

ADDENDUM TO AGENDA

Agenda Item 5 – Annex 1

STATEMENT OF ACCOUNTS 2017/18

The Annual Financial Report including the Statement of Accounts for 2017/18 (Annex 1) was not ready for dispatch with the rest of the agenda. This was because work needed to be completed by the external auditors.

Annual Financial Report

for the year ended 31 March 2018

ANNUAL FINANCIAL REPORT

(INCORPORATING THE STATEMENT OF ACCOUNTS)

for the year ended 31 March 2018

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REPORT

The purpose of this Statement of Accounts (the Accounts) is to summarise the financial performance for the year 2017/18 and the overall financial position of the Council. The report aims to give a general guide to the main features of the information within the rest of the Accounts.

Revenue budget and outturn

Despite continued challenging economic and market conditions in 2017/18, financial performance has been well managed to give a net underspend of £849,600 (5%). The final outturn position for the year against the revised budget is set out in the table below.

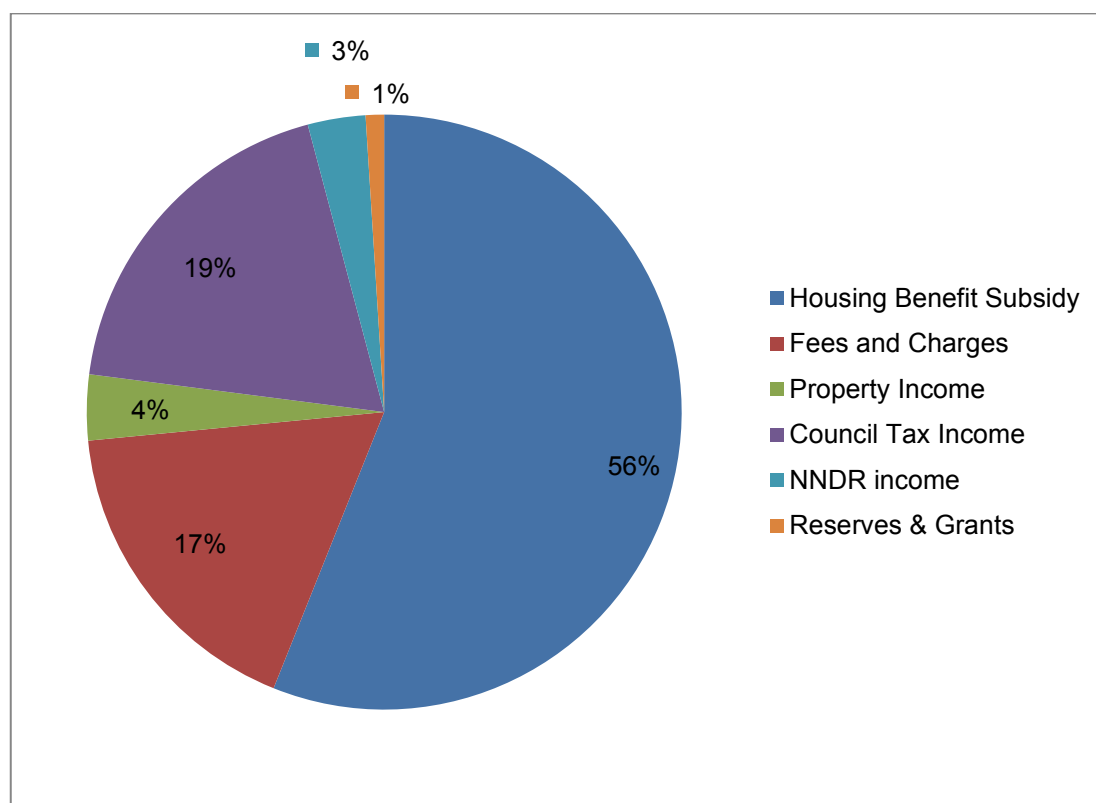
Function	2017/18		
	Budget £000	Outturn £000	Variance £000
Management Team	1,314.7	1,342.7	28.0
Democratic & Electoral Services	1,105.9	883.2	(222.7)
Planning Policy	692.2	751.3	59.1
Information & Communication Technology	1,135.7	1,158.9	23.2
Communications, Web & Information	613.7	621.5	7.8
Customer Contact	405.9	337.0	(68.9)
Human Resources	626.4	651.3	24.9
Legal Services	188.2	468.8	280.6
Finance	4,856.9	4,516.0	(340.9)
Projects, Performance & Contingency Planning	304.5	305.6	1.1
Waste & Recycling	777.6	117.6	(660.0)
Greenspaces	1,114.7	1,187.9	73.2
Street Cleansing	939.9	987.8	47.9
Vehicle Fleet Operation	744.6	776.5	31.9
Car Parking	(2,030.9)	(1,920.0)	110.9
Property & Facilities	(170.4)	(392.3)	(221.9)
Engineering & Construction	101.2	70.3	(30.9)
Development Services	269.0	341.2	72.2
Building Control	(11.5)	74.4	85.9
Joint Enforcement Team	275.7	438.8	163.1
Housing, Supporting Families & Communities	1,282.9	1,041.0	(241.9)
Benefits	32.5	11.9	(20.6)
Local Taxation	19.9	41.7	21.8
Environmental Health	768.1	750.8	(17.3)
Environmental Licensing	(323.1)	(314.1)	9.0
Theatre & Leisure Services	983.2	954.2	(29.0)
Corporate Support Services	117.2	111.1	(6.1)
Events	83.4	53.4	(30.0)
Net Total	16,218.1	15,368.5	(849.6)
Depreciation		3,205.5	
Accounting adjustments		3,198.7	
Total Gross Expenditure		21,772.7	

REPORT

The most significant revenue budget variances for 2017/18 have been recycle income in refuse and recycling and homelessness prevention activity with the increased supply of temporary accommodation leading to a significant underspend on emergency accommodation. Changing economic factors such as this have been recognised in setting the 2018/19 budget.

The gross expenditure budget of £70 million has been funded from the sources set out in the pie chart below. The Council has received income from fees and charges of £12.2m (17%), property income of £2.5 million (4%) and specific government grants, such as housing benefit subsidy of £39.3 million (56%). In addition £13.2 million (19%) was budgeted to be collected from locally raised council tax and £2.2 million (3%) from business rate payers. We have drawn £1.3 million (1%) from reserves to fund specific projects and the remainder has been funded from central government grants.

Funding sources of gross revenue (percentage)



REPORT

Capital budget and outturn

Capital expenditure usually results in a physical asset which the Council uses in its provision of services. The capital expenditure for the year and sources of financing are set out in the table below.

Theme	Revised budget £000	2017/18 Outturn £000	Variance £000
Waste & Recycling	78.9	77.2	(1.7)
Environment	126.0	67.4	(58.6)
Capital Grants	1,303.4	866.0	(437.4)
Regeneration	551.2	1,021.1	469.9
Leisure & Culture	711.6	705.1	(6.5)
Strategic Property	19,619.2	17,196.6	(2,422.6)
Rolling Programmes	1,012.1	913.3	(98.8)
Total	23,402.4	20,846.7	(2,555.7)
Capital expenditure adjustment post Outturn reporting		191.3	
Total Capital Expenditure	23,402.4	21,038.0	(2,55.7)

Financed by

Government grants and contributions	2,888
Capital Receipts	18,150
Revenue	0
Total	21,038.0

The majority of this underspend was due to slippage in projects and outstanding retention amounts which have been re-profiled in the five-year capital programme. The capital programme totals £17.5 million for the years 2018/19 to 2022/23. A large proportion of this planned spend is on a series of regeneration projects in Merstham, Redhill and Preston in partnership with Surrey County Council and Raven Housing Trust. The majority of the capital spend is expected to take place over the next two years.

Financial Statements

The Statement of Accounts for 2017/18 is prepared using International Financial Reporting Standards (IFRS) and the framework within which these Accounts are prepared and published is regulated by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The main statements are supported by explanatory notes that set out the main areas of income and expenditure, and by technical notes which include detailed accounting disclosures. A glossary of terms is also provided.

The Accounts consist of:

- Movement in Reserves Statement on page 17
- Comprehensive Income and Expenditure Statement on page 18
- Balance Sheet on page 19
- Cash Flow Statement on page 20

REPORT

• Notes to the Accounts on page	21
• Technical Notes on page	37
• Accounting Policies on page	58
• Collection Fund on page	70
• Group Accounts on page	73

Further information

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

On completion of the audit, copies of the Statements of Accounts will be published on the council's website at www.reigate-banstead.gov.uk.

J. Convey
Head of Finance

ANNUAL GOVERNANCE STATEMENT

1. Scope of Responsibility

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

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

By applying the principles in our Code of Corporate Governance (summarised below) and applying the Principles of Standards in Public Life, we are committed to planning and delivering services to the residents of the borough in a way that demonstrates accountability, transparency, effectiveness, integrity and inclusivity.

Our Code of Corporate Governance outlines our governance principles:

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

This statement describes how we have complied with our Code of Corporate Governance and how we have met the requirements of the Accounts and Audit Regulations 2015. Compliance with our Code of Corporate Governance is shown on the Council's website in the following areas :

Corporate Governance webpage

Councillor Code of Conduct webpage

Risk Management webpage

2. The Purpose of the Governance Framework

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

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

3. The Governance Framework

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

These are summarised below:

- Our Five Year Plan and other documents contained in our Budget and Policy Framework that set out priorities and intended outcomes for residents and service users.

ANNUAL GOVERNANCE STATEMENT

- The Executive, Committees and Panels we have established to ensure democratic engagement and accountability is central to our key and other important decisions, as well as stronger governance to support our commercial activities.
- Our arrangements for the oversight and scrutiny of decisions and policy development by Councillors.
- A review of our governance arrangements in 2018 in relation to our commercial plans.
- The delegation and authorisation arrangements which document the roles and responsibilities of Executive and non-Executive councillors and our statutory (and other senior) officer functions.
- Our risk, performance and accountability arrangements that measure the quality of services - ensuring they are delivered in accordance with our objectives and that they represent the best use of resources. Our commercial decisions are subject to due diligence process and risk analysis.
- Our Human Resources Plan, role profiles and codes of conduct which underpin how Members and employees work.
- Our arrangements for consultation and engagement with the community.
- Our independent internal audit service arrangements which provide risk-based assurance as well as supporting wider audit requirements.
- The independent oversight and challenge provided by our external auditors, the Information Commissioner, Freedom of Information Act (2000) requests for information, General Data Protection Regulations and the Local Government Ombudsman.
- Our procedure rules and internal management processes for:
 - Financial management
 - Procurement
 - Project management
 - Information governance & data security
 - Health & safety
 - Decision making
 - Whistleblowing
 - Complaints handling
 - Anti-fraud & corruption

4. Review of Effectiveness

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

Our review of effectiveness considers decisions taken and matters considered by full Council, the Executive, the Management Team, the work of the Overview & Scrutiny Committee, the Corporate Governance Group, internal auditors, work undertaken by external auditors and the opinion of the Local Government Ombudsman.

ANNUAL GOVERNANCE STATEMENT

A self-assessment of our effectiveness

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

An internal audit review of our risk management function was undertaken in 2017/18 which provided full assurance of adherence to our risk strategy.

Executive Members have reviewed the register of the strategic business risks facing the Council and the Overview and Scrutiny Committee has received positive assurances about the operation of the arrangements for identifying and managing risk. Our Investment Strategy will provide a new framework within which all of the Councils investment decisions can be assessed.

Effective financial planning and management

The 2017/18 budget represented a challenge for the Council and required savings of just over £1.5m. Difficult economic conditions created budget pressures but the final outturn was an underspend equivalent to 5% of the budget (£0.849m).

The Chief Finance Officer has ensured that effective budget monitoring and reporting arrangements, involving the Management Team, Executive and Overview & Scrutiny Committee, Corporate Governance Group, and the Business Managers Group have remained in place. Given the scale of the financial challenges, the Overview & Scrutiny Committee (and Budget Scrutiny Panel) also reviewed the proposed savings as part of the budget preparation process in Autumn 2017 noting that the proposals were clear, focused, achievable, realistic and based on sound financial practices.

Effective arrangements for accountability

We have reviewed the Constitution to reflect legislative changes particularly in relation to procurement. We also continue to review the Scheme of Delegation for the Council and Executive responsibilities to reflect various legislative and organisational changes. All Managers are being asked to participate in a review of document authorisation procedures for decisions made under the scheme to provide a clear description of decision making responsibilities and transparency of our decision making.

The Overview & Scrutiny Committee has agreed the Audit Plan and received independent reports from Internal Audit.

Effective Conduct Arrangements

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

The Council has a locally adopted Code of Conduct and all Councillors are given training regarding the conduct requirements. A review of the Code of Conduct is proposed for 2018/19 to ensure it remains fit for purpose.

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

Registers of Interest for Elected Members and senior Employees have been maintained and arrangements are in place for the declaration of appropriate interests when decisions are taken. We have also appointed an Independent Person in accordance with our statutory responsibilities.

ANNUAL GOVERNANCE STATEMENT

Effective decision making arrangements

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

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

Effectively developing skills and capacity

The Council has a Human Resource Plan which sets out the resources required to deliver the Council's priorities and services. Personal development plans and the "talent management" programmes help to ensure we have in place effective succession planning and that our workforce has the skills, capability and capacity to meet the challenges facing the Council.

We undertake regular staff surveys and an action plan is in place to address the themes emerging from these.

An induction programme is in place for new Councillors and skills training for regulatory functions takes place annually before Members take up places on the Planning and Licensing and Regulatory Committees. In addition, all Members are briefed on the requirements of the Member Code of Conduct. A variety of learning events take place during the year to ensure that, where needed, Councillors are briefed on new initiatives or legislative changes. The bespoke training and development undertaken in 2017/18 focused on Member communication skills to help to deal with the new way in which Social Media is so immediate in its delivery of news and the need to be able to respond accordingly. Training in 2018/19 will include local government finance training.

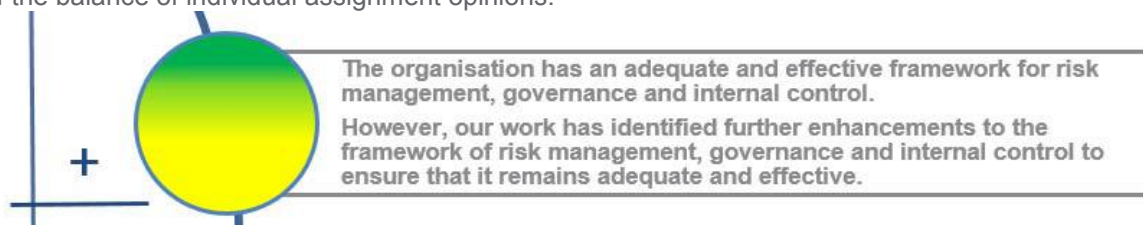
Effective Engagement

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

Independent Opinions on Effectiveness

The Chief Internal Auditor provides independent assurance on the adequacy and effectiveness of the system of internal financial control. The Internal Audit Annual Report for 2017/18 included the following:

"For the 12 months ended 31 March 2018, the head of internal audit opinion for Reigate and Banstead Borough Council is as follows. This is consistent with the prior year and reflective of the balance of individual assignment opinions.



The Annual Audit Letter (from our external auditors - KPMG) summarises the finding of the audit of the Council each year. The last letter received by the Council, in October 2017, in respect of the 2016/17 financial year contained the following conclusions:

- "We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2016/17 on 21 September 2017. This means we are

ANNUAL GOVERNANCE STATEMENT

satisfied that during the year the Authority had appropriate arrangements for securing economy, efficiency and effectiveness in the use of its resources”.

- *“We issued an unqualified opinion on the Authority’s financial statements on 21 September 2017. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year. The financial statements also include the Authority’s Group, which consists of the Authority itself and its consolidated subsidiaries; Greensand Holding LLP; Pathway for Care Limited; and Horley Business Park Development LLP”.*

A full copy of the KPMG Audit Letter can be found on the Council website:

http://www.reigate-banstead.gov.uk/downloads/file/3679/annual_audit_letter_2016-17

5. Significant Governance Issues

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

The outlook for local government over the next few years has increased challenges, related to growing demand and declining resources. The Council is confident that it has proposals in place to ensure that resources are directed toward identified priorities and to ensure that it will continue to seek innovative ways of securing value for money.

Councillor Mark Brunt
Leader of the Council
Date 21 June 2018

John Jory
Chief Executive
Date 21 June 2018

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

AUTHORITY'S RESPONSIBILITIES

The Authority is required to:

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

THE CHIEF FINANCIAL OFFICER'S RESPONSIBILITIES

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

In preparing this Statement of Accounts, the Chief Financial Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code;
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- assessed the Authority's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- used the going concern basis of accounting on the assumption that the functions of the Authority and the Group will continue in operational existence for the foreseeable future; and
- maintained such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Authority at 31 March 2018 and of its income and expenditure for the year then ended.



Jocelyn Convey
Head of Finance

AUDITORS REPORT ON THE FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF REIGATE AND BANSTEAD BOROUGH COUNCIL

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Reigate and Banstead Borough Council ('the Authority') for the year ended 31 March 2018 which comprise the Authority and Group Comprehensive Income and Expenditure Statement(s), the Authority and Group Balance Sheet(s), the Authority and Group Movement in Reserves Statement(s), the Authority and Group Cash Flow Statement, the Collection Fund and the related notes, including the accounting policies on page 56.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority and the Group as at 31 March 2018 and of the Authority's and the Group's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Authority in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information published with the financial statements

The Head of Finance is responsible for the other information published with the financial statements, including the Narrative Statement and the Annual Governance Statement. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information. In our opinion the other information published with the financial statements for the financial year is consistent with the financial statements.

AUDITORS REPORT ON THE FINANCIAL STATEMENTS

Head of Finance responsibilities

As explained more fully in the statement set out on page X the Head of Finance is responsible for: the preparation of the Authority's financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Authority's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting on the assumption that the functions of the Authority and the Group will continue in operational existence for the foreseeable future.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

REPORT ON OTHER LEGAL AND REGULATORY MATTERS

Report on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, Reigate and Banstead Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Respective responsibilities in respect of our review of arrangements for securing economy, efficiency and effectiveness in the use of resources

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 20(1) (c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether Reigate and Banstead Borough Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Reigate and Banstead Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Statutory reporting matters

The Code of Audit Practice requires us to report to you if:

- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit;

AUDITORS REPORT ON THE FINANCIAL STATEMENTS

- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014;
- an application has been made to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- an advisory notice has been issued under Section 29 of the Local Audit and Accountability Act 2014;
- an application for judicial review has been made under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

CERTIFICATE OF COMPLETION OF THE AUDIT

We certify that we have completed the audit of the financial statements of Reigate and Banstead Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Joanne Lees
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

30 July 2018

STATEMENT OF ACCOUNTS

The financial statements consist of:

Movement in Reserves Statement

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

Comprehensive Income and Expenditure Statement

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

Balance Sheet

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

Cash Flow Statement

- This statement shows the changes in cash and cash equivalents during the financial year. It shows how the Council generates and uses cash and cash equivalents by classifying the type of cash flow as operating, investing or financing activities.

Supporting Notes

- These provide further detail or explanation to support the financial statements.

Technical Notes

- These provide further detail or explanations to support the financial statements. These notes set out the technical accounting requirements.

Accounting Policies

- These provide further detail on the accounting policies applied in preparing this Statement of Accounts.

Collection Fund

- This account reflects the statutory requirement to maintain a separate Collection Fund, which shows the transactions of the Council as a billing authority in relation to National Non-Domestic Rates (NNDR) and Council Tax and shows the way in which these have been distributed.

Group Accounts

- These statements show the financial position of Reigate & Banstead Borough Council and each of its trading companies as a single group, rather than separate entities.

STATEMENT OF ACCOUNTS

Movement in Reserves Statement

	General Fund Reserve	Earmarked Revenue Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2016	8,737	13,485	26,148	5,724	54,094	89,576	143,670
Movement in reserves during 2016/17							
Surplus (deficit) on provision of services	14,393	0	0	0	14,393	0	14,393
Other comprehensive income and expenditure	0	0	0	0	0	(1,020)	(1,020)
Adjustments between accounting and funding basis under regulations (Note 17)	(11,628)	0	3,361	4,700	(3,567)	3,567	0
Transfers to/from Usable Reserves (Note 10)	(5,590)	5,590	0	0	0	0	0
Other adjustments	0	0	0	0	0	0	0
Increase/Decrease in 2016/17	(2,825)	5,590	3,361	4,700	10,826	2,547	13,373
Balance at 31 March 2017	5,912	19,075	29,509	10,424	64,920	92,123	157,043
Movement in reserves during 2017/18							
Surplus (deficit) on provision of services	8,109	0	0	0	8,109	0	8,109
Other comprehensive income and expenditure	0	0	0	0	0	5,149	5,149
Adjustments between accounting and funding basis under regulations (Note 17)	1,153	0	(13,699)	2,884	(9,662)	9,662	0
Transfers to/from Usable Reserves (Note 10)	(2,628)	2,628	0	0	0	0	0
Other adjustments	0	0	0	0	0	0	0
Increase/Decrease in 2017/18	6,634	2,628	(13,699)	2,884	(1,553)	14,811	13,258
Balance at 31 March 2018	12,546	21,703	15,810	13,308	63,367	106,934	170,301

STATEMENT OF ACCOUNTS

Comprehensive Income and Expenditure Statement

2016/17				2017/18			
Gross Exp	Gross Inc	Net Exp		Gross Exp	Gross Inc	Net Exp	
£000	£000	£000		£000	£000	£000	
45,092	(41,703)	3,389	People and Communities	44,681	(40,364)	4,317	
12,527	(8,222)	4,305	Recycling, Cleansing and Parking	12,114	(9,445)	2,669	
7,589	(2,103)	5,486	Leisure and Regulation	7,638	(1,975)	5,663	
2,754	(2,110)	644	Communication, Customers and Change	2,868	(2,283)	585	
4,201	(2,371)	1,830	Policy, Performance and Legal	5,384	(2,158)	3,226	
4,792	(5,035)	(243)	Property	6,335	(5,886)	449	
6,309	(1,599)	4,710	Places and Planning	6,282	(1,614)	4,668	
1,735	(1,482)	253	Finance	1,577	(1,434)	143	
138	(48)	90	Health and Wellbeing	55	(2)	53	
85,137	(64,673)	20,464	Cost of Services	86,934	(65,161)	21,773	
347	(2,562)	(2,215)	Other Operating Expenditure (Note 2)	364	(965)	(601)	
1,978	(6,357)	(4,379)	Financing and Investment Income and Expenditure (Note 3)	1,776	(5,003)	(3,227)	
15,613	(43,876)	(28,263)	Taxation and Non-specific Grant Income and Expenditure (Note 4)	22,126	(48,180)	(26,054)	
103,075	(117,468)	(14,393)	(Surplus) or Deficit on Provision of Services	111,200	(119,309)	(8,109)	
		(11,400)	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment assets			(2,830)	
		12,420	Actuarial remeasurements			(2,319)	
		1,020	Other Comprehensive Income and Expenditure			(5,149)	
		(13,373)	Total Comprehensive Income and Expenditure			(13,258)	

STATEMENT OF ACCOUNTS

Balance Sheet

31 March 2017		Note	31 March 2018
£000			£000
113,564	Property, Plant and Equipment	11.1	113,217
468	Heritage Assets	11.2	477
47,122	Investment Property	12	66,055
23	Long Term Debtors		211
8,000	Long Term Investments		7,822
169,177	Long Term Assets		187,782
47,057	Short Term Investments	27	52,104
0	Assets Held for Sale	13	0
45	Inventories		54
4,140	Short Term Debtors	14	6,832
23,380	Cash and Cash Equivalents	15	7,031
74,622	Current Assets		66,021
(11,538)	Short Term Creditors	16	(7,536)
(11,538)	Current Liabilities		(7,536)
(1,701)	Long Term Creditors	35	(1,702)
(1,670)	Business Rates Appeals Provision		(1,965)
(70,518)	Pension Liability	20	(71,124)
(1,177)	Capital Grants in Advance	5	(1,023)
(152)	Other Long Term Liabilities		(152)
(75,218)	Long Term Liabilities		(75,966)
157,043	Net Assets		170,301
(5,912)	General Fund Reserve		(12,547)
(19,075)	Earmarked Reserves	10	(21,703)
(29,509)	Capital Receipts Reserve		(15,810)
(10,424)	Capital Grants Unapplied		(13,308)
(64,920)	Usable Reserves		(63,368)
(54,900)	Revaluation Reserve	18	(56,770)
(106,267)	Capital Adjustment Account	19	(122,991)
(424)	Deferred Capital Receipts Reserve		(302)
70,518	Pensions Reserve	20	71,124
(1,751)	Collection Fund Adjustment Account	21	1,607
701	Accumulated Absences Account	22	399
(92,123)	Unusable Reserves		(106,933)
(157,043)	Total Reserves		(170,301)

STATEMENT OF ACCOUNTS

Cash Flow Statement

2016/17		2017/18
£000		£000
(14,393)	Net (surplus) or deficit on the provision of services	(8,109)
(18,909)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(1,603)
24,037	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	10,224
(9,265)	Net cash flows from Operating Activities	512
15,388	Purchase of Property Plant and Equipment (PPE) & Investment Property	16,921
2,936	Purchase of short-term and long-term investments	8,986
(15,526)	Proceeds from the sale of PPE & Investment Property	(4,451)
(8,334)	Capital grants received	(5,619)
(5,536)	Net cash flows from Investment Activities	15,837
(14,801)	Net (increase)/decrease in cash and cash equivalents	16,349
8,579	Cash and cash equivalents at the beginning of the reporting period	23,380
23,380	Cash and cash equivalents at the end of the reporting period (Note 15)	7,031

NOTES TO ACCOUNTS

1. Analysis of Comprehensive Income and Expenditure

1.1 Expenditure and Funding Analysis

This reconciliation shows how the provisional outturn figures and amounts reported to management relate to the final figures in the Comprehensive Income and Expenditure Statement.

2017/18	Provisional Outturn	Recharges and Adjustments Affecting the General Fund	Net Expenditure Chargeable to the General Fund	Adjustments Between Accounting Basis and Funding Basis	Comprehensive Income and Expenditure Statement
	£000	£000	£000	£000	£000
People and Communities	1,746	1,686	3,432	885	4,317
Recycling, Cleansing and Parking	(38)	1,781	1,743	926	2,669
Leisure and Regulation	1,830	2,718	4,548	1,115	5,663
Communication, Customers and Change	2,117	(2,079)	38	547	585
Policy, Performance and Legal	3,186	(416)	2,770	456	3,226
Property	(392)	(2,957)	(3,349)	3,798	449
Places and Planning	2,351	1,798	4,149	519	4,668
Finance	4,516	(2,378)	2,138	(1,995)	143
Health and Wellbeing	53	0	53	0	53
Net Cost of Services	15,369	153	15,522	6,251	21,773
Other Income and Expenditure			(24,785)	(5,097)	(29,882)
Surplus or Deficit			(9,263)	1,154	(8,109)
Opening General Fund Balance			(24,987)		
Add Surplus/Less Deficit			(9,263)		
Closing General Fund Balance			(34,250)		

NOTES TO ACCOUNTS

2016/17	Provisional Outturn	Recharges and Adjustments Affecting the General Fund	Net Expenditure Chargeable to the General Fund	Adjustments Between Accounting Basis and Funding Basis	Comprehensive Income and Expenditure Statement
	£000	£000	£000	£000	£000
People and Communities	1,604	1,256	2,860	529	3,389
Recycling, Cleansing and Parking	85	1,726	1,811	2,494	4,305
Leisure and Regulation	1,625	3,062	4,687	799	5,486
Communication, Customers and Change	2,275	(1,898)	377	267	644
Policy, Performance and Legal	2,067	(354)	1,713	117	1,830
Property	352	(2,802)	(2,450)	2,207	(243)
Places and Planning	2,380	2,020	4,400	310	4,710
Finance	4,536	(2,316)	2,220	(1,967)	253
Health and Wellbeing	485	(395)	90	0	90
Net Cost of Services	15,409	299	15,708	4,756	20,464
Other Income and Expenditure			(18,473)	(16,384)	(34,857)
Surplus or Deficit			(2,765)	(11,628)	(14,393)
Opening General Fund Balance			(22,222)		
Add Surplus/Less Deficit			(2,765)		
Closing General Fund Balance			(24,987)		

NOTES TO ACCOUNTS

1.2 Note to the EFA

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

	2017/18			
	Adjustments for Capital Purposes	Net Change for Pensions Adjustments	Other Differences	Total Funding Adjustments
	£000	£000	£000	£000
People and Communities	337	588	(40)	885
Recycling, Cleansing and Parking	244	792	(110)	926
Leisure and Regulation	799	356	(40)	1,115
Communication, Customers and Change	259	303	(15)	547
Policy, Performance and Legal	0	464	(8)	456
Property	3,708	93	(3)	3,798
Places and Planning	50	537	(68)	519
Finance	6	(1,983)	(18)	(1,995)
Health and Wellbeing	0	0	0	0
Cost of Services	5,403	1,150	(302)	6,251
Other Income and Expenditure	(10,231)	1,776	3,358	(5,097)
Financing and Difference between GF Surplus or Deficit and CIES Surplus or Deficit				(1,154)

NOTES TO ACCOUNTS

	2016/17			
	Adjustments for Capital Purposes	Net Change for Pensions Adjustments	Other Differences	Total Funding Adjustments
	£000	£000	£000	£000
People and Communities	326	183	20	529
Recycling, Cleansing and Parking	2,171	314	9	2,494
Leisure and Regulation	631	136	32	799
Communication, Customers and Change	172	112	(17)	267
Policy, Performance and Legal	0	120	(3)	117
Property	2,171	42	(6)	2,207
Places and Planning	74	223	13	310
Finance	7	(1,985)	11	(1,967)
Health and Wellbeing	0	0	0	0
Cost of Services	5,552	(855)	59	4,756
Other Income and Expenditure	(15,975)	1,978	(2,387)	(16,384)
Financing and Difference between GF Surplus or Deficit and CIES Surplus or Deficit				(11,628)

1.3 Subjective Note to the Accounts

	2017/18 £000	2016/17 £000
Employee Benefits Expense	20,909	17,091
Depreciation and Amortisation Expense	4,346	2,849
Other Service Expenses	23,183	83,912
Fees, Charges and Other Income	(56,547)	(117,877)
Surplus or Deficit on the Provision of Services	(8,109)	(14,025)

NOTES TO ACCOUNTS

2. Other Operating Expenditure

	2017/18 £000	2016/17 £000
Parish council precepts and grants paid	364	347
(Gains)/losses on the disposal of non-current assets	(965)	(2,562)
Total	(601)	(2,215)

3. Financing & Investment Income and Expenditure

	2017/18 £000	2016/17 £000
Interest payable and similar charges	0	0
Net interest on the defined benefit liability	1,776	1,978
Interest receivable and similar income	(602)	(527)
Income and expenditure in relation to investment properties and changes in their fair value	(4,401)	(5,830)
Total	(3,227)	(4,379)

4. Taxation and Non Specific Grant Income and Expenditure

	2017/18 £000	2016/17 £000
Council tax income	(13,194)	(12,719)
Non domestic rates income	(24,366)	(19,888)
Non domestic rates expenditure	22,088	17,711
Non-ring fenced government grants	(4,809)	(4,856)
Capital grants and contributions	(5,773)	(8,511)
Total	(26,054)	(28,263)

NOTES TO ACCOUNTS

5. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2017/18:

	2017/18	2016/17
	£000	£000
Council Tax income	(13,194)	(12,719)
Non domestic rates	(2,278)	(2,177)
Non ring-fenced government grants	(4,809)	(4,856)
Capital grants and contributions	(5,773)	(8,511)
Total - Credited to Taxation and Non Specific Grant Income	(26,054)	(28,263)
Rent Allowances	(36,959)	(38,653)
Council Tax Support	(284)	(285)
Rent Rebates	(83)	(207)
Refugee Support Grant	(210)	(44)
OFGEM renewable grants	0	(1)
Individual electoral registration grant	0	(48)
Core Funding (Joint Charitable)	0	(1)
Total – Credited to Cost of Services	(37,536)	(39,239)
Total – Grant Income	(63,590)	(67,502)

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

Capital Grants Receipts in Advance

	2017/18	2016/17
	£000	£000
Unapplied Capital Grants & Contributions	0	0
Developers Contributions Unapplied – Horley Master Plan	(163)	(166)
Developers Contributions Unapplied - non tariff	(860)	(1,011)
Total	(1,023)	(1,177)

NOTES TO ACCOUNTS

6. Officers' Remuneration

Detailed remuneration information for statutory officers is set out below.

Name/Post Title	Year	Salary Fees and Allowances £000	Bonus £000	Allowances & Expenses £000	Compensation for Loss of Office £000	Pension Contribution £000	Total £000
Chief Executive - John Jory	17/18	175	17	12	0	0	204
	16/17	170	15	4	0	4	193
Head of Finance (S.151 Officer) *	17/18	79	0	0	0	12	91
	16/17	0	0	0	0	0	0
Head of Finance (S.151 Officer) **	17/18	7	7	0	0	2	16
	16/17	80	0	0	0	12	92
Head of Corporate Policy, Performance & Legal (Monitoring Officer)***	17/18	90	2	6	0	14	112
	16/17	6	0	0	0	0	6
Head of Customers Communications & Change	17/18	82	2	1	0	12	97
	16/17	71	7	1	0	12	91
Head of People & Communities	17/18	82	2	1	0	12	97
	16/17	71	0	0	0	11	82
Head of Places & Planning	17/18	92	7	1	0	15	115
	16/17	91	7	1	0	15	114
Head of Property	17/18	92	9	0	0	15	116
	16/17	87	7	0	0	14	108
Head of Recycling, Cleansing & Parking	17/18	82	2	0	0	13	97
	16/17	69	0	0	0	11	80
Head of Health & Wellbeing	17/18	82	2	0	0	12	96
	16/17	71	7	0	0	12	90
Leisure & Regulation Manager	17/18	61	0	1	0	9	71
	16/17	51	1	1	0	8	61

* During 2017/18 two individuals held the post of Head of Finance. The instance listed here started as of the 22 June 2017 and was in post as at 31 March 2018.

** During 2017/18 two individuals held the post of Head of Finance. The instance listed here was in post as at 31 March 2017 and retired from the council on 30 April 2017.

*** From 2015/16 the Legal Manager post was shared with another Council and was not directly employed by Reigate and Banstead Borough Council. This arrangement continued to 28 February 2017. After which the post was streamlined into the existing management team structure.

NOTES TO ACCOUNTS

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

	2017/18	2016/17
Remuneration Band	No. of Employees	No. of Employees
£50,000 to £54,999	10	13
£55,000 to £59,999	9	1
£60,000 to £64,999	4	2
£65,000 to £69,999	1	2
£70,000 to £74,999	0	0
£75,000 to £79,999	0	3
£80,000 to £84,999	5	1
£85,000 to £89,999	0	0
£90,000 to £94,999	1	1
£95,000 to £99,999	1	1
£100,000 to £104,999	1	0
£105,000 to £109,999	0	0
£110,000 to £114,999	0	0
£115,000 to £119,999	0	0
£120,000 to £124,999	0	0
£125,000 to £129,999	0	0
£130,000 to £134,999	0	0
£135,000 to £139,999	0	0
£140,000 to £144,999	0	0
£145,000 to £149,999	0	0
£150,000 to £154,999	0	0
£155,000 to £159,999	0	0
£160,000 to £164,999	0	0
£165,000 to £169,999	0	0
£170,000 to £174,999	0	0
£175,000 to £179,999	0	0
£180,000 to £184,999	0	0
£185,000 to £189,999	0	1
£190,000 to £194,999	0	0
£195,000 to £199,999	0	0
£200,000 to £204,999	1	0
	33	25

NOTES TO ACCOUNTS

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies for 2017/18 are set out in the table below:

Exit package cost band (including Special Payments)	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages	Total cost of exit packages
2017/18	No.	No.	No.	£000
£0-£20,000	0	6	6	47
£20,000-£40,000	0	2	2	50
£40,000-£60,000	0	0	0	0
£60,000-£80,000	0	0	0	0
£80,000-£100,000	0	0	0	0
2016/17	No.	No.	No.	£000
£0-£20,000	1	8	9	44
£20,000-£40,000	0	0	0	0
£40,000-£60,000	0	3	3	139
£60,000-£80,000	0	0	0	0
£80,000-£100,000	0	1	1	92

7. External Audit Costs

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

	2017/18 £000	2016/17 £000
Fees payable for external audit services	49	49
Fees payable for statutory inspections	0	0
Fees payable for the certification of grant claims	10	12
Fees payable for other services provided by the auditor	7	2
Total	66	63

8. Members Allowances

The total value of the allowances paid to the 51 Members and former members of the Council during the year was £428,993 (£429,725 in 2016/17). Full details are published annually on the Council's website.

NOTES TO ACCOUNTS

9. Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council.

Central Government

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in Grant Income analysis in Note 5.

Members

Members of the council have direct control over the council's financial and operating policies. The total of Members' Allowances paid in 2017/18 is shown in Note 8. Details of all returned interests are recorded in the Register of Members' Interest, open to public inspection at the Town Hall during office hours. Eight Members declared an interest in organisations which shared transactions with the Council. These included Pathway for Care Ltd (see below), YMCA (£146,452), Reigate & Banstead District Citizens Advice Bureau (£104,000), Banstead Commons Conservators Committee (£85,500) and Age Concern Banstead (£26,650).

The relevant members did not take part in any discussion or decision relating to the core funding grants received by any of the listed entities.

Officers

CEO John Jory and Officer Tom Kealey are directors of Pathway for Care Ltd, a subsidiary of the authority. CEO John Jory and Officer John Reed are directors of Horley Business Park Development LLP, a joint venture of the authority. CEO John Jory and Officer John Reed are Directors of Greensand Property Holdings Limited, a subsidiary of the authority. On 30 April 2017 Officer Bill Pallett left Reigate and Banstead Borough Council, but has remained a Director of Greensand Property Holdings Limited.

Entities controlled or significantly influenced by the council

The council has invested in two subsidiaries and a joint venture during 2017/18 over which it has control or significant influence.

Pathway for Care Ltd

During 2017/18 the authority owned 80% of the shareholding and T7 Group Ltd owned the remaining 20% of the shareholding. Pathway is a business that seeks to address some of the challenges faced by a significant number of vulnerable people across the borough and beyond.

The Council has lent the company £644,000 during the financial year 2017/18.

Horley Business Park Development LLP

The authority owns a 50% shareholding in the LLP. The other partners of the joint venture are Berwick Hill Properties Ltd (BHP) and Millhill Properties (Horley) Ltd. The purpose is to promote the borough as a place to do business, securing resources to maintain and improve business related infrastructure and to create new jobs for our residents.

The Council has lent the company £275,800 during the financial year 2017/18 and the interest charged for the loan was £39,367.

NOTES TO ACCOUNTS

Greensand Property Holdings Ltd

The authority owns a 100% shareholding in the company. The purpose is buying and selling of real estate. The Council lent the company £2,269,538 in 2016/17 and the interest charged for the loan was £102,325 for the financial year 2017/18. There have been no further loans in 2017/18.

10. Transfers to/from Usable Reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves.

	Balance at 31 March 2016 £000	Transfers £000	Balance at 31 March 2017 £000	Transfers £000	Balance at 31 March 2018 £000
General Fund Reserves:					
Superannuation Reserve	1,507	0	1,507	0	1,507
Corporate Plan Delivery Fund	2,000	2,000	4,000	(1,264)	2,736
Insurance Reserve	550	0	550	0	550
New Homes Bonus Reserve	7,675	3,730	11,405	3,093	14,498
Growth Points Reserve	286	0	286	0	286
Business Rates Equalisation Reserve	1,000	0	1,000	0	1,000
Supporting Families Reserve	59	(59)	0	0	0
High Street Innovation Fund Reserve	70	(30)	40	0	40
Business Support Scheme Reserve	148	0	148	(1)	147
Neighbourhood Improvement Reserve	190	(51)	139	(48)	91
Homelessness Prevention Reserve Fund	0	0	0	48	48
Government Grant Reduction Reserve	0	0	0	800	800
Total	13,485	5,590	19,075	2,628	21,703

NOTES TO ACCOUNTS

11. Property, Plant and Equipment & Heritage Assets

11.1 Property, Plant and Equipment

Movements in 2017/18

	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000
Gross Cost or valuation				
At 1 April 2017	109,546	18,654	0	128,200
Additions	1,220	986	0	2,206
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	1,503	0	0	1,503
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,425)	0	0	(1,425)
Derecognition – disposals	0	(109)	0	(109)
Assets reclassifications	(1,041)	0	0	(1,041)
At 31 March 2018	109,803	19,531	0	129,334
Gross Accumulated Depreciation and Impairment				
At 1 April 2017	193	14,441	0	14,634
Adjustments to brought forward balance	0	2	0	2
Depreciation charge	2,076	1,127	0	3,203
Depreciation written out to the Revaluation Reserve	(1,327)	0	0	(1,327)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(284)	0	0	(284)
Derecognition – disposals	0	(103)	0	(103)
Other movements in depreciation and impairment	(8)	0	0	(8)
At 31 March 2018	650	15,467	0	16,117
Net Book value:				
At 31 March 2018	109,153	4,064	0	113,217
At 31 March 2017	109,353	4,213	0	113,566

NOTES TO ACCOUNTS

Movements in 2016/17

	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000
Gross Cost or valuation				
At 1 April 2016	99,736	17,798	0	117,534
Additions	2,418	1,081	0	3,499
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	10,154	0	0	10,154
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,634)	0	0	(2,634)
Derecognition – disposals	(128)	(225)	0	(353)
Assets reclassifications	0	0	0	0
At 31 March 2017	109,546	18,654	0	128,200
Gross Accumulated Depreciation and Impairment				
At 1 April 2016	403	13,374	0	13,777
Depreciation charge	1,422	1,067		2,489
Depreciation written out to the Revaluation Reserve	(1,217)	0	0	(1,217)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(193)	0	0	(193)
Derecognition – disposals	(222)	0	0	(222)
Other movements in depreciation and impairment	0	0	0	0
At 31 March 2017	193	14,441	0	14,634
Net Book value:				
At 31 March 2017	109,353	4,213	0	113,566
At 31 March 2016	99,333	4,424	0	103,757

NOTES TO ACCOUNTS

11.2 Heritage Assets

Movements in 2017/18

	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Total Heritage Assets £000
Gross Cost or valuation			
At 1 April 2017	268	256	524
Additions	0	9	9
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	0	0	0
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	0	0	0
Derecognition – disposals	0	0	0
Assets reclassifications	0	0	0
At 31 March 2018	268	265	533
Gross Accumulated Depreciation and Impairment			
At 1 April 2017	0	56	56
Depreciation charge	0	0	0
Depreciation written out to the Revaluation Reserve	0	0	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0
Derecognition – disposals	0	0	0
Other movements in depreciation and impairment	0	0	0
At 31 March 2018	0	56	56
Net Book value:			
At 31 March 2018	268	209	477
At 31 March 2017	268	200	468

NOTES TO ACCOUNTS

12. Investment Properties

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

	2017/18 £000	2016/17 £000
Rental income from investment property	(1,097)	(1,321)
Direct operating expenses arising from investment property	188	393
Net (gain)/loss	(909)	(928)

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal.

All Investment Property assets are valued at a price at which the property would have been sold on the valuation date, for its best use, after a period of suitable marketing to a buyer with no special interest where both parties have had sufficient advice or knowledge and are not under any duress to agree the sale/purchase. The valuer assessed this value by maximising the use of evidence of sales of similar properties around the valuation date.

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

	31 March 2018 £000	31 March 2017 £000
Balance at start of the year	47,122	35,960
Additions	17,634	12,142
Recognition	624	0
Disposals	(1,725)	0
Net gains/losses from fair value adjustments	2,999	4,902
Transfers (to)/from Property, Plant and Equipment	1,033	0
Transfers (to)/from Assets held for Sale	(1,632)	(5,881)
Balance at end of the year	66,055	47,122

13. Assets Held for Sale

	31 March 2018 £000	31 March 2017 £000
Balance outstanding at start of year		
Assets classified as held for sale	1,632	5,881
Assets sold	(1,632)	(5,881)
Revaluation gains/(losses):		
<i>Charged to the revaluation reserve</i>	0	0
<i>Charged to the Comprehensive Income and Expenditure Statement</i>	0	0
Property, plant and equipment assets declassified as held for sale:	0	0
Balance outstanding at year-end	0	0

NOTES TO ACCOUNTS

14. Debtors

	31 March 2018 £000	31 March 2017 £000
Central government bodies	1,575	348
Other local authorities	77	988
NHS bodies	0	1
Public corporations and trading funds	0	0
Other entities and individuals	7,509	5,008
Total (Gross)	9,161	6,345
Less Provision for Bad Debts	(2,329)	(2,205)
Total	6,832	4,140

15. Cash and Cash Equivalents

	31 March 2018 £000	31 March 2017 £000
Cash held by the Council	2	3
Bank current accounts	7,029	23,377
Short-term deposits with banks and building societies	0	0
Total	7,031	23,380

16. Creditors

	31 March 2018 £000	31 March 2017 £000
Central government bodies	(350)	(3,875)
Other local authorities	(3,063)	(3,290)
Other entities and individuals	(4,123)	(4,373)
Total	(7,536)	(11,538)

Payment of invoices within 30 days:

For the year ending 31 March 2018 97.2% of undisputed purchase invoices were paid within 30 days of the invoice date. £0.83 was paid in late payment interest.

TECHNICAL NOTES

These technical notes provide further detail and explanation to support the financial statements. These notes set out the technical accounting requirements.

17. Adjustments between accounting basis and funding basis under regulations

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

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

General Fund Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

TECHNICAL NOTES

2017/18	General Fund Reserve	Earmarked Revenue Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Reserves Usable	Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:							
Charges for depreciation and impairment of non-current assets	3,205	0	0	0	3,205	(3,205)	0
Revaluation gains on Property, Plant and Equipment	1,141	0	0	0	1,141	(1,141)	0
Movement in the fair values of Investment Properties	(3,493)	0	0	0	(3,493)	3,493	0
Revenue funded from capital under statute	1,057	0	0	0	1,057	(1,057)	0
Amount of non-current assets written off on disposal or sale as part of the gain/loss on disposal	3,363	0	0	0	3,363	(3,363)	0
Capital expenditure funded from revenue	0	0	0	0	0	0	0
Adjustments primarily involving the Capital Grants Unapplied Account							
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	(5,773)	0	0	5,773	0	0	0
Application of capital financing transferred to the Capital Adjustment Account	0	0	0	(2,889)	(2,889)	2,889	0
Adjustments primarily involving the Capital Receipts Reserve							
Transfer of cash proceeds credited as part of the gain/loss on disposal	(4,328)	0	(13,699)	0	(18,027)	18,027	0

Continued

TECHNICAL NOTES

2017/18	General Fund Reserve	Earmarked Revenue Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Reserves Usable	Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000	£000
<i>Adjustments primarily involving the Pensions Reserve</i>							
Reversal of items relating to retirement benefits debited or credited to the CIES	6,838	0	0	0	6,838	(6,838)	0
Employer's pension contributions and direct payments to pensioners payable in year	(3,913)	0	0	0	(3,913)	3,913	0
<i>Adjustments primarily involving the Collection Fund Adjustment Account</i>							
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax and business rates income calculated for the year in accordance with statutory requirements	3,358	0	0	0	3,358	(3,358)	0
<i>Adjustments primarily involving the Accumulated Absences Account</i>							
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	302	0	0	0	302	(302)	0
Total adjustments	1,153	0	(13,699)	2,884	(9,662)	9,662	0

Continued

TECHNICAL NOTES

2016/17	General Fund Reserve	Earmarked Revenue Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Reserves Usable	Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000	£000
<i>Adjustments primarily involving the Capital Adjustment Account:</i>							
Charges for depreciation and impairment of non-current assets	2,489	0	0	0	2,489	(2,489)	0
Revaluation gains on Property, Plant and Equipment	2,441	0	0	0	2,441	(2,441)	0
Movement in the fair values of Investment Properties	(4,901)	0	0	0	(4,901)	4,901	0
Revenue funded from capital under statute	832	0	0	0	832	(832)	0
Amount of non-current assets written off on disposal or sale as part of the gain/loss on disposal	6,012	0	0	0	6,012	(6,012)	0
Capital expenditure funded from revenue	(498)	0	0	0	(498)	498	0
<i>Adjustments primarily involving the Capital Grants Unapplied Account</i>							
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	(8,511)	0	0	5,810	(2,701)	2,701	0
Application of capital financing transferred to the Capital Adjustment Account	0	0	0	(1,110)	(1,110)	1,110	0
<i>Adjustments primarily involving the Capital Receipts Reserve</i>							
Transfer of cash proceeds credited as part of the gain/loss on disposal	(8,575)	0	3,361	0	(5,214)	5,214	0

Continued

TECHNICAL NOTES

2016/17	General Fund Reserve	Earmarked Revenue Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Reserves Usable	Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000	£000
<i>Adjustments primarily involving the Pensions Reserve</i>							
Reversal of items relating to retirement benefits debited or credited to the CIES	4,873	0	0	0	4,873	(4,873)	0
Employer's pension contributions and direct payments to pensioners payable in year	(3,750)	0	0	0	(3,750)	3,750	0
<i>Adjustments primarily involving the Collection Fund Adjustment Account</i>							
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax and business rates income calculated for the year in accordance with statutory requirements	(2,099)	0	0	0	(2,099)	2,099	0
<i>Adjustments primarily involving the Accumulated Absences Account</i>							
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	59	0	0	0	59	(59)	0
Total adjustments	(11,628)	0	3,361	4,700	(3,567)	3,567	0

TECHNICAL NOTES

18. Revaluation Reserve

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

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

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

	31 March 2018 £000	31 March 2017 £000
Balance at 1 April	(54,900)	(44,388)
Other movements	0	0
Upward revaluation of assets	(13,997)	(14,772)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	11,167	3,373
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(2,830)	(11,399)
Difference between fair value depreciation and historical cost depreciation	960	760
Accumulated gains on assets sold or scrapped	0	127
Amounts written off to the Capital Adjustment Account	960	887
Balance at 31 March	(56,770)	(54,900)

TECHNICAL NOTES

19. Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside 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 Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

	31 March 2018 £000	31 March 2017 £000
Balance at 1 April	(106,267)	(95,776)
Other adjustments		
Reversal of items relating to capital expenditure:		
Charges for depreciation and impairment of non-current assets	3,205	2,488
Revaluation (gains) losses on Property, Plant and Equipment	1,141	2,441
Revenue expenditure funded from capital under statute	1,057	832
Amounts written off on disposal or sale of non-current assets	3,363	6,012
Adjusting amounts written out of the Revaluation Reserve	(960)	(888)
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(18,150)	(12,165)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(317)	(2,701)
Application of grants to capital financing from the Capital Grants Unapplied Account	(2,570)	(1,110)
Capital expenditure charged against the General Fund	0	(498)
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(3,493)	(4,902)
Balance at 31 March	(122,991)	(106,267)

TECHNICAL NOTES

20. Pensions Reserve

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

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

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

	31 March 2018 £000	31 March 2017 £000
Balance at 1 April	70,518	56,975
Remeasurements of the net defined liability	(2,319)	12,420
Reversal of items in the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	6,838	4,873
Employer's pensions contributions and direct payments to pensioners payable in the year	(3,913)	(3,750)
Balance at 31 March	71,124	70,518

21. Collection Fund Adjustment Account

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

	31 March 2018 £000	31 March 2017 £000
Balance at 1 April	(1,751)	348
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	3,358	(2,099)
Balance at 31 March	1,607	(1,751)

TECHNICAL NOTES

22. Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	31 March 2018	31 March 2017
	£000	£000
Balance at 1 April	701	642
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(302)	59
Balance at 31 March	399	701

23. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it.

	2017/18 £000	2016/17 £000
Capital investment		
Property, Plant and Equipment	2,206	3,499
Investment Properties	17,766	12,142
Heritage Assets	9	0
Revenue Expenditure Funded from Capital under Statute	1,057	832
	21,038	16,474
Sources of finance		
Capital receipts received and applied	(18,150)	(12,165)
Capital receipts reserve applied	0	0
Government grants and other contributions	(2,888)	(3,811)
Revenue	0	(498)
	(21,038)	(16,474)

24. Capital Commitments

At 31 March 2018, total capital programme commitments outstanding totalled £1.632m which represent orders placed but works not completed. Of this amount £0.384m related to Marketfield Way.

25. Construction Contracts

As at 31 March 2018 the Council had no material construction contracts in place.

TECHNICAL NOTES

26. Leases

Council as Lessee

26.1 Finance leases

The Council has acquired use of 11 properties under finance leases which are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	2017/18 £000	2016/17 £000
Other Land and Buildings – freehold owned by Council	8,826	16,125
Other Land and Buildings – freehold not owned by Council	2,895	1,347
Total	11,721	17,472

26.2 Operating Leases

The Council rents two allotment sites and a library car park which are not treated as non-current assets as they are short term operating leases.

Council as Lessor

26.3 Operating Leases

In order to achieve operational objectives the Council has leased out land and property, providing £194,000 in 2017/18 (£647,000 in 2016/17). Similarly other assets leased out for investment purposes provided rent of £1,199,000 in 2017/18 (£1,233,000 in 2016/17).

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

	31 March 2018 £000	31 March 2017 £000
Not later than one year	2,943	1,611
Later than one year and not later than five years	7,194	4,895
Later than five years	131,666	68,016
	141,803	74,522

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

TECHNICAL NOTES

27. Financial Instruments:

27.1 Balances

The borrowings and investments included in the Balance Sheet consist of the following categories of financial instruments.

	Long-Term		Current	
	31 March 2018 £000	31 March 2017 £000	31 March 2018 £000	31 March 2017 £000
Financial Liabilities	0	0	0	0
Interest accrued (included in creditors – other)	0	26	0	0
Total Borrowings	0	26	0	0
Loans and Receivables	5,000	8,000	51,004	44,121
Loans to Trading companies	2,822	3,002	1,100	0
Interest accrued	62	52	340	376
Total Investments	7,884	11,054	52,444	44,497

The Total Investments figures include trust fund balances of £1,702,000 (£1,701,000 in 2016/17), and £5,462,883 deposited in 2014/15 in an escrow account for the construction of a hotel as part of a regeneration project in Redhill. Of the initial escrow deposit a balance of £4,436 remains in 2017/18. These form part of our total investment portfolio and are now treated as resources controlled by the Council and so are included in the Council's Balance Sheet.

27.2 Gains and Losses

The gains and losses recognised in the Income and Expenditure Account and the Movement in Reserves Statement - in relation to financial instruments – are shown in the table below.

	Financial Liabilities (at amortised cost) £000	Financial Assets (loans and receivables) £000
Interest and Investment Income	0	636
Net Gain/(Loss) for the years	0	636

27.3 Fair Value of Assets and Liabilities

Financial liabilities, and financial assets represented by loans and receivables, are carried on the Balance Sheet at cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans receivable, prevailing benchmark market rates have been used to provide the fair value.
- No early repayment or impairment is recognised.

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- Where an instrument has a maturity of less than 12 months, the fair value is taken to be the principal outstanding or the billed amount.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The trade debtors and trade creditors figures shown below do not include any payables or receivables in respect of Central Government or local taxation as these reflect statutory duties rather than contractual obligations (full information on Debtors and Creditors can be found in Notes 14 and 16).

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

Financial Liabilities

	31 March 2018		31 March 2017	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Other Debt	0	0	0	0
Interest accrued	0	0	0	0
Total Debt	0	0	0	0
Trade Creditors	4,801	4,801	4,373	4,373
Total Financial Liabilities	4,801	4,801	4,373	4,373

The fair value of the loans and the trade creditors is the same as the carrying value as they are all for less than 12 months duration.

Financial Assets

	31 March 2018		31 March 2017	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Money Market Loans	56,000	56,401	48,000	48,555
Company Loans	3,922	3,922	3,002	3,002
Investment interest accrued – short term debtors	340	340	377	377
Money Deposited in Escrow Account	4	4	4,121	4,121
Trade Debtors	6,832	6,832	4,140	4,140
Total Financial Assets	67,098	67,499	59,640	60,195

The differences between the carrying amounts and the fair values of the loans are attributable to fixed rate loans which are attracting a higher rate of interest than the rates available for similar loans at the Balance Sheet date. This increases the fair value of the loans.

The fair value of the trade debtors is the same as the invoiced amount .

TECHNICAL NOTES

27.4 Key Risks

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

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

27.5 Credit Risk

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

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

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

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

The full Treasury Management Strategy for 2017/18 was approved by Full Council on 13 April 2017 and is available on the Council's website.

27.6 Liquidity Risk

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

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and the PWLB and Money Markets for access to longer term funds. The Council is also required to provide a balanced budget by the *Local Government Finance Act 1992*, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

TECHNICAL NOTES

27.7 Refinancing and Maturity Risk

The Council maintains an investment portfolio. The key risk relates to managing the exposure in replacing financial instruments as they mature. This risk therefore relates to the maturing of longer - term financial assets.

The approved treasury indicator sets limits on investments placed for greater than one year in duration and is the key control used to address this risk. Operationally, risks are mitigated by monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day-to-day cash flow needs, and by ensuring that the spread of longer-term investments provide stability of both maturities and returns in relation to the longer-term cash flow needs.

The maturity analysis of financial assets is shown below.

	2017/18 £000	2016/17 £000
Less than 1 year	52,104	39,935
More than 1 year, less than 2 years	5,000	3,000
More than 2 years, less than 3 years	0	5,000
More than 3 years	2,822	7,122
Total	59,926	55,057

Trade debtors of £6,832,000 are not shown in the table above. The Council has no long-term financial liabilities. All trade and other payables are due to be paid in less than one year.

27.8 Market Risk

Interest rate risk - The Council is exposed to interest rate movements on its investments.

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

All investments are currently in fixed interest rate deposits and therefore a change in interest rates would have no effect on the interest receivable for the year. Since all investments are classified as Loans and Receivables any change in the fair value resulting from changes in interest rates would have no effect upon the figures contained within the Accounts.

28. Defined Benefits Pension Schemes

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

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

In addition, there are arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, no investment assets have been

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built up to meet these pension's liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

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

The principal risks to the Council are changes to financial assumptions (discount rate, pension increase rate and salary increase rate), longevity assumptions, bond yields and the performance of the equity investments, as well as any statutory changes to the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies.

28.1 Transactions Relating to Retirement Benefits

Comprehensive Income and Expenditure Statement	2017/18	2016/17
	£000	£000
Cost of Services:		
Current service cost	5,026	2,850
Admin costs	36	45
Past service cost	0	0
Financing and Investment Income and Expenditure:		
Net interest expense	1,776	1,978
Remeasurement of the net defined benefit liability:		
Return on plan assets	1,239	(56,295)
Changes in financial assumptions	(3,540)	32,457
Changes in demographic assumptions	0	(3,081)
Other	(18)	39,339
Total post employment benefit charged to the Comprehensive Income and Expenditure Statement	4,519	17,293
Movement in Reserves Statement		
Reversal of net charges made to the Surplus of Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(6,838)	(4,873)
Actual amount charged against the General Fund Balance for pensions in the year	3,913	3,750

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28.2 Assets and Liabilities in Relation to Post-Employment Benefits

The fair value of assets relating to retirement benefits attributable to the Council are:

	2017/18	2016/17
	£000	£000
Total Assets as at 1 April	161,135	106,111
Interest income	3,972	3,626
Return on plan assets	(1,239)	56,295
Employer contributions	3,913	3,750
Participant's contributions	831	772
Benefits paid	(9,100)	(9,419)
Total Assets as at 31 March	159,512	161,135

The present value of liabilities relating to retirement benefits attributable to the Council are:

	2017/18	2016/17
	£000	£000
Total Liabilities as at 1 April	231,653	163,086
Current service cost	5,062	2,850
Administration Costs	36	45
Past service cost (including curtailments)	0	0
Interest cost on defined benefit obligations	5,748	5,604
Participant contributions	831	772
Benefits paid	(9,100)	(9,419)
Remeasurements:		
Changes in financial assumptions	(3,540)	32,457
Changes in demographic assumptions	0	(3,081)
Other experience	(18)	39,339
Total Liabilities as at 31 March	230,672	231,653

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The fund's assets comprise the following:

	2017/18		2016/17	
	£000	%	£000	%
Equity Securities:				
Consumer	12,941	8%	13,073	8%
Manufacturing	11,731	7%	11,850	7%
Energy and Utilities	6,431	4%	6,496	4%
Financial Institutions	11,284	7%	11,399	7%
Health and Care	4,262	3%	4,306	3%
Information Technology	8,984	6%	9,076	6%
Other	325	0%	328	0%
Debt Securities:				
Corporate Bonds (investment grade)	5,538	3%	5,594	3%
Corporate Bonds (non-investment grade)	350	0%	353	0%
UK Government	325	0%	328	0%
Other	731	0%	739	0%
Private Equity:				
All	6,695	4%	6,763	4%
Property:				
UK	9,070	6%	9,162	6%
Overseas	59	0%	60	0%
Investment Funds and Unit Trusts:				
Equities	44,233	28%	44,683	28%
Bonds	17,436	11%	17,613	11%
Other	0	0%	0	0%
Derivatives:				
Interest Rate	(5)	0%	(5)	0%
Foreign Exchange	226	0%	228	0%
Cash and cash equivalents:				
All	18,896	12%	19,089	12%
	159,512	100%	161,135	100%

TECHNICAL NOTES

28.3 Basis for Estimating Assets and Liabilities

The principal assumptions used in the estimation of assets and liabilities are shown below.

	2017/18	2016/17
Longevity at 65		
Average future life expectancy at age 65:		
Current pensioners – Men	22.5 yrs	22.5 yrs
Current pensioners – Women	24.6 yrs	24.6 yrs
Future pensioners – Men	24.1 yrs	24.1 yrs
Future pensioners – Women	26.4 yrs	26.4 yrs
Other Assumptions		
Expected return on assets	1.7%	20.4%
Rate of Increase in Salaries	2.7%	2.7%
Rate of Increase in Pensions	2.4%	2.4%
Rate for Discounting Scheme Liabilities	2.5%	2.5%
Take-up of Option to Convert Pension into Lump-sum:		
Pre April 2008 service	25%	25%
Post April 2008 service	63%	63%

*Figures assume members aged 45 as at the last formal valuation date.

28.4 Impact on Cash Flows

The objectives of the scheme are to keep employers' contributions at a constant rate. Surrey County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis and the most recent triennial valuation was completed on 31 March 2016.

29. Critical Judgements in applying accounting policies

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

The critical judgements made in the Statement of Accounts are:

There is a high degree of uncertainty about future levels of funding for local government and the impact of the decision for Britain to leave the European Union remains unclear. The Council has determined that these uncertainties are not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

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

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

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

- Pensions liability - Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide expert advice about the assumptions to be applied. The basis for estimating the pension assets and liabilities are set out in note 28.3.
- Allowance for bad debts – an allowance for bad debts has been estimated to cover all major items of income (see note 14). This allowance is considered adequate to cover future bad debts, but by its nature is an estimate.
- Asset valuations and impairments – the Council engages with an external valuer in order to calculate valuations, useful lives and impairment reviews of its fixed assets in accordance with professional guidance.

31. Events after the Reporting Date

The Statement of Accounts was authorised for issue by the Head of Finance on 19 July 2018. Events taking place after this date are not reflected in the financial position or notes. Where events taking place before this date provided information about conditions existing at 31 March 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Following the end of the reporting period, the ownership structure of Pathway for Care has changed. In early 2018/19 the Council sold a majority stake in Pathway for Care retaining a 10% shareholding and converted its £1.1m of loan stock into £1.1m preference shares in Pathway for Care.

32. Contingent Liabilities

A new road bridge was constructed in 2005 beneath the London to Brighton railway line. If, as a result of this work, Network Rail incurs costs or damages in excess of £2,000,000 then the Council will provide further compensation up to a maximum of £1,000,000.

The Council was not directly involved in the construction work but has agreed to act as an enabler to ensure that the bridge is built. It is empowered to do this by virtue of Part 1 of the *Local Government Act 2000*. The potential liability will cease when Surrey County Council formally adopts the new road.

National Non Domestic Rates (NNDR) and NHS Foundation Trusts: The Council has a possible future reduction in NNDR income of approximately £1,129,000 if the NHS Foundation Trusts application for mandatory rate relief, based upon being classed as a charity, is granted.

33. Agency Services

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

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April 2004 when responsibility passed to Surrey County Council.

This Council entered into an agreement with Surrey County Council to take on the responsibility for on-street parking enforcement within the Borough during 2004/05 on an agency basis with the net costs of running the scheme being fully refunded to the Council.

The surplus of income over expenditure paid to Surrey County Council during 2017/18 amounted to £0 (£0 in 2016/17).

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

There are a number of new changes to accounting standards that will apply from 2018/19. A brief summary and their impact are set out below:

- IFRS 9 Financial Instruments. Replaces IAS39. Covers classification and measurement of financial instruments, impairment and hedge accounting. Intended to simplify classification and measurement of Financial Instruments. Impairment requires recognition of expected credit losses, rather than the previous incurred loss model which allowed postponement of recognition of losses. The impact of this is expected to be minimal.
- IFRS 15 Revenue from Contracts with Customers. Replaces IAS 11 Construction Contracts and IAS18 Revenue related interpretations. Intended to defer income to match associated contracted expenditure. This ties in with the accruals concept already used so will have minimal impact on the Local Authority accounts. However consideration will be needed in preparation of the Group Accounts.

35. Balances on Trust Funds

The Council acts as trustee for a number of Trust Funds. The Funds are held by the Council largely to ensure the continuing provision of specific areas of land and other facilities for use by the public. Brief details of each of the Trusts are also shown below.

Notes	Trust Fund	31 March 2017 £000	Receipts in Year £000	Payments in Year £000	31 March 2018 £000
i.	Commons Trust	(779)	(8)	8	(779)
ii.	Reigate Baths Trust	(773)	(7)	7	(773)
iii.	Environmental Traffic Trust	(76)	(1)	0	(77)
iv.	Reigate Priory & Park Hill Trust	(48)	0	0	(48)
v.	Redhill Memorial Sports Ground Trust	(13)	0	0	(13)
vi.	Other Trusts	(12)	0	0	(12)
	Total	(1,701)	(16)	15	(1,702)

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Notes

- i. Established in 1922 to ensure the continuing provision of public open spaces.
- ii. Established in 1906 to ensure the continued provision of swimming facilities.
- iii. Established in 2000 to facilitate traffic surveys, traffic management and other environmental improvements in and around Walton on the Hill.
- iv. Established in 1921 to ensure the continuing provision of public open spaces.
- v. Established in 1922 to ensure the continuing provision of sports and recreation grounds.
- vi. Miscellaneous sums to support the provision of parks and open spaces.

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General Principles

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and shows its position at 31 March 2018. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the UK 2017*.

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

Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed. Where there is a gap between receipt and consumption they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received, including those provided by employees, are recorded as expenditure when the services are received rather than when payments are made.
- Interest payable on borrowings and receivable on investments is accounted for, at the effective rate of interest, for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Cash and Cash Equivalents

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

Exceptional Items

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

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

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

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions,

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other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. There have been changes to IAS19 which has resulted in changes to the Employee Benefits accounting policy as set out below.

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

Council Tax and Non-domestic Rates (England)

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (ie the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. 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 NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

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

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

Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. Redundancy costs are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when

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the Council can no longer withdraw the termination of the employment or make an offer to encourage voluntary redundancy. Other staff settlements are charged to the service once agreement has been reached by both parties.

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

Post-Employment Benefits

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

- The liabilities of the Surrey County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.3%.
- The assets of Surrey County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price.
 - unquoted securities – professional estimate.
 - unitised securities – current bid price.
 - property – market value.
- The change in the net pensions liability is analysed into several components:
 - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
 - Administration cost – calculated as a percentage of current service cost, as provided within the annual actuarial report.
 - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
 - net interest on the net defined benefit liability/(asset), i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) arises from the passage of time charged to the Finance and Investment Income and Expenditure line on Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability/(asset) at the beginning of the period – taking into account any changes

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in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

- Remeasurements comprising:
 - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
 - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
 - contributions paid to the Surrey County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Events after the Reporting Period

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

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

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

Asset and Liability Measurement

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

Level 1:

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

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Level 2:

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

Level 3:

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

Carrying Value Measurement Transfer Policy

Where assets and liabilities are subject to transfer between levels the transfer is deemed to have occurred at the end of the reporting period. This transfer policy is applied consistently between transfers into levels and transfers out of levels.

Financial Instruments

Financial Liabilities

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

Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market.
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure

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Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Government Grants and Contributions

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

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

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

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

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

Community Infrastructure Levy

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

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

Heritage Assets

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

These items are reported in the Balance Sheet at insurance valuation which is based on market values. These insurance valuations are updated on an annual basis. The collection

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is relatively static with donations being rare. Where they do occur, donations are recognised at valuation.

Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only re-valued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £5,000) the Capital Receipts Reserve.

Interests in Companies and Other Entities

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

Investment Property

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

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

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However,

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revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

Leases

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

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

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

The Council as Lessee

Finance Leases

Property, Plant and Equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

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

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

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

Operating Leases

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

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The Council as Lessor

Operating Leases

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

Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2017/18 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received.

Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

- infrastructure, community assets and assets under construction – depreciated historical cost
- operational assets – current value basis, determined by the characteristics of the asset
- all other assets – fair value, determined as the highest and best use amount that would be paid for the asset in an orderly transaction between market participants.

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

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

Assets included in the Balance Sheet at current value and fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value or fair value at the year-end, but as a minimum every five years by a qualified external valuer. Valuations are undertaken on 31 December and an impairment review carried out on 31 March. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

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

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

ACCOUNTING POLICIES

- Vehicles and plant – 7 years
- Equipment– 5 years

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale. If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

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

Provisions

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the

ACCOUNTING POLICIES

obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

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

Contingent 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 in a note to the accounts.

Reserves

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

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

Revenue Expenditure Funded from Capital under Statute

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

Value Added Tax (VAT)

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

COLLECTION FUND

Introduction

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

Collection Fund for the Year Ended 31 March

Council Tax £000	2016/17 Business Rates £000	Total £000		Council Tax £000	2017/18 Business Rates £000	Total £000
(100,840)	0	(100,840)	INCOME	(106,536)	0	(106,536)
	(50,504)	(50,504)	Council Tax receivable	0	(53,640)	(53,640)
(100,840)	(50,504)	(151,344)	Total Income	(106,536)	(53,640)	(160,176)
			EXPENDITURE			
			Precepts and Demands:			
0	24,411	24,411	Central Government	0	28,137	28,137
12,558	19,529	32,087	Reigate & Banstead Borough Council	13,032	22,510	35,542
73,942	4,882	78,824	Surrey County Council	78,663	5,627	84,290
12,837	0	12,837	Surrey Police Authority	13,267	0	13,267
			Distribution of Prior Years' Surplus:			
0	(2,117)	(2,117)	Central Government	0	2,321	2,321
116	(1,694)	(1,578)	Reigate & Banstead Borough Council	199	1,857	2,056
690	(423)	267	Surrey County Council	1,173	464	1,637
122	0	122	Surrey Police Authority	204	0	204
			Charges to the Collection Fund:			
223	116	339	Increase/decrease in bad debt provision	155	114	269
0	496	496	Increase/decrease in appeals provision	0	736	736
0	172	172	Cost of collection	0	174	174
100,488	45,372	145,860	Total Expenditure	106,693	61,940	168,633
(352)	(5,132)	(5,484)	Deficit/(Surplus) for the Year	157	8,300	8,457
(2,191)	1,571	(620)	Add Opening Balance as at 1 April	(2,543)	(3,561)	(6,104)
(2,543)	(3,561)	(6,104)	Closing Balance as at 31 March	(2,386)	4,739	2,353

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

COLLECTION FUND

NOTES TO THE COLLECTION FUND

1. Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund in the forthcoming year by the Council and its preceptors (that is, authorities we collect Council Tax for).

The Council's preceptors are:

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

The total Council Tax requirement is then divided by the Council Tax Base.

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

The calculation of the Council Tax Base for 2017/18 (with comparative figures for 2016/17) is set out below.

Band	Range of Values	Estimated Number of Properties	Multiplier	2017/18 Band D Equivalent	2016/17 Band D Equivalent
A	Up to £40,000	619	6/9	413	415
B	£40,000 to £52,000	2,376	7/9	1,848	1,784
C	£52,001 to £68,000	8,946	8/9	7,952	7,794
D	£68,001 to £88,000	14,517	9/9	14,517	14,305
E	£88,001 to £120,000	9,570	11/9	11,697	11,616
F	£120,001 to £160,000	6,727	13/9	9,716	9,662
G	£160,001 to £320,000	6,856	15/9	11,427	11,257
H	More than £320,000	991	18/9	1,982	1,938
Total		50,602		59,552	58,771
Less Allowance for Non-collection				(476)	(470)
Council Tax Base				59,076	58,301

The average "Band D" Council Tax for 2017/18 was £1,770.56 (£1,697.91 in 2016/17).

COLLECTION FUND

2. Business Rates

The Council collects Business Rates for the area, which is based on rateable values multiplied by a uniform rate set by central government. Information on rateable values and the rates are set out below:

	2017/18	2016/17
Rateable value at 1 April	£134.3m	£119.5m
Standard Business Rate	47.9p	49.7p
Small Business Rate	46.6p	48.4p

GROUP ACCOUNTS 2017/18

GROUP ACCOUNTS 2017/18

1. Introduction

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

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

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

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Group Company and Joint Venture Information

Company Name	Shareholding	Council's Nature of Interest	In year activity 2017	Purpose
Horley Business Park Development LLP (Joint Venture)	Council 50%, Millhill Properties (Horley) Ltd 49.99%, Berwick Hill Properties Ltd 0.01%	Ownership structure has not changed during the financial year 2017/18. RBBC doesn't have any significant restrictions on its ability to access or use the assets and settle the liabilities of the group.	The Council has lent the LLP £275,800 during the financial year 2017/18 and the interest charged for the loan was £39,367.	The purpose is to promote the borough as a place to do business, securing resources to maintain and improve business related infrastructure and to create new jobs for our residents.
Pathway for Care Ltd (Subsidiary)	Council 80% and Table 7 Consulting Ltd 20%	T7 Group Ltd as a non-controlling interest has a 20% of ownership in Pathway. The council doesn't have any significant restrictions on its ability to access or use assets, and settle liabilities of the group. The council does not have any contractual obligations towards Pathway. The ownership composition of Pathway has not changed during the financial year 2017/18.	The Council has lent the company £644,000 during the financial year 2017/18.	Pathway is a home health care company that supports people across the borough and beyond to live as independently as possible in their own homes.
Greensand Holdings Ltd (Subsidiary)	Council 100%	Greensand is fully owned by the council and this has not changed during the financial year 2017/18. The council doesn't have any significant restrictions on its ability to access or use assets, and settle liabilities of the group. The council does not have any contractual obligations towards Greensand Holdings Ltd and therefore no risk associated with its interest in the group.	The Council has lent the company £2,269,538 (all during 2016/17) and the interest charged for the loan was £102,325 for the financial year 2017/18	Greensand is a property company

GROUP ACCOUNTS 2017/18

Group Movement in Reserves Statement

	General Fund Reserve	Earmarked Revenue Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority's share of Reserves of subsidiary & Joint Venture	Total Reserves attributable to the Council	Minority Interest	Group Reserve Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2016	8,737	13,485	26,148	5,724	54,094	89,576	143,670	0	143,670	0	143,670
<u>Movement in reserves during 2016/17</u>											
Surplus or (deficit) on provision of services	14,370	0	0	0	14,370	0	14,370	(188)	14,182	(52)	14,130
Other comprehensive income and expenditure	0	0	0	0	0	(1,020)	(1,020)	0	(1,020)	0	(1,020)
Adjustment between group and authority accounts	23	0	0	0	23	0	23	(11)	12	0	12
Adjustments between accounting and funding basis under regulations (Note 17)	(11,628)	0	3,361	4,700	(3,567)	3,567	0	0	0	0	0
Transfers to/from Usable Reserves (Note 10)	(5,590)	5,590	0	0	0	0	0	0	0	0	0
Other adjustments	0	0	0	0	0	0	0	0	0	0	0
Increase/Decrease in 2016/17	(2,825)	5,590	3,361	4,700	10,826	2,547	13,373	(199)	13,174	(52)	13,122
Balance at 31 March 2017	5,912	19,075	29,509	10,424	64,920	92,123	157,043	(199)	156,844	(52)	156,792

GROUP ACCOUNTS 2017/18

	General Fund Reserve	Earmarked Revenue Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority's share of Reserves of subsidiary & Joint Venture	Total Reserves attributable to the Council	Minority Interest	Group Reserve Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2017	5,912	19,075	29,509	10,424	64,920	92,123	157,043	(199)	156,844	(52)	156,792
<u>Movement in reserves during 2017/18</u>											
Surplus (deficit) on provision of services	8,007	0	0	0	8,007	0	8,007	(334)	7,673	(155)	7,518
Other comprehensive income and expenditure	0	0	0	0	0	5,149	5,149	0	5,149	0	5,149
Adjustment between group and authority accounts	102	0	0	0	102	0	102	(102)	0	0	0
Adjustments between accounting and funding basis under regulations (Note 17)	1,153	0	(13,699)	2,884	(9,662)	9,662	0	0	0	0	0
Transfers to/from Usable Reserves (Note 10)	(2,628)	2,628	0	0	0	0	0	0	0	0	0
Other Adjustments	0	0	0	0	0	0	0	0	0	0	0
Increase/Decrease in 2017/18	6,634	2,628	(13,699)	2,884	(1,553)	14,811	13,258	(436)	12,822	(155)	12,667
Balance at 31 March 2018	12,546	21,703	15,810	13,308	63,367	106,934	170,301	(635)	169,666	(207)	169,459

GROUP ACCOUNTS 2017/18

Group Comprehensive Income and Expenditure Statement

2016/17			2017/18		
Gross Exp £000	Gross Inc £000	Net Exp £000	Gross Exp £000	Gross Inc £000	Net Exp £000
3,449	(1,427)	2,022	44,681	(40,364)	4,317
9,818	(5,246)	4,572	12,114	(9,445)	2,669
2,761	(2,110)	651	7,638	(1,975)	5,663
6,000	(4,246)	1,754	2,868	(2,283)	585
4,792	(5,035)	(243)	5,384	(2,158)	3,226
6,308	(1,598)	4,710	6,335	(5,886)	449
910	(1,100)	(190)	6,282	(1,614)	4,668
43,427	(41,807)	1,620	1,577	(1,434)	143
7,935	(2,103)	5,832	828	(2)	826
85,400	(64,672)	20,728	87,707	(65,161)	22,546
347	(2,562)	(2,215)	364	(965)	(601)
1,990	(6,383)	(4,393)	1,776	(5,230)	(3,454)
15,613	(43,876)	(28,263)	22,126	(48,180)	(26,054)
103,350	(117,493)	(14,143)	111,973	(119,309)	(7,563)
	6				4
	7				41
	0				0
	(14,130)				(7,518)
	(11,400)				(2,830)
	12,420				(2,319)
	0				0
	1,020				(5,149)
	(13,110)				(12,667)

GROUP ACCOUNTS 2017/18

Analysis of Minority Interest Shares in the Group Comprehensive Income & Expenditure Statement

Attributable shares of income and expenditure

2016/17				2017/18		
Authority	Minority Interests	Total		Authority	Minority Interests	Total
£000	£000	£000		£000	£000	£000
(14,182)	52	(14,130)	Surplus or deficit on the Provision of Services	(7,673)	155	(7,518)
1,020	0	1,020	Other Comprehensive Income & Expenditure	(5,149)	0	(5,149)
(13,162)	52	(13,110)	Total Comprehensive Income & Expenditure	(12,822)	155	(12,667)

GROUP ACCOUNTS 2017/18

Group Balance Sheet

31 March 2017		Note	31 March 2018
£000			£000
113,564	Property, Plant and Equipment	38	113,326
49,433	Investment Property	39	68,599
468	Heritage Assets		477
4	Investment in Joint venture	44	0
15	Long Term Debtors		211
0	Deferred Tax Asset		0
11,002	Long term Investment		5,552
174,486	Long Term Assets		188,165
41,320	Short Term Investments		50,994
0	Assets Held for Sale		0
45	Inventories		54
4,149	Short Term Debtors	40	6,801
23,841	Cash and Cash Equivalents	42	7,057
0	Current Tax Asset		0
69,355	Current Assets		64,906
(11,824)	Short Term Creditors	41	(7,605)
(7)	Current Tax liability		
(11,831)	Current Liabilities		(7,605)
(1,701)	Long Term Creditors		(1,702)
(1,670)	Business Rates Appeals Provision		(1,965)
(70,518)	Pension Liability		(71,124)
(1,177)	Capital Grants in Advance		(1,023)
(152)	Other Long Term Liabilities		(152)
0	Deferred Tax liability		(41)
(75,218)	Long Term Liabilities		(76,007)
156,792	Net Assets		169,459
(5,912)	General Fund Reserve		(12,547)
(19,075)	Earmarked Reserves		(21,703)
(29,509)	Capital Receipts Reserve		(15,810)
(10,424)	Capital Grants Unapplied		(13,308)
0	Pension Reserve – Private		0
199	Profit and Loss Reserve		838
(64,721)	Usable Reserves		(62,530)
(54,900)	Revaluation Reserve		(56,973)
(106,266)	Capital Adjustment Account		(122,991)
(425)	Deferred Capital Receipts Reserve		(302)
70,518	Pensions Reserve – Local Government		71,124
(1,751)	Collection Fund Adjustment Account		1,607
701	Accumulated Absences Account		399
52	Minority Interest		207
(92,071)	Unusable Reserves		(106,929)
156,792	Total Reserves		(169,459)

GROUP ACCOUNTS 2017/18

Group Cash Flow Statement

2016/17 £000		2017/18 £000
(14,130)	Net (surplus) or deficit on the provision of services	(7,526)
(19,174)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(1,239)
24,004	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	10,037
(9,300)	Net cash flows from Operating Activities	1,272
17,687	Purchase of Property Plant and Equipment (PPE) & Investment Property	17,067
211	Purchase of short-term and long-term investments	8,350
(15,526)	Proceeds from the sale of PPE & Investment Property	(4,451)
(8,334)	Capital grants received	(5,619)
0	Shareholdings in companies	0
(5,962)	Net cash flows from Investment Activities	15,347
0	Net cash flows from financing Activities	165
(15,262)	Net (increase)/decrease in cash and cash equivalents	16,784
8,579	Cash and cash equivalents at the beginning of the reporting period	23,841
23,841	Cash and cash equivalents at the end of the reporting period (Note 42)	7,057

Notes to the Group Accounts

36. General

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

37. Subsidiary & Joint venture Companies

The operating expenditure and income of the subsidiary company, Pathway for Care Limited has been included within Health and Wellbeing and Greensand Holdings Limited has been included within Financing and Investment Income and Expenditure.

GROUP ACCOUNTS 2017/18

38. Fixed Asset

	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Gross Cost or valuation				
At 1 April 2017	109,546	18,654	0	128,200
Additions	1,220	1,131	0	2,351
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	1,503	0	0	1,503
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,425)	0	0	(1,425)
Derecognition – disposals	0	(109)	0	(109)
Assets reclassifications	(1,041)	0	0	(1,041)
At 31 March 2018	109,803	19,676	0	129,479
Gross Accumulated Depreciation and Impairment				
At 1 April 2017	193	14,443	0	14,636
Depreciation charge	2,076	1,163	0	3,239
Depreciation written out to the Revaluation Reserve	(1,327)	0	0	(1,327)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(284)	0	0	(284)
Derecognition – disposals	0	(103)	0	(103)
Other movements in depreciation and impairment	(8)	0	0	(8)
At 31 March 2018	650	15,503	0	16,153
Net Value at 31 March 2018	109,153	4,173	0	113,326

GROUP ACCOUNTS 2017/18

39. Investment Property

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

	2017/18 £000	2016/17 £000
Rental income from investment property	(1,554)	(1,343)
Direct operating expenses arising from investment property	418	393
Net (gain)/loss	(1,136)	(950)

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

	31 March 2018 £000	31 March 2017 £000
Balance at start of the year	49,433	35,960
Additions	17,867	14,453
Recognition	624	0
Disposals	(1,725)	0
Net gains/losses from fair value adjustments	2,999	4,901
Transfers (to)/from Property, Plant and Equipment	1,033	0
Transfers (to)/from Assets held for Sale	(1,632)	(5,881)
Balance at end of the year	68,599	49,433

40. Debtors

	31 March 2018 £000	31 March 2017 £000
Central government bodies	1,575	348
Other local authorities	77	988
NHS bodies	0	1
Public corporations and trading funds	0	0
Other entities and individuals	7,470	4,993
Trade Debtors	8	24
Total (Gross)	9,130	6,354
Less Provision for Bad Debts	(2,329)	(2,205)
Total	6,801	4,149

41. Creditors

	31 March 2018 £000	31 March 2017 £000
Central government bodies	(350)	(273)
Other local authorities	(3,063)	(6,892)
Other entities and individuals	(4,084)	(4,417)
Trade Creditors	(108)	(267)
Other Taxes and Social Security	0	36
Accruals and Deferred income	0	(11)
Total	(7,605)	(11,824)

GROUP ACCOUNTS 2017/18

42. Cash & Cash Equivalents

	31 March 2018 £000	31 March 2017 £000
Cash held by the Council	2	3
Bank current accounts	7,055	23,838
Short-term deposits with banks and building societies	0	0
Total	7,057	23,841

43. Financing & Investment Income and Expenditure

	2017/18 £000	2016/17 £000
Interest payable and similar charges	0	0
Net interest on the defined benefit liability	1,776	1,978
Interest receivable and similar income	(727)	(527)
Income and expenditure in relation to investment properties and changes in their fair value	(4,503)	(5,844)
Total	(3,454)	(4,393)

44. Joint Venture – Allocating Income and Expenditure Items

	Joint Venture – Horley LLP £ 000	RBBC Share at 50% £ 000
Share of the (Surplus) or Deficit on the Provisions of Services by Joint Venture	10	5
Tax Expenses of Joint Venture	0	0
Share of the other Comprehensive Income and Expenditure of Joint Venture	0	0
Total	10	5

Joint Venture - Net Assets – Council's Interest

	Joint Venture – Horley LLP	RBBC Share at 50%
Current Assets	675	338
Current Liability	(110)	(55)
Long Term Liability	(587)	(294)
Net Asset	(22)	(11)

GROUP ACCOUNTS 2017/18

Statement of Group Accounting Policies

General

These notes should be read in conjunction with the Accounting Policies used to prepare Reigate and Banstead Borough Council accounts. Unless otherwise stated, the Group Accounting Statements have been prepared on the same basis.

Financial Year End

Reigate and Banstead Borough Council's accounts are based on a financial year ending on 31 March. The subsidiary companies prepare their accounts to 31 December each year. For the purpose of preparing the group accounting statements, the accounts have been consolidated using differing accounting year ends, adjusted as necessary to reflect any material transactions taking place in the period from January to March.

Accounting Convention

The accounts of Greensand Ltd have been prepared in accordance with IFRS (international financial reporting standards). The Pathway for Care Ltd accounts have been prepared in accordance with FRS102 and the Horley Business Park Development LLP accounts have been prepared in accordance with UKGAAP (United Kingdom Generally Accepted Accounting Practice), and adjusted in the group statement to reflect IFRS.

Financial Instruments

As detailed in the Reigate and Banstead Borough Council notes 27, financial instruments arising from the council's subsidiaries balances with external parties continue to be included in these group accounts at the lower of cost and net realisable value.

GLOSSARY

Accrual

An accounting concept that recognises income when it is earned and expenditure when it is incurred, and not when cash is transferred. Debtors and creditors are examples of accruals.

Business Rates

Occupiers of non-domestic properties (such as shops, factories and warehouses) do not pay Council Tax but instead pay Business Rates – also known as National Non-Domestic Rates.

Capital Expenditure

Expenditure on the acquisition of fixed assets or expenditure that adds to and not merely maintains the value of existing assets.

Capital Receipts

Proceeds from the sale of fixed assets (land, buildings and plant).

Current Value

The best estimate of the value of assets used by the Council to deliver service potential for the authority (operational assets).

Carrying Value

The value at which assets and liabilities are recorded in the accounting records. This is also known as “Book Value”.

Contingent Liability

A contingent liability is a possible obligation that arises from past events but whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the organisation’s control. It can also be a present obligation arising from past events but where a transfer of economic benefits to settle the obligation is not probable or where the amount of the obligation cannot be measured with sufficient reliability.

Depreciation

The loss of value of assets due to wear and tear, age or obsolescence. A charge is made to the Income and Expenditure Account to reflect the consumption or use of a fixed asset in service delivery. There is a corresponding reduction in the value of the fixed asset.

Fair Value

The best estimate of the value of assets (but not operational assets – see current value) and liabilities at a specific point in time.

Fixed Assets

Tangible assets that yield benefits to the Council and its services for a period of more than one year.

General Fund

The main fund of the Council. The balance on the General Fund compares the Council’s spending against the Council Tax that it raised for the year but also takes into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

GLOSSARY

Impairment

A reduction in the value of an asset caused by either a reduction in the benefits to be gained from the asset (e.g. Due to physical damage) or a fall in prices (which mean it is worth less than it was before prices fell).

International Accounting Standards (IAS)

IAS are a set of accounting standards developed and supervised by the UK-based International Accounting Standards Board (IASB). Since 2001, all new standards published have been issued as International Financial Reporting Standards (IFRS), as opposed to International Accounting Standards (IAS).

International Financial Reporting Interpretations Committee (IFRIC)

The IASB and the IFRS Interpretations Committee (IFRIC) are responsible for the maintenance of IFRS. The objectives of the Interpretations Committee are to interpret the application of IFRS.

International Financial Reporting Standards (IFRS)

IFRS are a set of international accounting standards stating how particular types of transactions and other events should be reported in financial statements. IFRS are issued by the independent, not-for-profit organization called the International Accounting Standards Board (IASB). All member states of the EU are required to use IFRS as adopted by the EU for listed companies since 2005.

Non-Distributed Costs

These are defined as certain past pension costs, the costs associated with unused shares of IT facilities and the costs of shares of other long-term, unused but unrealisable assets. They cannot be charged to service revenue accounts.

Precepts

Council Tax collected on behalf of non-charging authorities (i.e. Surrey County Council, Surrey Police who are major preceptors, and Town and Parish Councils who are minor preceptors).

Provisions

Amounts set aside for any liabilities that are likely to be incurred but where it is not possible to be specific about the amounts involved or the dates on which they will arise.

Revenue Expenditure

The day-to-day costs of running Council services.

Revenue Support Grant

The principal way that Central Government funds local government revenue expenditure. This grant is non-specific and is based upon the Government's assessment of how much a local authority should need to spend to provide a common level of service.