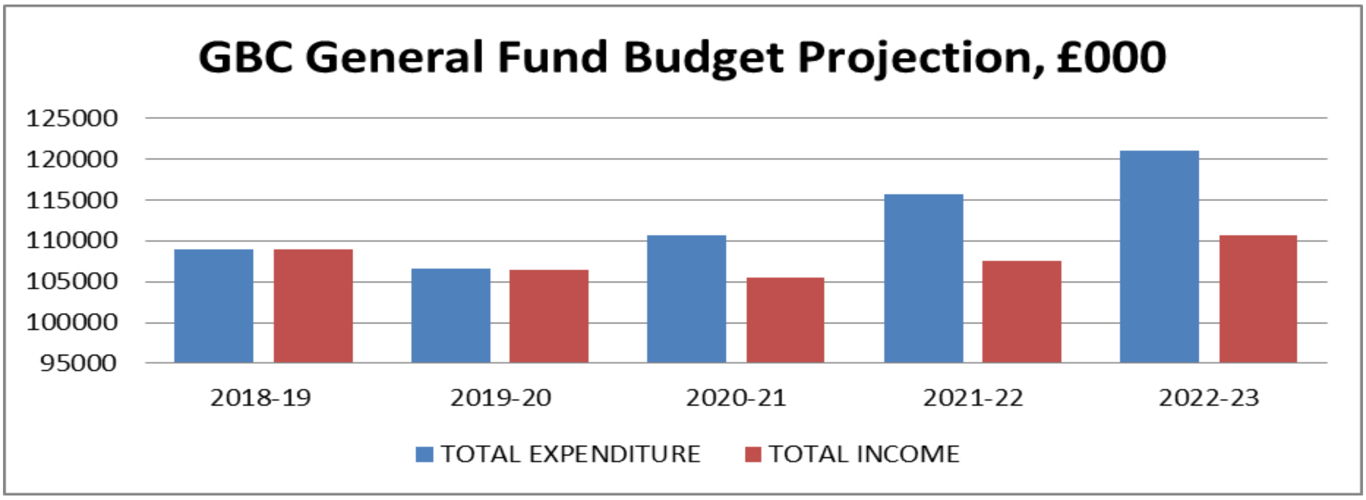
A new capital strategy has been developed with the aims of realising the Council's Corporate Plan, raising the quality of life for residents and improving the long-term financial planning process. The capital strategy demonstrates that the Council takes capital expenditure and investment decisions in 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**

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:

- usable reserves - 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
- unusable reserves - 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)

<u>Definition</u>

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.

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 £000		2018-19 £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 £000		2018-19 £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 £000		2018-19 £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 £000			2018-19 £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 £000		2018-19 £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 £000		2018-19 £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 £000		2018-19 £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 £000		2018-19 £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 £000		2018-19 £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 £'000		2018-19 £'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:

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.

<table>
<tr><th>Principles of Good Governance</th><th>Arrangements the Council has for delivering good governance</th><th>Recent achievements, developments and areas for improvement</th></tr>
<tr><td>A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</td><td>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</td><td>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.</td></tr>
</table>

	• 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.