Guildford Borough Council unaudited Statement of Accounts 2019-20

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

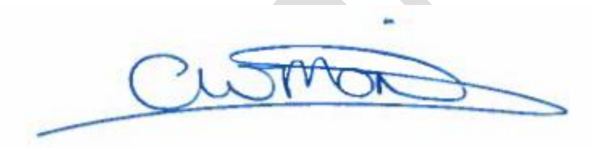
- complied with the local authority Code.

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 2020 and of its income and expenditure for the year ended 31 March 2020.



Claire Williams Morris, BEng (Hons), FCPFA, Cert IPSFR
Chief Financial Officer
31 August 2020

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

To follow

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 2019-20.

The overall financial climate continues to be difficult and is likely to remain so for a number of years. Local Government, which is continuing to play its part in helping to address the national funding deficit following the 2008 financial crisis, now has the greater challenge of coping with the outbreak of the worldwide pandemic Covid19. Over the last 10 years each Council has been required to continue to deliver services with fewer resources, that challenge is unlikely to get easier in the future. During this time, 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 Council's settlement funding assessment for 2019-20 from Central Government was an increase of 2.3% (£65,000). This followed reductions of:

- 2011-12 15.2%
- 2012-13 12.6%
- 2013-14 6.6%
- 2014-15 16.8%
- 2015-16 15.0%
- 2016-17 18.1%
- 2017-18 18.6% and
- 2018-19 10.8%

The budget for 2019-20 did not include any new investment services and but instead focussed on investment in ICT and business process re-engineering under the Future Guildford transformation programme, in order to deliver the savings required to balance the Council's budget over the medium term. The Future Guildford transformation programme, approved by Council in February 2019 proposed a one-off investment of £13.4 million of earmarked reserves in order to deliver on-going annual revenue savings of £10.2 million per annum by 2023-24.

The net budget requirement for the year 2019-20 was set in February 2019 at £45,264,844 an increase of £9.6 million from the Council's 2018-19 net budget requirement of £35,593,306. 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 £1,690,000 (2018-19 precept requirements were £1,631,985 an increase of 3.5%).

The Borough Council's band D council tax was set at £171.82, an increase of £5 (3.0%) from 2018-19. The report to Council on 26 February 2019, available on the Council's website, provides further details about the Council's budget for 2019-20.

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.

The Final Accounts report which will be presented to the Executive on 22 September 2020 (link to be inserted) 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 2020, we had around £117 million invested. Overall, net interest returns in the year were approximately £300,000 more than anticipated at £1.18 million. The Capital and Investment Outturn Report will be reported to Executive on 22 September 2020 (hyperlink to be inserted), 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 2019-20 budget, a minimum revenue provision of £0.96 million was assumed. The actual minimum revenue provision of £0.92 million which is approximately £40,000less than budgeted.

Overall the net expenditure on the General Fund was lower than the original estimate to the value of £1.5 million. This has been utilised by making a £1.5 million transfer to the Invest to Save reserve to support the delivery of the Future Guildford Transformation Programme.

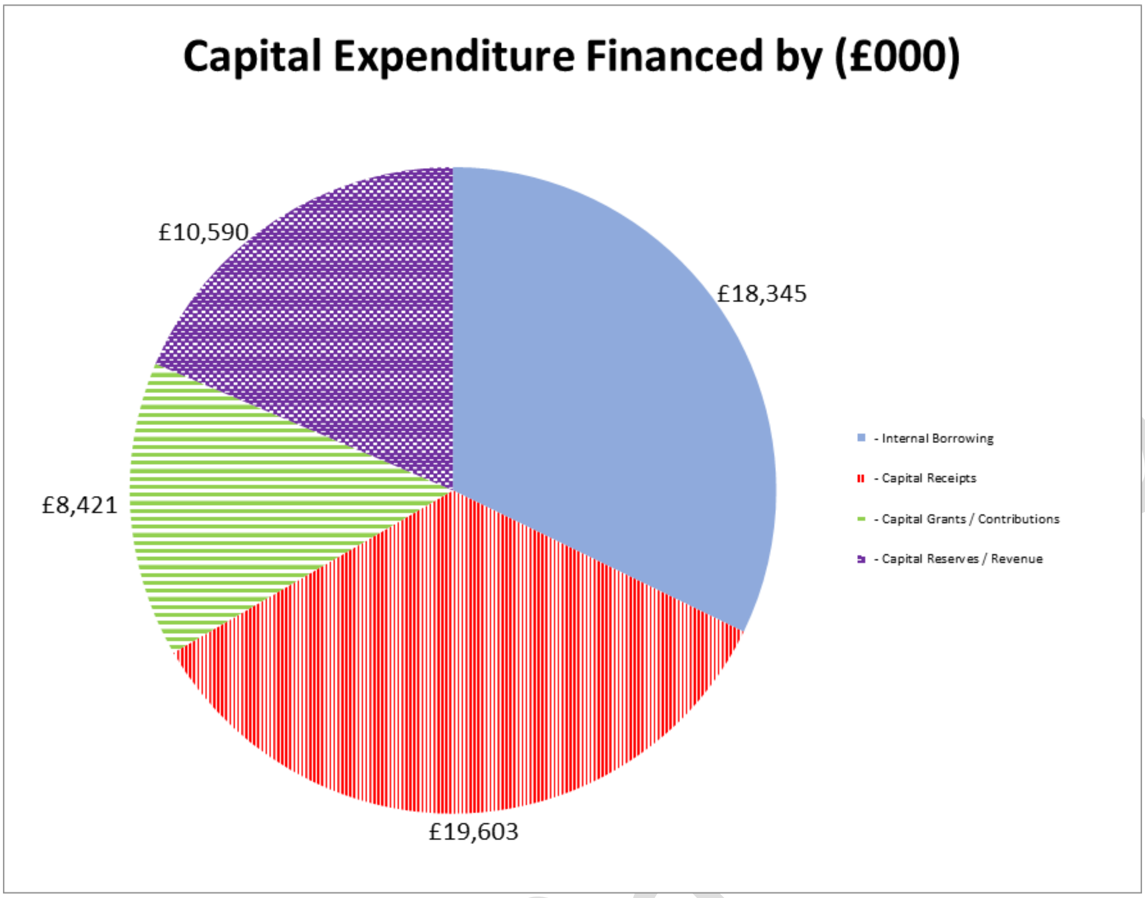
Financial Performance during the year – Capital Expenditure
Capital expenditure in the year totalled £56.96 million. The major areas of capital spend are shown in the table below:

	Original estimate (£'m)	Actual (£'m)	Variance (£'m)
Non-housing approved programme	61.4	45.7	(15.7)
Non-housing provisional programme	17.5	0.0	(17.5)
Schemes financed from reserves	6.7	2.3	(4.4)
Total	**85.6**	**48.0**	**(37.6)**
Housing approved Capital programme	8.5	8.6	0.1
Housing provisional Capital Programme	0.4	0.3	(0.1)
TOTAL General Fund and Housing Capital Expenditure	**94.5**	**56.9**	**37.6**

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

- £10.4 million investment in Weyside Urban Village redevelopment (formerly known as Slyfield Area Regeneration Programme)
- £8.3 million investment in the Slyfield Internal Estate road
- £7.0 million investment in acquisition of Strategic Property
- £5.9 million investment in rebuilding the Crematorium
- £5.9 million investment in North Downs Housing (£2.3million in equity shares and £3.5million in loans)
- £2.5 million investment in new build affordable housing at sites such as Appletree pub, Guildford Park and Old Fire Station on Ladymead
- £5 million investment in improvements and renovations to HRA property
- £1.2 million on acquisition of new HRA property
- £1.6 million investment in the redevelopment of Midleton Industrial Estate
- £1.1 million investment in the development of a new road bridge over the railway at Ash
- £942,000 investment in cycling and pedestrian route improvements (known as the 'Sustainable Movement corridor')
- £655,000 investment in ICT as part of the Future Guildford transformation programme
- £526,000 refurbishment of multi-storey car parks

The capital expenditure was financed by utilising the following resources:



We only financed £38.6 million of our capital expenditure from existing resources, resulting in an increase to our Capital Financing Requirement, funded by internal borrowing, of £18.3 million.

Internal sources of funds available at 31 March 2020 to meet future capital expenditure are:

- General Fund capital schemes reserve £0.6 million
- HRA usable capital receipts £13.8 million
- HRA future capital programme reserve £35.8 million
- HRA new build reserve £56.1 million
- HRA Major Repairs Reserve £9.8 million

Financial Performance during the year - Treasury Management
Our Capital and Investment Outturn report will be presented to Executive on 22 September 2020, (insert hyperlink) and is available on our website. The principle value of Investments at 31 March 2020 totalled £107 million made up as follows:

Investment details	**Book cost of Investments at 31-03-20 £m**
Internally Managed Investments	
Fixed Investments < 1 year to cover cash flow	20
Notice Accounts	8
Revolving Credit Facility	5
Call Accounts	0.53
Money Market Funds	14.5
Bonds	19.1
Long term investments > 1 year	27.5
Externally Managed Funds	
Funding circle	0.53
CCLA	6.51
M&G	1.13
Schroders	0.57
Royal London	2.23
UBS	2.02
TOTAL	**107.6**

The book cost of investments is the amount of cash receivable if the investments were to be sold on 31 March 2020. The book cost is different to the amounts shown in note 29 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 £2.18 million against a budget of £1.74 million.

During the year we increased the value of temporary borrowing by £23 million taken out for cash-flow purposes. The principal balance outstanding on our external loans at 31 March 2020 was £44 million.

The investment markets remained extremely challenging with the Bank of England decreasing the base rate due to the pandemic 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): 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 2020. 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 £8 million. £31.5 million adjustments between funding and accounting bases resulted in a deficit reported in the CIES of £23.5 million.

Income and Expenditure Statement (CIES)
The deficit on provision of services was £23.5 million. This was the net total of a surplus on the HRA of £3.8 million, and a deficit on the General Fund of £27.3 million.

Total comprehensive income and expenditure was £2.8 million expenditure, compared to £7.1 million income in 2018-19. 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 £3.8 million is added to the HRA and a deficit of £27.3 million taken from the General Fund. £27.4 million is added to the General Fund and £4 million added 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 2020 is held in reserves earmarked for specific purposes. The remaining £3.7 million is held as unallocated funds. In the case of the HRA, £91.8 million of the balance of £94.3 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 0.75% from £983 million to £990 million. This is due to a £2.1 million increase in value of the Council's property portfolio on revaluation during the year, £14.5 million net additions to the Council's property portfolio, £9.9 million additions to assets under construction.

Current assets have increased by 12.51% from £78.6 million to £88.4 million, mainly due to a decrease in short-term investments (including those classified as cash equivalents) from £55.7 million to £74.8 million, offset by a reduction in short term debtors from £20.3 million to £13.1 million and £1.7 million of property assets sold from assets held for sale. After our liabilities are taken into account, our net assets have decreased by 0.4% from £694.6 million to £691.8 million.

This is matched by a decrease in our unusable reserves of £4.7 million, and an increase in our usable earmarked reserves of £1.9 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).

On 31 March 2019 the Actuary conducted the latest Triennial valuation of the fund and set the employer contribution rates for 2020-21 to 2022-23. The triennial valuation of the pension scheme showed that the overall deficit on the pension fund has reduced from £679 million at 31 March 2016 to £196 million at 31 March 2019 increasing the funding level of the scheme from 83% to 96% over the period. Guildford's share of the deficit was £37 million at 31 March 2016 but has reduced to £19 million at 31 March 2019 and the funding level has increased from 80% to 91% for Guildford. The main reason for the increase is due to increased investment returns on the pension scheme assets. Employer contributions are split between:

- the primary rate, which is expressed as a percentage of pay. The valuation report proposes that this rises from 15.1% to 17.2% due to a weaker outlook for investment returns in the future and the additional pressure placed on scheme liabilities and funding plans to allow for the 'McCloud' ruling, and,
- a secondary rate which is an annual cash contribution to the scheme, the secondary rate has remained stable at around £2.2 million per annum, due to the increase in investment assets of the scheme.

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 £113.5 million (£115.9 million in 2018-19) 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 22 September (insert hyperlink). Transfers to and from the reserves have been made during the year as appropriate and can be seen at Note 13 to the accounts.

We increased the provision in respect of the Council's share of the estimated reduction in business rates collectable due to rating appeals by £1.5 million, and £1.1 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.

Assessment of Going Concern and Key Ratio's
The financial statements show the following measures of the Council's financial position:

Indicator	Definition	2018-19	2019-20
Liquidity Ratio	Current Assets / Current Liabilities	1.35	1.09
Gearing %	Total borrowing / Long Term Assets	22%	24%
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%	5%
Borrowing as a % Gross Income	Long Term Borrowing / (Gross Service Income + Taxation and Non-specific Grant Income + Investment Property Income)	157%	128%
General Fund Reserves as % Net Expenditure chargeable to the General Fund	level of GF & GF earmarked reserves / net expenditure chargeable to the general fund	256%	111%
HRA Reserves as % Net Expenditure chargeable to the HRA	level of HRA & HRA earmarked reserves / net income chargeable to the HRA	418%	594%

Council Tax Income as % Gross Income	Council Tax income / (Gross Service Income + Taxation and Non-specific Grant Income + Investment Property Income)	9%	8%
Net Retained Business Rates as % Gross Income	Net Business Rate Income / (Gross Service Income + Taxation and Non-specific Grant Income + Investment Property Income)	6%	2%
Net Investment Property Income as % Gross Income	Net Investment Property Income / (Gross Service Income + Taxation and Non-specific Grant Income + Investment Property Income)	6%	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.

The Chartered Institute of Public Finance and Accountancy (CIPFA) has produced a financial resilience index in response to concerns within the local government sector and central government about the financial resilience of some local authorities following the significant funding reductions incurred by the sector since 2013-14.

The financial resilience index shows how the Council compares to other similar authorities across a basket of financial indicators based on its 2018-19 accounts and a trend analysis of changes since 2017-18. The analysis can be found on the CIPFA Website (https://www.cipfa.org/services/financial-resilience-index/financial-resilience-index). Guildford compares well on the analysis to other authorities with the majority of indicators showing that the Council is at low risk of financial stress. As explained above, key determinants of the Council's position are its comparatively high level of reserves, a low reliance on government grant, and a high reliance on council tax, net retained business rates and other locally raised revenue to finance expenditure on delivery of services.

The legislative framework around local government in the UK means that the Council's existence (or not) is determined by national legislation setting out how and what level of government services are provided at a local level. It will require a change in legislation for the Council to be abolished or to cease trading, at present, there is no such legislation in place proposing such a change. However, even if a statutory change in local government were forthcoming, any assets and liabilities of the Council and its service provision would transfer to a new body.

Therefore, 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 2019-20 was approximately £110 million and 98.6% had been collected by 31 March 2020. At the same time, 97.8% of the collectable debit for non-domestic rates (£90 million) had been collected.

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 £34.2 million. The Government assessed our baseline funding level at £2.9 million, the difference (£31.3 million) was paid to the Government as a tariff. If Guildford's actual business rate income is higher than the NDR Baseline then the Council is required to pay a levy of 50% of the additional income to central Government.

When we set our 2019-20 budget, we projected the business rate income we would receive (£87.3 million of which the Council's 40% share is £34.9 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 (£88.04 million of which the Council's share is £35.22 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 2019-20 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 2020-21.

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 2019-20. 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 £7.329 million for appeals is required as at 31 March 2020, of which the Council's share is £2.932 million (40%). 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 £3.7 million in 2018-19 to £xx million in 2019-20, of which the Council's share is £xx million.

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

<u>**Business Rates Retention Summay 2019/20**</u>	**2019/20 Budget £0**	**2019/20 Actual £0**	**2019/20 Variance £0**
BRRS – tariff	31,333	31,333	0
Business Rates levy payment to MHCLG	1,274	1,383	109
BRRS - equalisation reserve transfer	(2,570)	(2,103)	467
	30,037	**30,613**	**576**
BRates Collection fund deficit	1,493	1,493	0
BRRS - s31 grant	(1,825)	(2,401)	(576)
BRRS - retained income	(34,941)	(34,941)	0
BRRS - net position	**(5,236)**	**(5,236)**	**(0)**

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. The HRA outturn report will be presented to the Executive on 22 September 2020 and the report is available on the Council's web site, www.guildford.gov.uk at (insert hyperlink).

The table below shows the main variances between the budgeted and actual operating surplus for 2019-20 under the key headings.

Housing Revenue Account	2019/20 budget £000	2019/20 actual £000	Variance £000
Rental income	(30,880)	(30,760)	(120)
Other income	(1,565)	(1,615)	50
Total income	**(32,445)**	**(32,375)**	**(70)**
Expenditure on housing services	10,314	11,919	1,605
Depreciation	5,529	5,641	112
Revaluation	0	1,648	1,648
Other expenditure	1,050	664	(386)
Interest payable and receivable	4,543	4,803	260
Surplus for the year	**(11,008)**	**(7,700)**	**3,308**
HRA balance brought forward	(2,500)	(2,500)	0
Surplus for the year	(11,008)	(7,700)	3,308
Transfers to other reserves	11,008	7,700	(3,308)
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 £7.7 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.

Rental income from dwellings was £120,000 (0.39%) below the estimate. The service has seen void levels increase during 2019-20 resulting in a reduction of total collectable rent.

Employee related expenditure was £413,000 lower than estimated. Expenditure on repairs & maintenance exceeded the budget by £839,000. 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 2019-20. 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 £233,000 has been made to the impairment allowance in 2019-20.

HRA Investment income is £225,000 lower than the estimate due to us needing to repay the Government for unspent right to buy capital receipts due to delays in the housing building programme.

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.

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	2018-19	2019-20
1. Council Tax Collected	98.88%	98.60%
2. NNDR Collected	99.40%	97.80%
3. Invoices paid on time	92.55%	88.37%
4. Processing of ‘major’ planning applications within 13 weeks	97.50%	97.20%
5. Processing of ‘minor’ planning applications within 8 weeks	94.52%	91.70%
6. Appeals dismissed against the Council’s refusal of planning permission	54.46%	76.30%
7. Number of Households living in temporary accommodation	43	44
8. Housing Advice – homelessness prevented (cases resolved)	635	800
9. Days taken to process Housing Benefit / Council Tax support claims	31.94 for new claims 7.74 for changes	8 days
10. Number of affordable homes completed	68	36
11. Food businesses with ‘scores on the door’ of 3 or over	97.30%	97.20%
12. % Household waste recycled and composted	59.60%	59.7%
13. Kilograms of residual household waste collected per household (*New Indicator*)	n/a	354
14. Staff sickness absence Office Manual All Absence Short Term *This indicator has been changed during 2019-20*	 6.2 days 14.1 days n/a n/a	 n/a n/a 7.7 days 4.4 days
15. Staff turnover	10.70%	14.8%

The Council is in the process of updating its corporate plan and monitoring of corporate plan priorities following the Local Government Elections in May 2019. Once the new Corporate plan is developed we will be able to provide an update in the accounts regarding performance against the plan.

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	2019
Office based staff	502.7	480.4	530.7	490.2	487.8	471.4	471.4	452.6
Manual staff	232.2	240.0	182.6	214.8	220.2	228.2	223.1	217.3
Total	**735.0**	**720.4**	**713.4**	**705.0**	**708.0**	**699.6**	**694.8**	**670.0**

Issues affecting the Council’s Future

My Chief Finance Officer’s report on the 2020-21 Budget, presented to Council in February 2020, is on our website (CFO report).

This report contains an overview of local government funding, the economic outlook, the Council’s corporate plan and their impact on the Council’s finances. The report concluded that the Council had a potential funding gap of £3.3 million over the medium-term period to 2023-24. However, since the report was approved there has been a significant change in events arising from the global pandemic Covid-19 and its impact on the UK.

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

Guildford Borough Council activated both its Borough Emergency Plan (as part of the declaration of a Major Incident in Surrey) and its business continuity plan to ensure we can continue to deliver critical front-line services. Our critical front-line services are:

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

In addition, support services such as HR, Finance and ICT were also required to enable the provision of critical front-line services.

Where possible, other Council services not in the list above e.g., Planning, continued to operate where officers were able to work remotely at home. However, many services operated at reduced levels due to activity levels being lower than normal and the need to redeploy staff to support the emergency response. Some Council services, such as Heritage and Museum services, Spectrum Leisure Centre, Day and Community Centres were forced to close through government legislation. Due to a lack of demand and government guidance, the Council also removed parking charges for a period of 3 months.

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

- Establishing a Surrey wide Community Hub at Spectrum leisure centre on behalf of Surrey County Council to coordinate measures to support vulnerable people in Surrey and 'shield' them from Covid-19,
- Establishing 'Locality Hubs' at Park Barn and Shawfield Day Centres to support our day centre, meals on wheels, sheltered and supported housing clients, and other people self-referred to us as needing help, with food parcels, meals on wheels and welfare calls
- Procuring and placing homeless households and rough sleepers in hotel accommodation and providing meals and food parcels to them
- Procuring and placing people discharged from hospital in suitable accommodation and ensuring they have support and food

- Procuring and placing people discharged from the probation service and prison in suitable accommodation and ensuring they have support and food
- Expanded and scaled up operations at the Crematorium to deal with Excess Deaths
- Providing significant business rate relief and grants to local businesses in line with the government schemes
- Providing hardship funding for Council tax and administering an increase in claimants for the local council tax support scheme
- Providing general advice to the public and specific advice to individuals suffering hardship as a result of Covid-19

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

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

The Covid-19 crisis has had a significant impact on the financial position of the Council. On 5 May 2020, I reported an emergency budget to Council to inform Councillors of the forecasted potential impact on the Council from the increased costs of service provision and significant reduction in income as a result of a number of services being closed. The main areas of extra costs have been in relation to operator support for the Leisure centre, homelessness and food parcels. The main impact on the Council's income has been a significant reduction in fees and charges income from services, mainly car parking. The Council's investment property income has not seen a significant fall income at this stage. The report is available on our website (Emergency Budget). Estimates for the financial impact on the Council's general fund were between £5 million and £15 million, with a 'best estimate' of the impact at £8.7 million. The period 2 financial monitoring reported to Corporate Governance and Standards Committee in July updated the position and forecasted an overspend of £9.1 million. The emergency budget report approved for a supplementary estimate of up to £15 million to be taken from reserves but this would only be drawn down if there was a gap in government funding of the costs and lost income and Officers could not identify cost savings in year to address the shortfall. The report recognised that the scale of the financial impact was such that there was a high risk of being unable to identify sufficient cost savings to mitigate the impact in one year and that some use of reserves would be necessary. The Council's level of reserves is currently sufficient to accommodate the potential impact of Covid-19 however, there will be a need to rebuild reserves over the course of the medium term financial plan to the minimum level identified in our financial risk register (currently £10 million). As a result, there is no immediate risk to the financial sustainability of the Council.

In order to identify savings, the Council has reviewed its capital programme will seek to delay or stop a number of schemes to reduce the planned debt and interest costs on the general fund revenue account over the medium-term period.

Officers are currently in the process of producing recovery plans for services which will look at future options for delivery of each service and identify potential on-going spending reductions. At present it is too early to report the potential on-going impact of Covid-19 on the Council's services in the medium to longer term.

In addition to the immediate impact on the general fund, initial indications are that collection rates for

Council Tax and Business Rates are likely to be significantly lower for 2020-21 than the rates reported above for 2019-20. This will be due to financial hardship of businesses and households in the borough. We anticipate a significant growth in claims for Local Council Tax Support and more businesses entering into liquidation over the next 12 to 18 months. In addition, in order to administer the significant grants and hardship funds that were provided by the government, the Council suspended normal debt recovery activity for accounts which have fallen into arrears for the first 3 months of the year and has entered into revised payment plans on a case by case basis to help those in hardship.

Financial Risks

The Council faces many financial risks, which are identified in the financial risk register published as part of the 2020-21 Budget on 5 February 2020 (see Risk Register). 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. Whilst the risk register did include anticipation of a Major Event or Civil Incident, it did not quite anticipate the impact of Covid-19.

The major risks are:

1. Financial and economic impact of the Covid-19 Pandemic
2. Financial and economic impact of Brexit
3. Other national economic volatility and the impact on the Council's income streams.
4. Delivery of savings and income.
5. Affordability of Regeneration schemes.
6. Affordability of the Council's Capital Programme.
7. Business rates retention scheme volatility.
8. Fair Funding Review of Local Government Finance.
9. Financial sustainability of Surrey County Council.

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 2019-20, 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, particularly as a result of the Covid-19 Pandemic and Brexit. 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 Resources (s151 / Chief Financial Officer)
31 08 2020

General Accounting Policies

This section sets out general accounting policies used to prepare the statement of accounts of Guildford Borough Council and its group. Accounting policies that are used to report on specific balances or transactions are set out in the accounting notes for the relevant balance or transaction.

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2019-20 financial year and its position at the year-end of 31 March 2020. 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 2019-20, 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

Guildford Borough Council is the ultimate parent of two wholly owned subsidiaries, Guildford Borough Council Holdings Company Limited and North Downs Housing Limited. Both companies have a year end of 31 March. For 2019-20 and for the first time since both companies started trading, elements of their financial statements are material to the statement of accounts of the Council. As a result, group accounts have been prepared.

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:

- revenue from contracts with service recipients, whether for services or for the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- 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
- interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure based on the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract
- where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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4. Accounting practice for Council Tax and Business Rates

Guildford Borough Council is a billing authority for council tax and business rates. This means that we:

- act as an agent, collecting council tax and business rates on behalf of the major preceptors (Surrey County Council, Surrey Police and Crime Commissioner and, for business rates only, central government) and
- as a principal, collecting council tax and business rates for the Council itself.

The Council is required by statute to maintain a separate fund (the Collection Fund) for the collection and distribution of amounts due in respect of council tax and business rates. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and business rates collected could be less or more than predicted.

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

The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and business rates relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals. Where these balances are impaired (because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made) the asset is written down and a charge made to the Taxation and Non-Specific Grant Income line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

The Council 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 Reporting Period are those events, both favourable and unfavourable, that occur between the end of the reporting period (31 March 2020) and the date when the Statement of Accounts was authorised for issue by the Chief Financial Officer on 31 August 2020. 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 31 August 2020 are not reflected in the Statement of Accounts.

8. 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.

9. VAT

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

10. Fair Value Measurement

The Council measures some of its non-financial assets (such as surplus assets and investment properties) and some of its financial assets (such as funds held in money markets) 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).

		2018-19					2019-20
Gross Expenditure	Gross Income	Net Expenditure		Notes	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000	Directorate		£000	£000	£000
10,777	(4,155)	6,622	Community Services		13,366	(4,362)	9,004
38,918	(30,302)	8,616	Finance		18,304	(623)	17,681
12,975	(2,549)	10,426	Planning & Regeneration		36,065	(23,508)	12,557
35,306	(22,064)	13,241	Environment		35,562	(29,340)	6,221
925	(34)	891	Managing Director		5,254	(1,674)	3,579
17,503	(32,082)	(14,579)	Housing Revenue Account		23,603	(32,250)	(8,647)
116,404	**(91,187)**	**25,216**	**Cost of Services**		**132,154**	**(91,758)**	**40,396**
		2,336	Other operating expenditure	4			6,202
		(14,165)	Financing and investment income and expenditure	5			2,815
		(23,392)	Taxation and non-specific grant income	6			(25,904)
		(10,005)	**(Surplus) / Deficit on Provision of Services**				**23,509**
		(13,800)	(Surplus) / Deficit on revaluation of Property, Plant and Equipment assets	24			(9,185)
		17,263	Remeasurements of the net defined benefit liability	24			(11,489)
		(349)	IFRS 9 (gain) / loss on investment statutory adjustment				0
		(291)	(Upward) / downward movement on revaluation of financial instruments classified as Fair Value through Profit and Loss (FVPL)	24			0
		2,823	**Other Comprehensive Income and Expenditure**				**(20,673)**
		(7,182)	**Total Comprehensive Income and Expenditure**				**2,835**

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 fund 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 to 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
2019-20								
Balance at 31 March 2019	**48,113**	**86,418**	**20,519**	**9,235**	**690**	**164,974**	**529,635**	**694,609**
Movement in Reserves during 2019-20								
Total Comprehensive Income and Expenditure	(27,380)	3,872	-	-	-	(23,509)	20,673	(2,835)
Adjustments between accounting basis & funding basis under regulations (Note 23)	27,458	4,055	(6,588)	618	(130)	25,414	(25,414)	-
Increase/(decrease) in 2019-20	**78**	**7,927**	**(6,588)**	**618**	**(130)**	**1,905**	**(4,740)**	**(2,835)**
Balance at 31 March 2020 carried forward	**48,191**	**94,345**	**13,931**	**9,853**	**559**	**166,880**	**524,894**	**691,774**

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	120	9,884	-	-	-	10,005	(2,823)	7,182
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	**2,623**	**8,171**	**(3,622)**	**1,244**	**408**	**8,824**	**(1,642)**	**7,182**
Balance at 31 March 2019 carried forward	**48,113**	**86,418**	**20,519**	**9,235**	**690**	**164,974**	**529,635**	**694,609**

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 (e.g. 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 2019 £000		Notes	31 March 2020 £000
767,596	Property, Plant & Equipment	13	780,797
3,575	Heritage Assets	14	3,575
161,244	Investment Property	15	153,413
1,774	Intangible Assets	16	2,299
45,100	Long-term Investments	30	43,109
3,665	Long-term Debtors	30	7,182
982,954	**Long Term Assets**		**990,375**
42,508	Short-term Investments	30	59,785
2,116	Assets held for sale	17	431
475	Inventories		439
20,332	Short Term Debtors	18	13,521
13,184	Cash and Cash Equivalents	19	14,633
78,615	**Current Assets**		**88,809**
(20,337)	Short Term Borrowing	30	(44,492)
(35,118)	Short Term Creditors	20	(33,158)
(2,857)	Provisions	21	(3,758)
(58,312)	**Current Liabilities**		**(81,408)**
(192,665)	Long Term Borrowing	30	(192,435)
(115,983)	Other Long Term Liabilities	27	(113,567)
(308,648)	**Long Term Liabilities**		**(306,002)**
694,609	**Net Assets**		**691,774**
164,974	Usable Reserves	MIRS	166,880
529,634	Unusable Reserves	24	524,895
694,609	**Total Reserves**		**691,774**

Claire Williams Morris, BEng (Hons), FCPFA, Cert IPSFR
Chief Financial Officer
31 August 2020

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 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.

2018-19 £000		2019-20 £000
	OPERATING ACTIVITIES	
10,005	Net surplus on the provision of services	(23,509)
8,234	Adjustments for non-cash movements (Note 23)	62,613
(8,446)	Adjustments for items included in the net surplus that are investing and financing activities (Note 23)	(21,736)
9,793	**Net cash flows from Operating Activities**	**17,368**
	INVESTING ACTIVITIES	
(34,424)	Payments for additions to long term assets	(35,755)
(61,627)	Payments for purchase of investments	(79,255)
(1,279)	Other payments for investing activities	(3,566)
6,366	Proceeds from the disposal of long term assets	15,753
102,762	Proceeds from disposal of investments	60,127
1,441	Other receipts from investing activities	7,667
13,239	**Net cash flows from Investing Activities**	**(35,029)**
	FINANCING ACTIVITIES	
81,030	Cash receipts of short and long-term borrowing	72,000
0	Other receipts from financing activities	0
9,813	Other payments from financing activities	(4,652)
(109,740)	Repayments of short and long-term borrowing	(48,236)
(18,897)	**Net cash flows from financing activities**	**19,112**
4,135	**Net increase/(decrease) in cash and cash equivalents**	**1,451**
9,050	Cash and cash equivalents at the beginning of the reporting period	13,184
13,184	**Cash and cash equivalents at the end of the reporting period (Note 19)**	**14,635**

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 and the Housing Revenue Account (HRA).
- The split of the balance between the General Fund (GF) and the HRA is set out in the MIRS.

		2018-19				2019-20
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**
3,975	2,647	6,622	Community Services	3,978	5,027	9,004
6,438	2,177	8,616	Finance	15,992	1,688	17,681
4,289	6,137	10,426	Planning & Regeneration	(7,817)	20,374	12,557
3,432	9,809	13,241	Environment	3,151	3,070	6,221
621	270	891	Management	3,857	(278)	3,579
(20,690)	6,111	(14,579)	Housing Revenue Account	(20,636)	11,989	(8,647)
(1,935)	**27,151**	**25,216**	**Cost of Services**	**(1,475)**	**41,871**	**40,396**
(8,859)	(26,362)	(35,221)	Other income and expenditure	(6,530)	(10,357)	(16,887)
(10,794)	790	(10,005)	(Surplus) / deficit	(8,005)	31,514	23,509
(123,737)			Opening GF and HRA Balance at 31 March (note 12)	(134,531)		
(10,794)			Add (Surplus) / Deficit on GF and HRA Balance in Year	(8,005)		
(134,531)			Closing GF and HRA Balance at 31 March (note 12)	(142,536)		

Net Expenditure Chargeable to the General Fund and Housing Revenue Account 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). Notes To The Expenditure and Funding Analysis

	Adjustments between Funding and Accounting Basis			
				2019-20
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	2,462	1,489	1,076	**5,027**
Finance	9	1,191	488	**1,688**
Planning & regeneration	6,507	683	13,184	**20,374**
Environment	371	2,415	284	**3,070**
Management	4	(281)	-	**(278)**
Housing Revenue Account	11,175	714	100	**11,989**
Cost of Services	**20,529**	**6,210**	**15,132**	**41,871**
Other income and expenditure from the EFA	**(10,202)**	**2,863**	**(3,017)**	**(10,356)**
Difference between GF surplus and CIES surplus on the Provision of Services	**10,327**	**9,073**	**12,114**	**31,514**

	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**

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 receivables in the year to those receivables 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 business rates 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:

2018-19		2019-20
£000	**Services**	**£000**
11,450	Community Services	11,354
878	Finance	596
2,253	Planning	2,299
20,784	Environment	22,467
7	Management	116
30,893	Housing Revenue Account	31,015
66,266	**Total Income from services**	**67,847**

2. Expenditure And Income Analysed By Nature

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

2018-19		2019-20
£000	**Expenditure/Income**	**£000**
	Expenditure	
40,547	Employee benefits expenses	40,403
62,894	Other services expenses	71,696
1,253	Depreciation, amortisation, revaluation gains and losses	23,231
7,882	Interest payments	8,632
1,632	Precepts and levies	1,741
1,004	Payments to Housing Capital Receipts Pool	2,738
349	IFRS statutory adjustment	1,483
(300)	(Gain) / loss on the disposal of assets	1,724
115,262	**Total Expenditure**	**151,647**
	Income	
90,850	Fees, charges and other service income	91,433
11,026	Interest and investment income	10,800
18,880	Income from council tax and non-domestic rates	14,124
4,512	Government grants and contributions	11,780
125,268	**Total Income**	**128,138**
(10,005)	**Surplus on the Provision of Services**	**23,510**

3. Other Operating Expenditure

2018-19		2019-20
£000		**£000**
1,632	Parish council precepts	1,741
1,004	Payments to the government Housing Capital Receipts Pool	2,738
(300)	(Gains) / losses on the disposal of non-current assets	1,723
2,336		**6,202**

4. Financing And Investment Income and Expenditure

2018-19		2019-20
£000		**£000**
5,368	Interest payable and similar charges	5,769
2,514	Net interest on the net defined benefit liability (Note 27)	2,863
(1,985)	Interest receivable and similar income	(2,145)
349	Increase / Decrease in fair value of investments	1,483
(20,411)	Net income and expenditure in relation to investment properties and changes in their fair value	(5,154)
(14,165)		**2,815**

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

5. Taxation and Non-Specific Income Grant

This table shows grants received in year from Council Tax, Business Rates, and other grants.

2018-19		2019-20
£000		**£000**
(11,071)	Council tax income	(11,612)
(7,809)	Business rates income and expenditure	(2,512)
(2,431)	Non-ringfenced government grants	(3,490)
(2,081)	Capital grants and contributions	(8,290)
(23,392)		**(25,904)**

The Business rates income and expenditure line above includes the following:

2018-19		2019-20
£000		**£000**
22,269	Tariff	31,333
(1,449)	Contr from NDR pool	(11)
0	Levy	1,383
(28,629)	Retained income	(35,217)
(7,809)		**(2,512)**

6. 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 £125,000 (£214,321 in 2018-19) to voluntary organisations in which a number of elected councillors had an interest.

- In addition, the Council paid grants totalling £360,220 (£472,834 in 2018-19) to voluntary organisations in which a number of councillors and one officer were acting as a Borough Council nominee.
- The Council gave support totalling £362,410 (£368,937 in 2018-19) 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 £22,840, (£23,040 in 2018-19) 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 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 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 £122,464.

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

The Council invests in North Downs Housing Limited through a mixture of share equity (40%) and a 25-year secure variable rate loan (60%) at initial interest rate of Bank of England base rate plus 5%. The finance would be used to purchase residential property within the borough.

At 31 March 2020, the Council had invested a total of £13.643 million 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 31 March 2020 totalled £6.648 million, 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 2019-20, these services totalled £102,292 (£93,554 in 2018-19), of which all was unpaid at 31 March 2020.

7. 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

2018-19		2019-20
£		£
318,340	Basic Allowance	334,736
105,995	Special Responsibility Allowance	102,124
5,037	Mileage and Subsistance	4,453
429,372		**441,313**

8. Officers' Remuneration

The following table sets out the remuneration of the council's senior employees for 2019-20. The term senior employee' is defined by the Accounts and Audit Regulations 2015 (the 2015 Regulations) as:

- an employee whose salary is £150,000 per year; or
- an employee whose salary is £50,000 or more per year (to be calculated pro rata if employed for fewer than the usual full-time hours) and whose post or role meets certain criteria set out in the 2015 Regulations.

Postholder	Note		Salaries, fees and Allowances	Other non salary payments	Expenses allowances	Termination payments	Pension contribution	Car lease / other benefits	Total
Managing Director		**2019-20**	**132,302**	**4,553**	**1,774**	-	**20,665**	**9,776**	**169,070**
		2018-19	127,346	347	1,757	-	19,229	10,264	158,943
Director of Environment		**2019-20**	**98,338**	**217**	**1,074**	-	**14,849**	**6,168**	**120,647**
		2018-19	95,814	-	4,165	-	14,468	2,435	116,882
Director of Community Services	1	**2019-20**	**76,760**	**738**	**3,874**	**118,105**	**11,591**	**639**	**211,707**
		2018-19	95,814	-	4,887	-	14,468	638	115,807
Director of Resources (s151 officer)		**2019-20**	**91,709**	**836**	**4,904**	**-**	**13,746**	**570**	**111,765**
		2018-19	86,650	-	4,887	-	13,084	533	105,154
Director of Strategy		**2019-20**	**98,338**	**-**	**4,904**	-	**14,849**	-	**118,091**
		2018-19	95,814	-	4,887	-	14,468	-	115,169
Audit and Performance Manager		**2019-20**	**66,765**	**884**	**3,140**	-	**10,082**	**-**	**80,870**
		2018-19	64,932	-	2,791	-	9,805	1,912	79,440

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	2019-20	2018-19
	Number of Employees	Number of Employees
£50,000 - £54,999	26	20
£55,000 - £59,999	10	16
£60,000 - £64,999	11	7
£65,000 - £69,999	7	6
£70,000 - £74,999	5	4
£75,000 - £79,999	6	3
£80,000 - £84,999	5	1
£85,000 - £89,999	4	0
£90,000 - £94,999	0	1
£95,000 - £99,999	0	0
>£100,000	0	2

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). These are recognised in the year in which employees provide service to the council and charged 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 General Fund 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	
	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19
							£	£
£0 - £20,000	2	0	0	0	2	0	31,310	64,385
£20,001 - £40,000	7	1	2	0	9	1	263,632	163,545
£40,001 - £60,000	8	0	3	1	11	1	524,811	141,898
£60,001 - £80,000	1	1	0	1	1	2	67,537	198,757
£80,001 - £100,000	3	1	0	0	3	1	273,283	288,775
£100,001 - £150,000	5	0	0	0	5	0	608,627	134,036
	26	**3**	**5**	**2**	**31**	**5**	**1,769,200**	**991,396**
Less: amounts included above provided for in previous years							**-**	**(220,640)**
Add: Amounts provided for in CIES not included in bandings							**-**	**-**
Total cost included in CIES							**1,769,200**	**770,756**

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.

9. 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:

2018-19		2019-20
£'000		**£'000**
44	External audit services carried out by the appointed auditor for the year	53
20	Certification of grant claims and returns	30
15	Other services	15
79	**Total**	**97**

10. 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, grants and contributions are carried in the Balance Sheet as creditors. When conditions are satisfied grants and contributions are credited to the CIES:

- attributable revenue grants and contributions are credited to the relevant service line
- non-ring-fenced revenue grants and all capital grants are credited to Taxation and Non-Specific Grant Income.

Where capital grants and contributions are credited to the CIES, they are reversed out of the General Fund 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.

2018-19 £'000		2019-20 £'000
	Credited to Taxation and Non Specific Grant Income	
7,809	Non domestic rates	2,512
	Non-ringfenced government grants	
1,201	New Homes Bonus	1,039
1,207	s31 grant - Business Rates Retention Scheme & Council Tax	2,425
24	New Burdens grants	26
2,081	Capital grants and contributions	8,290
12,321	**Total**	**14,292**
	Credited to Services	
18,538	Housing Benefit Rent Allowance subsidy	15,766
12,903	Housing Benefit Rent Rebate subsidy	11,779
501	Housing Benefit Administration	454
264	Supporting People Grant	213
488	Day care and other social services	408
2	Business Rate Collection	9
1,129	Other	826
33,825	**Total**	**29,455**

11. Movements in Earmarked Reserves

The Council sets aside specific amounts from the General Fund and Housing Revenue Account as Earmarked Reserves for future policy purposes or to cover contingencies.

- Earmarked Reserves are created by appropriating amounts out of the General Fund or Housing Revenue Account in the MIRS. When expenditure to be financed from a reserve is incurred, it is charged to the relevant service in that year in the CIES. The expenditure is then appropriated back into the General Fund or Housing Revenue Account in the MIRS.

This note sets out:

- the amounts set aside from the General Fund and Housing Revenue Account balances in earmarked reserves to provide financing for future expenditure plans and
- the amounts posted back from earmarked reserves to meet General Fund and Housing Revenue Account expenditure.

	Balance at 31 March 2019 £000	Transfers In 2019-20 £000	Transfers Out 2019-20 £000	Balance at 31 March 2020 £000
General fund:				
Budget Pressures	1,929	-	174	1,755
Business Rates Equalisation	8,050	364	2,699	5,715
Capital Schemes	893	600	893	600
Car Parks Maintenance	4,705	637	1,107	4,235
Invest to Save	4,415	2,657	2,806	4,266
IT Renewals	1,204	941	1,479	666
New Homes Bonus	3,527	1,039	1,076	3,490
Park and Ride	1,650	-	-	1,650
Special Protection Area (SPA) Sites	6,194	3,578	5	9,767
Spectrum	1,638	185	-	1,823
Other earmarked reserves	10,064	1,337	1,023	10,378
Total	**44,269**	**11,338**	**11,262**	**44,345**
HRA:				
Capital Programme	33,329	2,500	-	35,829
New Build	50,685	7,802	2,373	56,114
Total	**84,014**	**10,302**	**2,373**	**91,943**

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 General Fund 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 Housing Revenue Account capital expenditure in future years
HRA new build	to fund the building and acquisition of new Council homes

12. Property, Plant And Equipment (PP&E)

Definition

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

Recognition

Expenditure on the acquisition, creation or enhancement of PP&E is capitalised if it is probable that the item of PP&E 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

PP&E 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)
- council dwellings - current value, determined using the existing use value for social housing
- surplus assets –current value, determined using 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 current value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current 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 Surplus or Deficit on Provision of Services line in the CIES. Where such a charge has been made, the increase in valuation is credited to the Surplus or Deficit on Provision of Services (up to the amount that had previously been charged).

Decreases in value are charged:

- to the Revaluation Reserve, where there is a balance in the Revaluation Reserve of revaluation gains for the asset
- where there is no balance in the Revaluation Reserve or an insufficient balance, to 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 31 March 2020 and other property as at 1 January 2020. The assets were inspected between October 2019 and March 2020 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 PP&E assets:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Surplus Assets	Total
	£000	£000	£000	£000	£000
Carried at historical cost	173	11,030	27,508	-	38,711
Valued at current value as at:					
31-Mar-20	509,937	159,628	-	-	669,565
31-Mar-19	-	36,340	-	-	36,340
31-Mar-18	-	16,103	-	-	16,103
31-Mar-17	-	6,153	-	125	6,278
31-Mar-16	-	3,481	-	-	3,481
Total Cost or Valuation	**510,110**	**232,735**	**27,508**	**125**	**770,478**

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 charged: to the Revaluation Reserve, where there is a balance in the Revaluation Reserve of revaluation gains for the asset
- where there is no balance in the Revaluation Reserve or an insufficient balance, to 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 PP&E 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 PP&E assets that are available for use by charging their depreciable amounts over their useful lives on a straight-line basis.

- Assets that do not have a determinable finite useful life (such as freehold land) and assets that are in the course of construction (and therefore not yet available for use) are not depreciated.

- Where an item of PP&E 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 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.

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

- Council Dwellings – 60 years
- Other Land and Buildings – 5 to 60 years (as estimated by the valuer)
- Vehicles, Plant, Furniture and Equipment – 3 to 30 years (as advised by a suitably qualified officer)
- Infrastructure – 5 to 60 years (as advised by a suitably qualified officer)

<u>Assets under construction</u>
Assets that are transferred to under construction in year, may carry a depreciation charge in the year of transfer for the time it was an operational asset.

Depreciation will not be chargeable while assets are under construction

When assets are constructed, they will be moved to their relevant category, and will then start to be depreciated. These assets will be revalued the year after they become operational.

Movement in 2019-20:	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 2019	504,604	236,252	26,672	7,769	4,583	125	18,086	798,091
Additions	7,173	1,301	1,049	8,930	-	-	9,888	28,341
Disposals	(3,651)	-	(213)	-	-	-	-	(3,864)
Accumulated depreciation written off to cost or valuation	(6,442)	(4,822)	-	-	-	-	-	(11,264)
Revaluations recognised in the revaluation reserve	8,331	718	-	-	-	-	135	9,184
Revaluations recognised in the surplus on provision of services	(5,779)	(1,221)	-	-	-	-	-	(7,000)
Transfers	5,874	(501)	-	-	1,470	-	(6,128)	715
At 31 March 2020	**510,110**	**231,727**	**27,508**	**16,699**	**6,053**	**125**	**21,981**	**814,203**
Accumulated Depreciation								
At 1 April 2019	902	5,611	18,662	4,749	1	4	552	30,481
Charge for 2019-20	5,543	5,675	2,361	193	1	2	-	13,775
Disposals	-	-	(199)	-	-	-	-	(199)
Revaluations	(6,442)	(4,792)	-	-	-	-	-	(11,234)
Impairment losses	-	-	-	-	-	-	600	600
Transfers	-	(42)	-	-	42	-	-	0
At 31 March 2020	**3**	**6,452**	**20,824**	**4,942**	**44**	**6**	**1,152**	**33,423**
Net book Value								
As at 31 March 2020	**510,107**	**225,275**	**6,684**	**11,757**	**6,009**	**119**	**20,829**	**780,780**

The transfers relate to those sites that are now assets under construction which is predominately housing sites.

The prior year comparison is in the table below:

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**

Capital Commitments

At 31 March 2020, the Council has entered into a number of contracts for the construction or enhancement of PP&E in 2020-21 and future years budgeted to cost £xx million, compared to commitments at 31 March 2019 of £17.3 million.

The major commitments are:

- new housing developments
- Midleton industrial estate redevelopment

13. 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 PP&E. 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. An insurance valuation was carried out by Bonhams 1793 Limited, international auctioneers and valuers as at March 2012. This was based on estimated price of the items if purchased on retail premises. 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 2018	966	1,759	805	3,530
Additions	45	-	-	45
At 31 March 2019	**1,011**	**1,759**	**805**	**3,575**
Cost or Valuation				
At 1 April 2019	1,011	1,759	805	3,575
Additions	-	-	-	-
At 31 March 2020	**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 is held at Guildford House Gallery 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.

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 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.

14. 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:

2018-19		**2019-20**
£000		**£000**
8,903	Rental income from investment property	8,382
(953)	Direct operating expenses arising from investment property	(1,251)
7,950	**Net gain**	**7,131**

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

- 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 2019-20 is £2.15 million, the value in 2018-19 was £3.03 million

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

2018-19		**2019-20**
£000		**£000**
147,412	Balance at start of the year	161,244
2,385	Additions	7,024
(350)	Disposals	(12,150)
(930)	Transfers	(735)
12,727	Net gains/(losses) from fair value adjustments	(1,970)
161,244	**Balance at end of the year**	**153,413**

15. 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 PP&E. 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.

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

2018-19 £000		2019-20 £000
	Balance at start of the year:	
4,748	Gross carrying amount	5,769
(3,622)	Accumulated amortisation	(3,995)
1,126	**Net carrying amount at start of year**	**1,774**
1,021	Purchases	1,010
(373)	Amortisation for the period	(485)
1,774	**Net carrying amount at end of year**	**2,299**
	Comprising:	
5,769	Gross carrying amount	6,779
(3,995)	Accumulated amortisation	(4,480)

16. Assets Held For Sale

2018-19 £000		2019-20 £000
2,077	Balance at start of the year	2,116
-	Assets purchased	-
	Assets newly classified as held for sale:	
1,791	Property, Plant and Equipment	20
- 1,752	Assets sold	(1,705)
2,116	**Balance at end of the year**	**431**

Only one of the two assets classified as held for sale at the start of the year was actually sold. One further asset has been identified as being held for sale - 121b Aldershot Road.

17. Short Term Debtors

31 March 2019 £000		31 March 2020 £000
6,928	Central government bodies	(56)
6,085	Other local authorities	4,181
7,319	Other entities and individuals	9,396
20,332	**Total**	**13,521**

18. 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 2019 £000		31 March 2020 £000
6	Cash held by the Council	6
(63)	Bank current accounts	(407)
13,241	Callable deposits	15,034
13,184	**Total Cash and Cash Equivalents**	**14,633**

19. Short Term Creditors

31 March 2019 £000		31 March 2020 £000
1,131	Central government bodies	9,287
24,276	Other local authorities	5,350
9,711	Other entities and individuals	18,521
35,118	**Total**	**33,158**

20. 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 when the Council has an obligation. They are measured at best estimate 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	Business Rates appeals £000	Other provisions £000	Total £000
Balance at 31 March 2018	**52**	**6,002**	**495**	**6,549**
*Opening balance adjustment	0	(1,501)	0	(1,501)
Additional provisions made	0	0	0	0
Amounts used	0	(746)	(221)	(967)
Unused amounts reversed	0	(1,224)	0	(1,224)
Balance at 31 March 2019	**52**	**2,531**	**274**	**2,857**
*Opening balance adjustment	0	0	0	0
Additional provisions made	0	1,491	500	1,991
Amounts used	0	(2,599)	0	(2,599)
Unused amounts reversed	0	1,509	0	1,509
Balance at 31 March 2020	**52**	**2,932**	**774**	**3,758**

The Council's provisions consist of six items totalling £3.7 million (£2.8 million in 2018-19).

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

Business rates Appeals
The business rates 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. £1.509 million was reversed out of the provision for appeals, and additional £1.49 million was added into the reserve and £2.599 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.

21. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2018-19 £000		2019-20 £000
1,888	Interest received	2,185
(5,516)	Interest paid	(5,607)

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

2018-19		2019-20
£000		£000
13,796	Depreciation	13,775
(190)	Revaluation gains on Property, Plant & Equipment	7,600
373	Amortisation of intangible assets	485
(102)	Increase / (decrease) in creditors	687
(4,213)	(Increase) / decrease in debtors	9,032
(183)	(Increase) / decrease in inventories	36
8,503	Movement in pension liability	9,073
6,095	Carrying amount of non-current assets sold	17,520
(15,846)	Other adjustments	4,405
8,233		**62,613**

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

2018-19		2019-20
£000		£000
(2,080)	Capital grants and contributions credited to surplus on the provision of services	2,310
0	Net adjustment from sale of investments	(8,293)
(6,366)	Proceeds from the sale of non-current assets	(15,753)
(8,446)		**(21,736)**

Technical Notes To The Accounts

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

22. 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.

2019-20	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts reserve £000	Major Repairs Reserve £000	Capital Contributions Unapplied £000	Mvt 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)	8,263	810	-	-	-	(9,073)
Council tax and Business Rates (trf to the Collection Fund Adjustment Account)	(1,930)	-	-	-	-	1,930
Reversal of entries in the Surplus or Deficit on the Provision of Services re capital expenditure (charged to CAA)	38,855	14,926	-	-	-	(53,781)
Movements in the market value of Investment Properties (transferred from CAA)	2,216	-	-	-	-	(2,216)
Capital grants and contributions unapplied credited to the CIES	(8,290)	-	-	-	8,290	-
Benefit accrual	331	-	-	-	-	(331)
IFRS9 statutory reversal	1,483	-	-	-	-	(1,483)
Total Adjustments to Revenue Resources	**40,928**	**15,737**	**-**	**-**	**8,290**	**(64,954)**
Adjustments between Revenue and Capital Resources						
Tfr of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(12,087)	(3,667)	15,755	-	-	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	2,738	-	(2,738)	-	-	-
Posting of HRA resources from revenue to the MRR	-	(5,641)	-	5,641	-	-
Statutory provision for the repayment of debt (transfer from CAA)	(927)	-	-	-	-	927
Capital expenditure financed from revenue balances (transfer to CAA)	(3,194)	(2,373)	-	-	-	5,567
Total Adjustments	**(13,469)**	**(11,681)**	**13,016**	**5,641**	**-**	**6,493**
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	(19,604)	-	-	19,604
Use of the MRR to finance capital expenditure	-	-	-	(5,023)	-	5,023
Application of capital grants and contributions to finance capital expenditure	-	-	-	-	(8,421)	8,421
Total Adjustments to Capital Resources	**-**	**-**	**(19,604)**	**(5,023)**	**(8,421)**	**33,047**
Total adjustments	**27,458**	**4,055**	**(6,588)**	**618**	**(130)**	**(25,414)**

2018-19	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts reserve £000	Major Repairs Reserve £000	Capital Contributions Unapplied £000	Mvt 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**

General Fund balance – this is a statutory fund in which all the receipts and expenditure of the Council are accounted. 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 capital 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 Housing Revenue Account assets or the financing of historical capital expenditure by the Housing Revenue Account. 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.

23. 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 2019 £000		31 March 2020 £000
242,017	Revaluation Reserve	242,599
1,908	Financial Instruments Reserve	425
404,492	Capital Adjustment Account	396,637
(115,983)	Pensions Reserve	(113,567)
(2,444)	Collection Fund Adjustment Account	(515)
(355)	Accumulated Absences Account	(686)
529,635		**524,893**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its PP&E. 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.

2018-19 £000			2019-20 £000
236,864	**Balance at 1 April**		242,017
14,816	Upward / (downward) revaluation of assets	(5,078)	
(1,017)	(Upward) / downward revaluation of assets not charged to the Surplus on Provision of Services	14,262	
13,800	Surplus on revaluation of non-current assets not posted to the Surplus on Provision of Services		9,185
(4,077)	Difference between fair value depreciation and historical cost depreciation	(4,152)	
(4,570)	Accumulated gains on assets sold or scrapped	(4,451)	
(8,647)	Amounts written off to the Capital Adjustment Account		(8,603)
242,017	**Balance at 31 March**		**242,599**

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.

2018-19 £000		2019-20 £000
1,730	**Balance at 1 April**	**1,908**
291	Upward/(downward) revaluation of investment in year	(1,483)
(113)	IFRS9 transition transfer	0
1,908	**Balance at 31 March**	**425**

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. 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 PP&E before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

2018-19 £000			2019-20 £000
388,227	**Balance at 1 April**		**404,492**
	Reversal of items debited or credited to the CIES:		
(13,795)	Charge for depreciation of non-current assets	(13,775)	
189	Revaluation gains / (losses) on PPE	(7,000)	
(373)	Amortisation of intangible assets	(485)	
(7,183)	Revenue expenditure funded from capital under statute	(14,647)	
0	Impairment	(600)	
(6,095)	Amounts of non-current assets written off on disposal or sale as part of the gain on disposal to the CIES	(17,520)	
(27,257)			**(54,027)**
8,647	Adjusting amounts written out of the Revaluation reserve		8,603
(18,610)	Net written out amount of the cost of non-current assets consumed in the year		**(45,424)**
	Capital financing applied in the year:		
8,985	Use of the Capital Receipts Reserve to finance new capital expenditure	19,603	
4,395	Use of the Major Repairs Reserve to finance new capital expenditure	5,023	
1,673	Use of capital grants and contributions to finance new capital expenditure	8,421	
795	Provision for the financing of capital investment charged against the GF and HRA balances (MRP)	927	
6,300	Capital expenditure charged against the GF and HRA balances	5,566	
22,148			**39,540**
12,727	Movements in the market value of Investment Properties debited or credited to the CIES		(1,970)
404,492	**Balance at 31 March**		**396,637**

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.

2018-19 £000		2019-20 £000
(90,217)	**Balance at 1 April**	(115,983)
(17,263)	Remeasurements of the net defined benefit liability	11,489
(11,961)	Reversal of items relating to retirement benefits debited or credited to the Deficit on the Provision of Services in the CIES	(12,687)
3,458	Employer's pensions contributions and direct payments to pensioners payable in the year	3,614
(115,983)	**Balance at 31 March**	**(113,567)**

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 General Fund from the Collection Fund.

2018-19 £000		2019-20 £000
(4,918)	**Balance at 1 April**	(2,444)
2,474	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	1,929
(2,444)	**Balance at 31 March**	**(515)**

24. 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 General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

	Capital expenditure and financing	
2018-19		**2019-20**
£'000		**£'000**
272,806	*Opening Capital Financing Requirement*	297,578
	Capital Investment	
24,010	Operational assets	17,732
11,496	Non-operational assets	17,632
1,021	Intangible assets	1,011
1,921	Long Term Investments	2,376
1,290	Long term debtors	3,565
7,183	Revenue Expenditure Funded from Capital under Statute	14,642
	Sources of finance	
(1,316)	Specific Capital Grants	(7,604)
(8,985)	Capital Receipts	(19,604)
(357)	Contributions	(817)
(7,095)	Direct Revenue Financing and MRP / VRP	(6,493)
(4,396)	HRA Major Repairs Reserve	(5,023)
297,578	***Closing Capital Financing Requirement***	**314,996**
24,772	*Movement during the year*	17,418
	Increase in underlying need to borrow	
	(unsupported by government financial assistance)	

25. 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

PP&E held under finance leases is recognised on the Balance Sheet at the date of inception of the lease at fair value

PP&E 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:

2018-19		2019-20
£'000		**£'000**
2,955	Council Dwellings	2,889
11,492	Other Land & Buildings	11,347
15,369		**14,236**

There are no liabilities recorded on the balance sheet because the Council paid premiums at the start of these 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 PP&E, 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 PP&E 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 PP&E disposals described in note 12.

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 PP&E 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:

2018-19		2019-20
£'000		**£'000**
8,140	Less than one year	6,731
25,352	one year to five years	22,552
314,165	Later than five years	308,475
347,657		**337,758**

The lease payments receivable in 2019-20 were £10 million (£10.6 million in 2018-19).

26. 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. Most of the Council's employees are members. The scheme provides defined benefits (retirement lump sums and pensions) to members that they have earned as Council employees. It 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 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 General Fund 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

The Council's participation in the Local Government Pension Scheme is accounted for as a defined benefits scheme.

- 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 General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the 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 General Fund 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. These are unfunded defined benefit arrangements under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due. They are 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 General Fund via the MIRS.

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

	Pension Costs	
2018-19		**2019-20**
£000		**£000**
	Comprehensive Income & Expenditure Statement	
	Service Cost	
8,402	Current service cost	9,694
1,045	Past service cost (including curtailments)	130
9,447	**Total Service Cost**	**9,824**
	Financing and Investment Income and Expenditure:	
(5,036)	Interest income on plan assets	(4,698)
7,550	Interest cost on defined benefit obligation	7,561
2,514	**Total Net Interest**	**2,863**
11,961	**Total Post Employment Benefits charged to the Surplus or Deficit on the Provision of Services**	**12,687**
	Remeasurement of the Net Defined Liability comprising:	
6,071	Return on plan assets excluding amounts included in net interest	(23,366)
0	Actuarial losses arising from changes in demographic assumptions	0
(23,247)	Actuarial (gains)/losses arising from changes in financial assumptions	31,656
(87)	Other experience	3,199
(17,263)	**Total remeasurements recognised in Other Comprehensive Income (OCI)**	**11,489**
(5,302)	**Total Post Employment Benefits charged to the CIES**	**24,176**

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:

2018-19 £000		2019-20 £000
	Movement in Reserves Statement	
(11,961)	Reversal of net charges made to the Surplus or Deficit on the provision of services for post employment benefits in accordance with the code	**(12,687)**
	Actual amount charged against the General Fund Balance for pensions in the year:	
3,458	**Employers' contributions payable to scheme**	**3,614**

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

2018-19 £000		2019-20 £000
196,712	Fair value of plan assets	175,259
(309,370)	Present value of funded liabilities	(285,856)
(3,325)	Present value of unfunded liabilities	(2,970)
(115,983)	**Net Liability arising from Defined Benefit Obligation**	**(113,567)**

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

2018-19 £000		2019-20 £000
125,299	Opening fair value of the scheme assets	196,712
5,036	Interest income	4,698
	Remeasurement gain	
6,071	Return on plan assets excluding amounts included in net interest	(23,366)
3,458	Contributions from employer	3,614
1,518	Contributions from employees into the scheme	1,518
(7,028)	Benefits paid	(7,917)
134,354	**Closing Fair Value of Scheme Assets**	**175,259**

2018-19 £000		2019-20 £000
188,537	Opening fair value of the scheme liabilities	312,695
8,402	Current service cost	9,694
7,550	Interest cost	7,561
1,518	Contributions from scheme participants	1,518
	Remeasurement gain	
0	Actuarial losses arising from changes in demographic assumptions	0
23,247	Actuarial (gains)/losses arising from changes in financial assumptions	(31,656)
87	Other	(3,199)
1,045	Past Service Cost	130
(7,028)	Benefits paid	(7,917)
223,358	**Closing Fair Value of Scheme Liabilities**	**288,826**

Pension Scheme Assets Comprised:

Asset Category	31-Mar-20				31-Mar-19			
	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	5,000.9	-	5,000.9	3%	5,326.6	-	5,326.6	3%
Manufacturing	3,732.7	-	3,732.7	2%	3,418.0	-	3,418.0	2%
Energy and utilities	1,356.6	-	1,356.6	1%	3,031.3	-	3,031.3	2%
Financial Institutions	2,951.4	-	2,951.4	2%	3,051.6	-	3,051.6	2%
Health and Care	3,018.3	-	3,018.3	2%	2,606.3	-	2,606.3	1%
Information Technology	5,720.5	-	5,720.5	3%	5,824.3	-	5,824.3	3%
Other	99.5	-	99.5	0%	519.3	-	519.3	0%
Debt Securities								
Corporate Bonds (investment grade)	-	-	-	0%	-	-	-	0%
Corporate Bonds (non-investment grade)	-	-	-	0%	-	-	-	0%
UK Government	-	9,909.6	9,909.6	6%	-	-	-	0%
Other	-	-	-	0%	-	-	-	0%
Private Equity								
All	-	14,021.5	14,021.5	8%	-	11,660.1	11,660.1	6%
Real Estate								
UK Property	3,033.50	5,738.30	8,771.8	5%	3,552.60	5,777.60	9,330.2	5%
Overseas Property	-	3,851.00	3,851.0	2%	-	3,413.00	3,413.0	2%
Investment Funds and Unit Trusts								
Equities	92,219.9	-	92,219.9	53%	94,293.3	13,532.9	107,826.2	55%
Bonds	20,398.8	-	20,398.8	12%	23,578.5	9,280.3	32,858.8	17%
Hedge funds	-	-	-	-	-	-	-	-
Commodities	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Derivatives								
Inflation	-	-	-	-	-	-	-	-
Interest Rate	-	-	-	-	-	-	-	-
Foreign Exchange	(1,761.5)	-	(1,761.5)	(1%)	1,148.0	-	1,148.0	1%
Other	-	-	-	-	-	-	-	-
Cash and Cash Equivalents								
All	5,968.0	-	5,968.0	3%	6,698.5	-	6,698.5	3%
Totals	141,739	33,520	175,259	101%	153,048	43,664	196,712	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:

2018-19		2019-20
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
22.5 years	Men	22.1 years
24.6 years	Women	24.3 years
	Longevity at 65 for future pensioners:	
24.1 years	Men	22.9 years
26.4 years	Women	25.7 years
2.4%	**Rate of Inflation (CPI)**	1.8%
2.7%	**Rate of increase in salaries***	2.8%
2.4%	**Rate of increase in pensions**	1.8%
2.7%	**Rate for discounting scheme liabilities**	2.3%
	*** 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 2018-19.

Change in Assumptions at 31 March 2020	Approximate % increase to Employer	Approximate monetary amount (£000)
0.5% decrease in Real Discount rate	10%	27,542
0.5% increase in the Salary Increase Rate	1%	2,563
0.5% increase in the Pension Increase Rate	9%	24,749

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 applies from 1 April 2020.

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 £9,960,000 contributions to the scheme in 2020-21.

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

The liabilities show the underlying commitments that the Council has in the long run to pay 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.

27. 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.

28. 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.

29. 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.

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 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000
Borrowing				
Loans at amortised cost				
- Principal sum borrowed	192,435	192,665	44,230	20,267
- Accrued interest	-	-	264	66
- Internal charities	-	-	4	4
Total Borrowing	**192,435**	**192,665**	**44,498**	**20,337**
Loans at amortised cost				
- Bank overdraft	-	-	(407)	(63)
Total Cash Overdrawn	**-**	**-**	**(407)**	**(63)**
Trade payables (Creditors)	-	-	2,253	3,371
TOTAL FINANCIAL LIABILITIES	**192,435**	**192,665**	**46,344**	**23,645**

The total short-term borrowing includes £230,000 (£230,000 in 2018-19) representing the short-term portion of long-term borrowing (repayable within 1 year).

The short-term creditors line on the balance sheet include £30.418 million (£32.997 million in 2018-19) 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 2020, using the following methods and assumptions:

- loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans
- the fair values of other long-term loans have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March 2020
- 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 2020 £'000	Fair value 31 March 2020 £'000	Balance sheet 31 March 2019 £'000	Fair value 31 March 2019 £'000
Financial liabilities held at amortised cost:					
Long-term loans from PWLB	2	192,665	215,727	192,895	213,012
Other long-term loans	2	-	-	-	-
TOTAL		**192,665**	**215,727**	**192,895**	**213,012**
Liabilities for which fair value is not disclosed		160,088		139,461	
TOTAL FINANCIAL LIABILITIES		**352,753**		**332,356**	
Recorded on balance sheet as:					
Long-term borrowing		192,435		192,665	
Other long-term liabilities		113,567		115,983	
Short-term creditors		2,253		3,371	
Short-term borrowing		44,498		20,337	
TOTAL FINANCIAL LIABILITIES		**352,753**		**332,356**	

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 relate 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

<u>Financial assets are classified into these three categories based on the Council's business model for holding the assets and their cash flow characteristics.</u>

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

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

These financial assets are initially measured at fair value and are subsequently measured and carried on the Balance Sheet at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

For the Council's financial assets this means that they 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.

Any gains or losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

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)

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

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

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 (Link)

These are initially measured and carried at fair value. Changes in fair value are taken to the CIES within the Financing and Investment Income and Expenditure line, and are gains and losses recognised in the General Fund 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 the Financial Instruments Reserve.

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES, along with any accumulated gains or losses previously recognised in the Financial Instruments Reserve.

Expected Credit Loss Model
The Council recognises expected credit losses on all of its financial assets held at amortised cost either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

The financial assets included in the balance sheet are as follows.

FINANCIAL ASSETS	Long-term		Short-term	
	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000
Investments				
Amortised cost				
- Principal	34,154	40,481	41,851	21,558
- Accrued interest	-	-	814	608
Fair value through profit and loss				
- Fair value	8,955	4,619	17,120	20,342
Total Investments	**43,109**	**45,100**	**59,785**	**42,508**
Cash and Cash Equivalents				
Amortised cost				
- Cash	-	-	6	5
- Cash equivalents	-	-	528	-
- Accrued interest	-	-	-	-
Fair value through profit and loss				
- Fair value	-	-	14,506	13,241
Total Cash and Cash Equivalents	**-**	**-**	**15,040**	**13,246**
Trade receivables (Debtors)	-	-	8,557	7,584
TOTAL FINANCIAL ASSETS	**43,109**	**45,100**	**83,382**	**63,338**

The short-term debtors line in the balance sheet includes £4.607 million (£12.726 million in 2018-19) short-term debtors that do not meet the definition of a financial asset.

Financial assets	Fair value level	Balance sheet 31 March 2020 £'000	Fair value 31 March 2020 £'000	Balance sheet 31 March 2019 £'000	Fair value 31 March 2019 £'000
Financial assets held at fair value:					
Money market funds	1	14,506		8,328	
Bond, equity and property funds	1	14,487		19,826	
Shares in unlisted companies	3	110	110	100	100
Financial assets held at amortised cost:					
Corporate, covered and government bonds	1	19,167	19,030	36,712	34,971
Long-term loans to local authorities	2	27,500	28,209	19,298	17,214
Long-term loans to companies	3	6,995	6,995	2,698	2,698
TOTAL		**82,765**	**54,344**	**86,962**	**54,983**
Assets for which fair value is not disclosed		50,501		25,079	
TOTAL FINANCIAL ASSETS		**133,266**		**112,041**	
Recorded on balance sheet as:					
Long-term debtors		7,182		3,665	
Long-term investments		43,109		45,100	
Short-term debtors		8,557		7,584	
Short-term investments		59,785		42,508	
Cash and Cash Equivalents		14,633		13,184	
TOTAL FINANCIAL ASSETS		**133,266**		**112,041**	

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 £6.995 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 2020 of the 27 properties purchased prior to 1 April 2019 stood at £7.233 million.
- We purchased another 14 properties in 2019-20 with expenditure of £3.85 million, bringing the total asset value to be £13.08 million.
- The loan is £8.26 million meaning there is £4.82 million (or 36%) 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 2020 contains market information 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/1946157330/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 Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following items:

2018-19					2019-20			
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
5,368	-	-	5,368	Interest expense	5,769	-	-	5,769
5,368	-	-	**5,368**	**Total expense in Surplus on the Provision of Services**	**5,769**	-	-	**5,769**
-	(729)	(1,124)	(1,853)	Interest income	-	(981)	(1,137)	(2,118)
-	**(729)**	**(1,124)**	**(1,853)**	**Total income in Surplus on the Provision of Services**	-	**(981)**	**(1,137)**	**(2,118)**
-	-	0	0	(Gains) / losses on revaluation	-	-	1,483	1,483
-	-	**0**	**0**	**(Surplus) / deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure**	-	-	**1,483**	**1,483**
5,368	**(729)**	**(1,124)**	**3,515**	**Net (gain)/loss for the year**	**5,769**	**(981)**	**346**	**5,134**

Transaction Costs

Material transactions costs for financial assets and liabilities held at amortised cost are attached to the loan or investment and charged to the CIES over the life of the financial instrument. Immaterial transaction costs are charged in full to the CIES in the financial year in which they are incurred.

30. 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 2019-20 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 £18.1 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 20	31 Mar 19	31 Mar 20	31 Mar 19
		£000	£000	£000	£000
Investments	AAA	16,044	12,872	2,060	8,320
	AA+	18,000	-	21,232	
	AA	-	-	-	
	AA-	-	21,500	-	5,004
	A+	-	-		
	A	-	6,000	14,040	8,013
	A-	-	-	2,000	
	BBB+	-	-	1,123	-
Housing associations	n/a	-	-	5,007	7,545
Housing Company	n/a	6,995	4,619	317	184
Surrey Save Shares	n/a	100	100	-	-
B4SH	n/a	10	10	-	-
Unrated building societies	n/a	-	-	-	1,002
Money Market Funds	AAA	-	-	14,506	13,241
Call Accounts	AA-	-	-	528	-
Investment Funds	n/a	1,960	-	13,060	12,022
Total Investments		**43,109**	**45,101**	**73,873**	**55,331**

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 £3.2 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	2,400
108	Six months to one year	220
533	More than one year	659
3,003		3,278

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 2019 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 2019 £'000		31 March 2020 £'000
	Short Term Borrowing	
20,230	Less than one year	44,230
	Long Term Borrowing	
230	Over 1 but not over 2 years	45,000
55,000	Over 2 but not over 5 years	20,000
55,000	Over 5 but not over 10 years	45,000
25,000	Over 10 but not over 15 years	25,000
25,000	Over 15 but not over 20 years	25,000
32,435	Over 20 but not over 30 years	32,435
212,895	**Total Borrowings**	**236,665**

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 £1.1 million, and an increase in interest payable on loans of approximately £1.9 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.

31. North Downs Housing ltd

As at 31 March 2020, North Downs Housing ltd had purchased 41 properties, against the original business plan of 100 properties. The Council has invested £7.9 million in the company through a mix of equity and loan finance.

Income for 2019-20 was £407,000 with revenue expenditure of £295,000. There have not been any long-term voids.

The revised business plan assumes 25 further purchases in 2020-21.

32. 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.

Covid-19 has resulted in financial implications across the sector. The Narrative Statement provides more information relating to the Council. There is an impact on the pension fund valuation as a result of Covid-19. There was considerable market volatility leading into March 2020 which has lead to material uncertainty regarding the funds investment valuations. The valuation of the pension fund could, therefore, reduce in value. The auditors have assessed that there could be a material impact on the Council based on the estimated size of holdings. The Pension fund will request updated valuations from fund managers where possible.

The value of PP&E 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 within PP&E 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 PP&E 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.

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.

33. 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 2020 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 2019-20 and earlier years, in their proportionate share. A provision of £7.329 million, of which the Council's share is £2.93 million, has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2020. 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 Comprehensive Income and Expenditure Statement.
Property, Plant and Equipment (PP&E) and Investment property	PPE and investment property are included in the balance sheet at fair value of £781 million and £153 million respectively. Chartered surveyors are engaged to provide expert advice in the assumptions to be applied when carrying out the valuations. Individual items of PP&E 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 £7 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	The effects on the net pension liability of changes in individual

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £27.542 million. A 0.5% increase in the salary increase rate would result in an increase in the pension liability of £2.563 million and a 0.5% increase in the Pensions increase rate would result in an increase in the pension liability of £24.749 million. During 2019-20, the Council's Actuary advised that the net pension's liability had increased by £22.9 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 2020, the Council was owed approximately £33 million. A review of significant balances suggested that an allowance for doubtful debts of £6.5 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.

34. 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.

These standards are:

- Amendments to IAS 28 *Investments in Associates and Joint Ventures*: Long-term interests in Associates and Joint Ventures
- Annual improvements to IFRS Standards 2015- 2017 cycle
- Amendments to IAS 19 *Employee benefits*

We are not expecting these to have a material impact on the Council's financial performance or financial position in 2020-21.

Housing Revenue Account (HRA) Income And Expenditure Statement

The HRA Income and Expenditure Statement shows the income and expenditure related to providing council dwellings in accordance with generally accepted accounting practices. However, the Council is required to charge rent to cover expenditure in accordance with the legislative framework rather than on an accounting basis. The increase or decrease in the year of the HRA balance on the legislative basis is shown in the Movement on the HRA Statement.

2018-19		NOTE	2019-20
£000			£000
	Income		
	Gross Rent Income	1	
29,444	Dwellings		29,570
925	Non-dwellings		1,189
1,482	Charges for Services and Facilities		1,502
140	Supporting People Grant		114
31,991	**Total Income**		**32,375**
	Expenditure		
5,677	Repairs and Maintenance		6,269
5,281	Supervision and Management		5,650
64	Increased Provision for Bad or Doubtful Debts		64
5,639	Depreciation	8	5,641
(76)	Revaluation (gain)/loss		(548)
163	Debt Management Expenses		195
309	Other Expenditure		170
17,057	**Total Expenditure**		**17,441**
(14,934)	**Net Income of HRA Services per Comprehensive Income & Expenditure Statement**		**(14,934)**
259	HRA Share of Corporate & Democratic Core		259
(14,675)	**Net Income of HRA Services**		**(14,675)**
(8)	(Gain) / Loss on sale of HRA fixed assets		(12)
(456)	HRA Investment Income		(356)
5,159	Interest payable		5,159
(9,980)	**Surplus for year on HRA services**		**(9,884)**

Movement On The Housing Revenue Account (HRA) Statement

The Movement on the HRA Statement shows the increase or decrease in the HRA balance. This forms the basis on which rent levels are set. The statement includes an adjustment line which shows the difference between the surplus (or deficit) shown in the HRA Income and Expenditure Statement (the accounting basis) and the surplus (or deficit) for funding purposes (the legislative basis).

2018-19			**2019-20**
£000			**£000**
2,500	Balance on the HRA at the end of the previous year		2,500
9,980	Surplus for the year on the HRA Income and Expenditure Account	9,884	
(1,714)	Adjustments between accounting basis and funding basis under statute (see note 23 to the Accounts)	4,055	
8,266	Net increase before transfers to reserves	13,939	
(8,266)	Transfers to reserves (see note 12 to the Accounts)	(12,675)	
-	Increase in year on the HRA		1,264
2,500	**Balance on the HRA at the end of the current year**		**3,764**

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 £663,421 or 2.24% of gross rent income from dwellings (£607,888 or 2.08% for 2018-19). Average rents were £110.15 per week in 2019-20, a decrease of £0.68 over the previous year.

2. Rent Arrears

At 31 March 2020, rent arrears were £1,210,889 (including £922,405 former tenant arrears) or 4.1% of gross rent income. The comparable figures for 2018-19 were £1,239,820 (including £457,668 former tenant arrears) or 4.24% of gross rent income.

The provision for bad debts at 31 March 2020 was £907,953. The comparable figure for 2018-19 was £929,840.

Amounts written off in the year amounted to £88,587 (£63,914 in 2018-19)

3. Housing Stock

The Council was responsible for managing on average 5,220 dwellings in 2019-20, analysed below:

2018-19	Average	2019-20
2,635	Houses	2,642
2,255	Flats	2,257
319	Bungalows	319
5,209		**5,218**
2018-19		**2019-20**
5,212	Stock at 1 April	5,207
(12)	Less Sales	(19)
7	Other Adjustments	40
5,207	**Stock at 31 March**	**5,228**

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 as at March 2020.

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 2019		31 March 2020
£000		**£000**
503,701	Dwellings (valued at EUV - SH)	510,105
5,112	Other Operational Land and Buildings (valued at MV - EU)	4,277
37	Vehicles, plant, furniture and equipment	40
56	Infrastructure	50
139	Community Assets (historic cost)	139
10,587	Assets under construction	6,452
519,633	**Total HRA Assets**	**521,062**

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 2020 was £1.451 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:

2018-19 £000		2019-20 £000
7,991	**Opening Balance at 1 April**	9,324
5,639	Depreciation transferred from the HRA	5,641
(4,395)	Capital Expenditure on HRA assets financed from the Major Repairs Reserve	(5,023)
9,235	**Closing Balance at 31 March**	9,942

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.

2018-19 £'000		2019-20 £'000
197,024	Opening Capital Financing Requirement	197,024
	Capital Investment	
5,043	Council dwellings	7,173
4,192	Assets under construction	1,633
14	Intangible assets	15
-	Revenue Expenditure Funded from Capital under Statute	67
	Sources of finance	
-	Specific Capital Grants	-
(2,771)	Capital Receipts	(1,492)
(4,395)	Major Repairs Reserve	(5,023)
(2,083)	Other reserves	(2,373)
-	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 £3.7 million, before making any payments to Government on sales of houses under Right to Buy.

8. Depreciation

The charges for depreciation for the houses and other property within the HRA for the year are as follows:

2018-19		2019-20
£000		£000
5,539	Dwellings	5,543
108	Other Operational Land and Buildings	96
5	Vehicles, plant, furniture and equipment	6
7	Infrastructure	7
5,659	**Total HRA Assets**	**5,653**

The depreciation amount has been calculated by the straight-line method in line with the Council's policies for PP&E (see note XX).

9. Contributions to/from the Pensions Reserve

The HRA share of the contributions to the Pensions reserve is as follows:

2018-19		2019-20
£000		£000
474	Reversal of items relating to retirement benefits debited to the HRA	708
(53)	Employer's pensions contributions and direct payments to pensioners payable in the year	102
421	**Contribution to the Pensions Reserve**	**810**

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 Business Rates.

2018-19 £000 Council Tax	2018-19 £000 Business Rates		2019-20 £000 Council Tax	2019-20 £000 Business Rates
		INCOME		
	90,124	Income from Business Ratepayers - Note 2		90,517
104,324		Council Taxes	110,273	
		Distribution of prior year estimated deficit:		
	66	Central Government		493
267	13	Surrey County Council	621	99
45		Surrey Police & Crime Commissioner	104	
38	53	Guildford Borough Council	86	395
104,674	**90,256**	**Total Income**	**111,084**	**91,504**
		EXPENDITURE		
		Precepts		
80,584		Surrey County Council	82,552	
13,508		Surrey Police and Crime Commissioner	14,799	
11,157		Guildford Borough Council	11,499	
		Payment of Business Rates shares:		
		Central Government		43,677
	61,038	Surrey County Council		8,735
	26,159	Guildford Borough Council		34,941
	(1,521)	Transitional Protection payments		(101)
	231	Charge to General Fund for collecting NDR		227
(110)		Provision for council tax bad debts	353	
	65	Provision for business rates bad debts		857
	(4,080)	Provision for business rates appeals		1,491
		Distribution of prior year estimated surplus:		
		Central Government		
834		Surrey County Council		
145		Surrey Police and Crime Commissioner		
121		Guildford Borough Council		
106,239	**81,892**	**Total Expenditure**	**109,203**	**89,827**
		COLLECTION FUND BALANCE		
(815)	5,585	Balance at the beginning of the year	(1,178)	(3,740)
(465)	8,364	Surplus/(deficit) for the year	1,881	1,677
(1,280)	**13,949**	Balance at the end of the year	**703**	**(2,063)**

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 2020 was a deficit of £3.548 million, made up of a Council Tax deficit of £1.881 million and a deficit in relation to business rates of £1.677 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 business 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	2.5	5/9	1.4
A	668.84	6/9	445.9
B	2,061.02	7/9	1,603.00
C	8,942.72	8/9	7,949.10
D	13,449.31	9/9	13,449.30
E	8,965.68	11/9	10,958.10
F	6,076.00	13/9	8,776.40
G	7,015.70	15/9	11,692.80
H	1,673.46	18/9	3,346.90
	48,855.23		**58,222.93**
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			423.30
			58,646.23

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 2019-20

1. SCOPE OF RESPONSIBILITY

TO FOLLOW

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 – 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.