



# Annual Financial Report

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for the year ended 31 March 2019

# **ANNUAL FINANCIAL REPORT**

## **(INCORPORATING THE STATEMENT OF ACCOUNTS)**

### **for the year ended 31 March 2019**

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## REPORT

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The purpose of this Statement of Accounts (the Accounts) is to summarise the Council's financial performance for the year 2018/19 and the overall financial position at 31<sup>st</sup> March 2019. This report aims to provide 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 2018/19 financial performance has been well-managed to give a net underspend of £1,618,200 (9.1%). The final outturn position for the year against the revised budget is set out in the table below.

Category	2018/19		
	Budget	Outturn	Variance
	£000	£000	£000
Economic Prosperity	288.4	249.1	-39.3
Organisational Development	654.7	653.1	-1.6
Revenue, Benefits & Fraud	-25.6	261.2	286.8
Housing	998.4	975.5	-22.9
Projects and Performance	2,090.4	1,765.7	-324.7
Community Partnerships	1,400.7	1,428.9	28.2
Place Delivery	209.0	44.3	-164.7
Neighbourhood Operations	2,681.5	2,073.7	-607.8
Wellbeing & Intervention	238.8	232.2	-6.6
Planning	844.9	598.0	-246.9
Communications & Customer Contact	818.7	685.1	-133.6
ICT	1,563.5	1,546.7	-16.8
Legal and Governance	1,674.8	1,781.0	106.2
Finance & Assets	4,332.1	3,857.6	-474.5
Net Total	17,770.3	16,152.1	-1,618.2
Depreciation		3,125.0	
Accounting Adjustments		3,890.9	
<b>Total Gross Expenditure</b>		<b>23,168.0</b>	

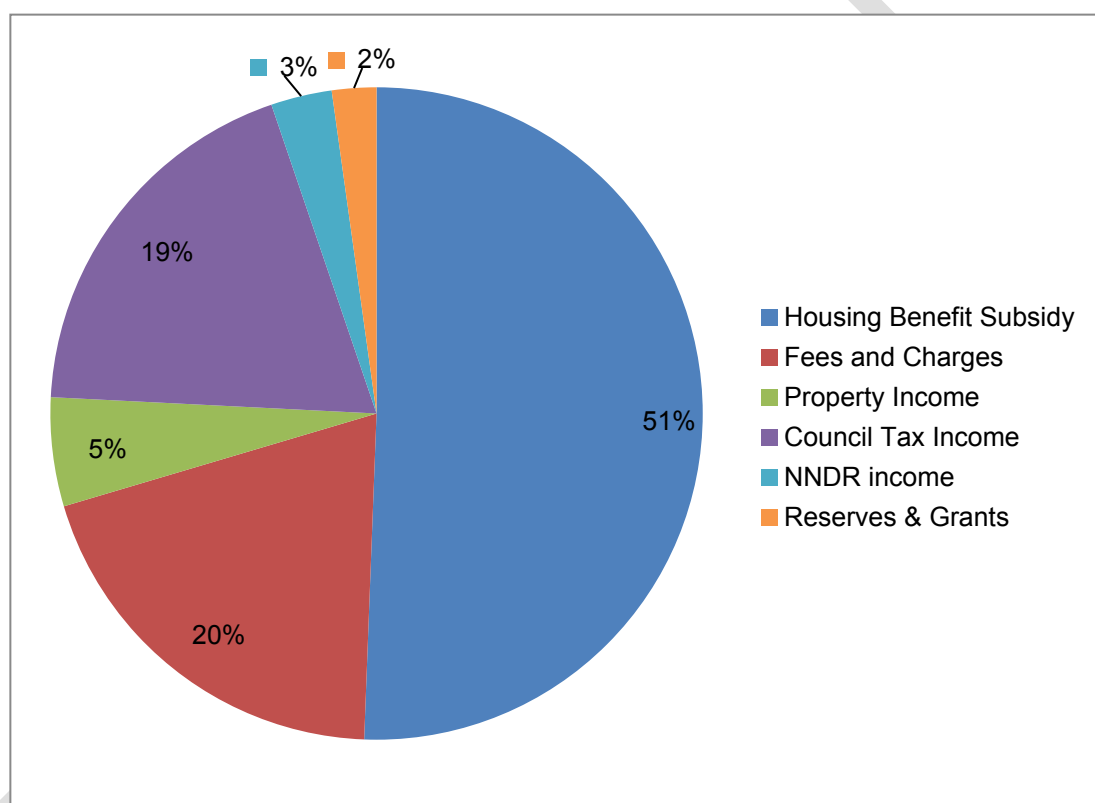
## REPORT

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The most significant revenue budget variances for 2018/19 have been underspends caused by higher than budgeted recycle income (Paper, Dry Mixed and Food) in Refuse & Recycling and a delay in planned borrowing that resulted in reduced costs in Finance.

The gross expenditure budget of £72 million has been funded from the sources set out in the chart below. The Council received income from fees and charges of £14.4m (20%), property income of £3.2 million (5%) and specific government grants, such as housing benefit subsidy of £36.8 million (51%). In addition £13.8 million (19%) was budgeted to be collected from locally raised council tax and £2.2 million (3%) from business rate payers. We have drawn £1.6 million (2%) from reserves and central government grants.

**Gross Revenue Budget Funding Sources (percentage)**



## REPORT

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### Capital budget and outturn

Capital expenditure for the year and sources of financing are set out in the table below.

Theme	Outturn	2018/19 Revised Budget	Variance
	£000	£000	£000
Waste & Recycling	14.9	10	4.9
Environment	27.0	149.6	(122.6)
Capital Grants	1,268.6	1,858.9	(590.3)
Regeneration	2,419.8	2,922.5	(502.7)
Leisure & Culture	319.2	565.4	(246.2)
Strategic Property	34,595.4	35,636.4	(1,041.0)
Rolling Programmes	502.7	1,245.3	(742.6)
Organisational Change	87.1	140.0	(52.9)
<b>Total Capital Expenditure</b>	<b>39,234.7</b>	<b>42,528.1</b>	<b>(3,293.4)</b>

### Financed by

Government grants and other contributions	3,966.0
Capital Receipts	20,133.1
External Borrowing	12,000.0
Internal Borrowing	3,045.9
Earmarked Reserves	89.7
<b>Total</b>	<b>39,234.7</b>

The majority of the £3.293 million underspend was due to slippage in projects which have now been re-profiled in the five-year capital programme, which totals £99.2 million for the years 2019/20 to 2023/24. A large proportion of this planned spend is on regeneration projects in Merstham, Redhill and Preston, some in partnership with Surrey County Council. The majority of capital spend is expected to take place over the next two years.

### Financial Statements

The Statement of Accounts for 2018/19 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 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.

### Further information

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

On completion of the audit, copies of the Statement of Accounts will be published on the Council's website at [www.reigate-banstead.gov.uk](http://www.reigate-banstead.gov.uk).

**Pat Main**

**Interim Head of Finance & Assets**

# ANNUAL GOVERNANCE STATEMENT

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## 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.

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.

## ANNUAL GOVERNANCE STATEMENT

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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 changing 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 business plans and associated resource plans, , role profiles, organisation vision, values and behaviours 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
- Risk 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.

#### **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 Overview & Scrutiny Committee and Executive with the information to check and challenge attainment of our priorities.

An internal audit review of our risk management function was undertaken in 2018/19 which provided full assurance of adherence to our risk strategy.

## ANNUAL GOVERNANCE STATEMENT

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Overview & Scrutiny Committee and Executive Members have reviewed the register of the strategic business risks facing the Council. The Executive has received assurances about the operation of the arrangements for identifying and managing risk.

Our Capital Investment Strategy will provide a new framework within which all of the Council's investment decisions can be assessed.

### **Effective financial planning and management**

The 2018/19 budget represented a challenge for the Council and required savings of £0.7m. Despite volatile economic conditions, expenditure was controlled and the final outturn was an underspend equivalent to 9% of the budget (£1.618m).

The Chief Finance Officer has ensured that effective budget monitoring and reporting arrangements, involving the Management Team, Executive and Overview & Scrutiny Committee and Corporate Governance 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 2018 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 an end of year report 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 Member and Officer Code of Conduct is proposed for 2019/2020 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 a pool of Independent Persons, (shared with 6 other local authorities in Surrey) for four years up to 2023 to provide stronger options to meet this statutory responsibility.

### **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.



## ANNUAL GOVERNANCE STATEMENT

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

### **Effectively developing skills and capacity**

The Council is developing an Organisational Development Strategy which will set out the approach needed to help ensure officers are engaged and committed to deliver the Council's priorities and services. Personal development plans and investment in "talent management" helps 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 engagement, including surveys, and action plans are put in place to address any themes emerging from staff engagement activities.

An induction and Member Learning and Development programme is in place for new and returning 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 2018/19 focused on media training for the Executive and broader communications skills training for all Members, specifically in the areas of use of social media and presentation skills. Training in 2019/20 will include Local Government Finance Training as well as updated social media and presentation skills training.

### **Effective Engagement**

Consultation and engagement had 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 2018/19 included the following:

For the 12 months ended 31 March 2019, the head of internal audit opinion for Reigate and Banstead Borough Council is as follows:

#### **Head of internal audit opinion 2018/19**



The Annual Audit Letter (from our external auditors) summarises the finding of the audit of the Council each year. The last letter received by the Council, in August 2018, in respect of the 2017/18 financial year contained the following conclusions:

- *We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2017-18 on 30 July 2018. This means we are satisfied that during the year the Authority had appropriate arrangements for securing economy,*

## ANNUAL GOVERNANCE STATEMENT

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*efficiency and effectiveness in the use of its resources. To arrive at our conclusion we looked at the Authority's arrangements to make informed decision making, sustainable resource deployment and working with partners and third parties.*

- *We issued an unqualified opinion on the Authority's financial statements on 30 July 2018. 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 include the consolidated financial statements for Authority's Group, which consists of the Authority itself, Pathways for Care and Greensand Holdings Limited.*

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

[http://www.reigate-banstead.gov.uk/download/downloads/id/4779/annual\\_audit\\_letter\\_2017-18.pdf](http://www.reigate-banstead.gov.uk/download/downloads/id/4779/annual_audit_letter_2017-18.pdf)

### **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** 20 June 2019

**John Jory**  
**Chief Executive**  
**Date** 20 June 2019

## STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

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### 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 Finance 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 FINANCE OFFICER'S RESPONSIBILITIES

The Chief Finance 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 Finance 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 2019 and of its income and expenditure for the year then ended.



**Pat Main**  
Interim Head of Finance & Assets



**Helen Stocker**  
Deputy Section 151 Officer

## AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

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Unaudited

## AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

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Unaudited

## AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

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**Intentionally blank – awaiting independent auditor's report to the Members of Reigate and Banstead Borough Council**

Unaudited

## STATEMENT OF ACCOUNTS

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The financial statements consist of:

### **1. Movement in Reserves Statement**

This statement shows the movement in the year on the 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).

### **2. 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.

### **3. 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.

### **4. Cash Flow Statement**

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

### **5. Accounting Policies**

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

### **6. 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 how these have been distributed.

### **7. 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
<b>Balance at 31 March 2017</b>	<b>5,912</b>	<b>19,075</b>	<b>29,509</b>	<b>10,424</b>	<b>64,920</b>	<b>92,123</b>	<b>157,043</b>
<b>Movement in reserves during 2017/18</b>							
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	1	0	0	0	1	(1)	0
<b>Increase/Decrease in 2017/18</b>	<b>6,635</b>	<b>2,628</b>	<b>(13,699)</b>	<b>2,884</b>	<b>(1,552)</b>	<b>14,810</b>	<b>13,258</b>
<b>Balance at 31 March 2018</b>	<b>12,547</b>	<b>21,703</b>	<b>15,810</b>	<b>13,308</b>	<b>63,368</b>	<b>106,933</b>	<b>170,301</b>
<b>Movement in reserves during 2018/19</b>							
Surplus (deficit) on provision of services	7,960	0	0	0	7,960	0	7,960
Other comprehensive income and expenditure	0	0	0	0	0	(4,711)	(4,711)
Adjustments between accounting and funding basis under regulations (Note 17)	(4,531)	0	(15,323)	2,870	(16,984)	16,984	0
Transfers to/from Usable Reserves (Note 10)	(3,429)	3,429	0	0	0	0	0
Other adjustments	0	(90)	140	(140)	(90)	90	0
<b>Increase/Decrease in 2018/19</b>	<b>0</b>	<b>3,339</b>	<b>(15,183)</b>	<b>2,730</b>	<b>(9,114)</b>	<b>12,363</b>	<b>3,249</b>
<b>Balance at 31 March 2019</b>	<b>12,547</b>	<b>25,042</b>	<b>627</b>	<b>16,038</b>	<b>54,254</b>	<b>119,296</b>	<b>173,550</b>



## STATEMENT OF ACCOUNTS

### Comprehensive Income and Expenditure Statement

2017/18				2018/19		
Gross Exp £000	Gross Inc £000	Net Exp £000		Gross Exp £000	Gross Inc £000	Net Exp £000
376	0	376	Economic Prosperity	399	(12)	387
811	(832)	(21)	Organisational Development	826	(826)	0
40,326	(38,749)	1,577	Revenues Benefits & Fraud	40,504	(38,431)	2,073
2,249	(432)	1,817	Housing	2,678	(448)	2,230
2,485	(489)	1,996	Projects & Performance	2,337	(550)	1,787
2,463	(128)	2,335	Community Partnerships	2,733	(16)	2,717
123	(39)	84	Place Delivery	128	(39)	89
17,701	(10,776)	6,925	Neighbourhood Operations	17,343	(10,098)	7,245
3,930	(1,517)	2,413	Wellbeing & Intervention	3,284	(1,368)	1,916
2,837	(926)	1,911	Planning	2,607	(1,001)	1,606
1,034	(418)	616	Communications & Customer Contact	1,016	(376)	640
1,833	(1,865)	(32)	ICT	1,999	(1,999)	0
2,844	(1,669)	1,175	Legal & Governance	2,754	(1,161)	1,593
7,922	(7,321)	601	Finance & Assets	6,586	(5,701)	885
<b>86,934</b>	<b>(65,161)</b>	<b>21,773</b>	Cost of Services	<b>85,194</b>	<b>(62,026)</b>	<b>23,168</b>
364	(965)	(601)	Other Operating Expenditure (Note 2)	382	(5,127)	(4,745)
1,776	(5,003)	(3,227)	Financing and Investment Income and Expenditure (Note 3)	2,095	(891)	1,204
22,126	(48,180)	(26,054)	Taxation and Non-specific Grant Income and Expenditure (Note 4)	14,434	(42,021)	(27,587)
<b>111,200</b>	<b>(119,309)</b>	<b>(8,109)</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>102,105</b>	<b>(110,065)</b>	<b>(7,960)</b>
		(2,830)	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment assets			389
		(2,319)	Actuarial remeasurements			4,322
		<b>(5,149)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>4,711</b>
		<b>(13,258)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(3,249)</b>

## STATEMENT OF ACCOUNTS

### Balance Sheet

31 March 2018		Note	31 March 2019
£000			£000
113,217	Property, Plant and Equipment	11.1	113,783
477	Heritage Assets	11.2	469
66,055	Investment Property	12	98,446
211	Long Term Debtors	37	604
7,822	Long Term Investments	27	16,787
<b>187,782</b>	<b>Long Term Assets</b>		<b>230,089</b>
52,104	Short Term Investments	27	35,000
0	Assets Held for Sale	13	1
54	Inventories		49
6,832	Short Term Debtors	14	10,351
7,031	Cash and Cash Equivalents	15	3,449
<b>66,021</b>	<b>Current Assets</b>		<b>48,850</b>
0	Short Term Borrowing	27	(12,000)
(7,536)	Short Term Creditors	16	(11,405)
<b>(7,536)</b>	<b>Current Liabilities</b>		<b>(23,405)</b>
(1,702)	Long Term Creditors	35	(1,703)
(1,965)	Business Rates Appeals Provision		(717)
(71,124)	Pension Liability	28	(78,550)
(1,023)	Capital Grants in Advance	5	(834)
(152)	Other Long Term Liabilities		(180)
<b>(75,966)</b>	<b>Long Term Liabilities</b>		<b>(81,984)</b>
<b>170,301</b>	<b>Net Assets</b>		<b>173,550</b>
(12,547)	General Fund Reserve		(12,547)
(21,703)	Earmarked Reserves	10	(25,042)
(15,810)	Capital Receipts Reserve	17	(627)
(13,308)	Capital Grants Unapplied	17	(16,038)
<b>(63,368)</b>	<b>Usable Reserves</b>		<b>(54,254)</b>
(56,770)	Revaluation Reserve	18	(55,425)
(122,991)	Capital Adjustment Account	19	(142,240)
(302)	Deferred Capital Receipts Reserve		(560)
71,124	Pensions Reserve	20	78,550
1,607	Collection Fund Adjustment Account	21	(106)
399	Accumulated Absences Account	22	485
<b>(106,933)</b>	<b>Unusable Reserves</b>		<b>(119,296)</b>
<b>(170,301)</b>	<b>Total Reserves</b>		<b>(173,550)</b>

## STATEMENT OF ACCOUNTS

### Cash Flow Statement

2017/18 £000		2018/19 £000
(8,109)	Net (surplus) or deficit on the provision of services (Note 36.1)	(7,960)
(1,603)	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 36.1)	(7,717)
10,224	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 36.1)	11,646
<b>512</b>	<b>Net cash flows from Operating Activities</b>	<b>(4,031)</b>
16,921	Purchase of Property Plant and Equipment (PPE) & Investment Property (Note 36.2)	39,235
8,986	Purchase of short-term and long-term investments (Note 36.2)	(8,165)
(4,451)	Proceeds from the sale of PPE & Investment Property (Note 36.2)	(4,810)
(5,619)	Capital grants received (Note 36.2)	(6,647)
<b>15,837</b>	<b>Net cash flows from Investment Activities</b>	<b>19,613</b>
<b>0</b>	<b>Net cash flows from Financing Activities (Note 36.3 &amp; 36.4)</b>	<b>(12,000)</b>
<b>16,349</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>3,582</b>
<b>23,380</b>	<b>Cash and cash equivalents at the beginning of the reporting period</b>	<b>7,031</b>
<b>7,031</b>	<b>Cash and cash equivalents at the end of the reporting period (Note 15)</b>	<b>3,449</b>

## SUPPORTING NOTES

### 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.

2018/19	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
Economic Prosperity	249	108	357	30	387
Organisational Development	653	(756)	(103)	103	0
Revenues, Benefits & Fraud	261	1,505	1,766	307	2,073
Housing	976	739	1,715	515	2,230
Projects and Performance	1,766	(276)	1,490	297	1,787
Community Partnerships	1,429	243	1,672	1,045	2,717
Place Delivery	44	27	71	18	89
Neighbourhood Operations	2,074	3,474	5,548	1,697	7,245
Wellbeing & Intervention	232	1,518	1,750	166	1,916
Planning	598	785	1,383	223	1,606
Communications & Customer Contact	685	(158)	527	113	640
ICT	1,546	(1,998)	(452)	452	0
Legal & Governance	1,781	(354)	1,427	166	1593
Finance & Assets	3,858	(2,317)	1,541	(656)	885
<b>Net Cost of Services</b>	<b>16,152</b>	<b>2,540</b>	<b>18,692</b>	<b>4,476</b>	<b>23,168</b>
Other Income and Expenditure			(22,121)	(9,007)	(31,128)
Surplus or Deficit			(3,429)	(4,531)	(7,960)

## SUPPORTING NOTES

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<b>2018/19</b>	<b>Provisional Outturn</b>	<b>Recharges and Adjustments Affecting the General Fund</b>	<b>Net Expenditure Chargeable to the General Fund</b>	<b>Adjustments Between Accounting Basis and Funding Basis</b>	<b>Comprehensive Income and Expenditure Statement</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Opening General Fund Balance			(34,250)		
Transfer to Reserves			90		
Add Surplus/Less Deficit			(3,429)		
<b>Closing General Fund Balance</b>			<b>(37,589)</b>		

## SUPPORTING NOTES

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
Economic Prosperity	254	86	340	36	376
Organisational Development	651	(760)	(109)	88	(21)
Revenues, Benefits & Fraud	54	1,273	1,327	250	1,577
Housing	733	657	1,390	427	1,817
Projects and Performance	1,759	(77)	1,682	314	1,996
Community Partnerships	1,242	259	1,501	834	2,335
Place Delivery	49	29	78	6	84
Neighbourhood Operations	1,922	3,571	5,493	1,432	6,925
Wellbeing & Intervention	190	2,053	2,243	170	2,413
Planning	865	852	1,717	194	1,911
Communications & Customer Contact	703	(216)	487	129	616
ICT	1,414	(1,864)	(450)	418	(32)
Legal & Governance	1,401	(372)	1,029	146	1,175
Finance & Assets	4,132	(5,338)	(1,206)	1,807	601
<b>Net Cost of Services</b>	<b>15,369</b>	<b>153</b>	<b>15,522</b>	<b>6,251</b>	<b>21,773</b>
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)		
<b>Closing General Fund Balance</b>			<b>(34,250)</b>		

## SUPPORTING NOTES

### 1.2 Note to the EFA

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

2018/19				
	Adjustments for Capital Purposes	Net Change for Pensions Adjustments	Other Differences	Total Funding Adjustments
	£000	£000	£000	£000
Economic Prosperity	0	31	(1)	30
Organisational Development	0	101	2	103
Revenues Benefits & Fraud	0	309	(2)	307
Housing	380	127	8	515
Projects & Performance	0	296	1	297
Community Partnerships	953	88	4	1,045
Place Delivery	0	16	2	18
Neighbourhood Operations	314	1,271	112	1,697
Wellbeing & Intervention	9	172	(15)	166
Planning	0	228	(5)	223
Communications & Customer Contact	0	121	(8)	113
ICT	278	176	(3)	451
Legal & Governance	0	175	(9)	166
Finance & Assets	1,217	(1,871)	(1)	(655)
Cost of Services	<b>3,151</b>	<b>1,240</b>	<b>85</b>	<b>4,476</b>
Other Income and Expenditure	(9,159)	1,864	(1,712)	(9,007)
Financing and Difference between GF Surplus or Deficit and CIES Surplus or Deficit				<b>(4,531)</b>

## SUPPORTING NOTES

	2017/18			
	Adjustments for Capital Purposes	Net Change for Pensions Adjustments	Other Differences	Total Funding Adjustments
	£000	£000	£000	£000
Economic Prosperity	0	31	5	36
Organisational Development	8	95	(16)	87
Revenues Benefits & Fraud	0	260	(10)	250
Housing	329	112	(14)	427
Projects & Performance	0	315	(1)	314
Community Partnerships	769	67	(1)	835
Place Delivery	0	18	(11)	7
Neighbourhood Operations	315	1,275	(158)	1,432
Wellbeing & Intervention	9	176	(15)	170
Planning	0	231	(37)	194
Communications & Customer Contact	6	130	(7)	129
ICT	253	173	(8)	418
Legal & Governance	0	157	(11)	146
Finance & Assets	3,714	(1,890)	(18)	1,806
Cost of Services	<b>5,403</b>	<b>1,150</b>	<b>(302)</b>	<b>6,251</b>
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				<b>1,154</b>



## SUPPORTING NOTES

### 1.3 Subjective Note to the Accounts

	2018/19 £000	2017/18 £000
Employee Benefits Expense	22,861	20,909
Depreciation and Impairments	1,883	4,346
Other Service Expenses	19,519	23,183
Fees, Charges and Other Income	(52,223)	(56,547)
<b>Surplus or Deficit on the Provision of Services</b>	<b>(7,960)</b>	<b>(8,109)</b>

### 2. Other Operating Expenditure

	2018/19 £000	2017/18 £000
Parish council precepts and grants paid	382	364
(Gains)/losses on the disposal of non-current assets	(5,127)	(965)
<b>Total</b>	<b>(4,745)</b>	<b>(601)</b>

### 3. Financing & Investment Income and Expenditure

	2018/19 £000	2017/18 £000
Interest payable and similar charges	46	0
Net interest on the defined benefit liability	1,864	1,776
Interest receivable and similar income	(821)	(602)
Financial Instrument Impairment Loss Provision	185	0
Income and expenditure in relation to investment properties and changes in their fair value	(70)	(4,401)
<b>Total</b>	<b>1,204</b>	<b>(3,227)</b>

### 4. Taxation and Non Specific Grant Income and Expenditure

	2018/19 £000	2017/18 £000
Council tax income	(13,798)	(13,232)
Council Tax Expenditure	69	38
Non domestic rates income	(17,282)	(24,366)
Non domestic rates expenditure	14,365	22,088
Non-ring fenced government grants	(4,104)	(4,809)
Capital grants and contributions	(6,837)	(5,773)
<b>Total</b>	<b>(27,587)</b>	<b>(26,054)</b>

## SUPPORTING NOTES

### 5. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2018/19:

	2018/19 £000	2017/18 £000
Council Tax income	(13,798)	(13,232)
Non domestic rates	(17,282)	(24,366)
Non ring-fenced government grants	(4,104)	(4,809)
Capital grants and contributions	(6,837)	(5,773)
<b>Total - Credited to Taxation and Non Specific Grant Income</b>	<b>(42,021)</b>	<b>(48,180)</b>
Rent Allowances	(36,256)	(36,959)
Council Tax Support	(280)	(284)
Rent Rebates	(178)	(83)
Refugee Support Grant	(90)	(210)
Individual electoral registration grant	(22)	0
<b>Total – Credited to Cost of Services</b>	<b>(36,826)</b>	<b>(37,536)</b>
<b>Total – Grant Income</b>	<b>(78,847)</b>	<b>(85,716)</b>

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

	2018/19 £000	2017/18 £000
Developers Contributions Unapplied – Horley Master Plan	(314)	(163)
Developers Contributions Unapplied - non tariff	(520)	(860)
<b>Total</b>	<b>(834)</b>	<b>(1,023)</b>

## SUPPORTING NOTES

### 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	18/19	179	18	5	0	0	202
Director of Finance & Organisation (S. 151 Officer)	18/19	117	9	0	0	19	145
Director of People Services	18/19	96	8	1	0	16	121
Director of Place Services	18/19	96	9	1	0	16	122
Head of Legal and Governance	18/19	16	0	0	0	2	18
		<b>504</b>	<b>44</b>	<b>7</b>	<b>0</b>	<b>53</b>	<b>711</b>

Significant changes to the management structure took place during the year 18/19, so there is no direct comparison between the Senior Employees in 17/18 and 18/19. The new structure was effective as of 1 September 2018.

For more details on the management team structure please refer to the Council's website.

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
Head of Finance (S.151 Officer) *	17/18	79	0	0	0	12	91
Head of Finance (S.151 Officer) **	17/18	7	7	0	0	2	16
Head of Corporate Policy, Performance & Legal (Monitoring Officer)	17/18	90	2	6	0	14	112
Head of Customers Communications & Change	17/18	82	2	1	0	12	97
Head of People & Communities	17/18	82	2	1	0	12	97
Head of Places & Planning	17/18	92	7	1	0	15	115
Head of Property	17/18	92	9	0	0	15	116
Head of Recycling, Cleansing & Parking	17/18	82	2	0	0	13	97
Head of Health & Wellbeing	17/18	82	2	0	0	12	96
Leisure & Regulation Manager	17/18	61	0	1	0	9	71
		<b>924</b>	<b>50</b>	<b>22</b>	<b>0</b>	<b>116</b>	<b>1,112</b>

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

## SUPPORTING NOTES

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

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.

	2018/19	2017/18
Remuneration Band	No. of Employees	No. of Employees
£50,000 to £54,999	14	10
£55,000 to £59,999	8	9
£60,000 to £64,999	8	4
£65,000 to £69,999	6	1
£70,000 to £74,999	1	0
£75,000 to £79,999	0	0
£80,000 to £84,999	0	5
£85,000 to £89,999	1	0
£90,000 to £94,999	0	1
£95,000 to £99,999	0	1
£100,000 to £104,999	1	1
£105,000 to £109,999	1	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	1	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	0
£190,000 to £194,999	0	0
£195,000 to £199,999	0	0
£200,000 to £204,999	1	1
	42	33

The numbers of exit packages with total cost per band and total cost of compulsory and other redundancies for 2018/19 is set out in the table below:

## SUPPORTING NOTES

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
2018/19	No.	No.	No.	£000
£0-£20,000	1	2	3	35
£20,000-£40,000	0	5	5	130
£40,000-£60,000	0	0	0	0
£60,000-£80,000	0	2	2	154
£80,000-£100,000	0	1	1	83
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

### 7. External Audit Costs

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

	2018/19 £000	2017/18 £000
Fees payable for external audit services	38	49
Fees payable for statutory inspections	0	0
Fees payable for the certification of grant claims	14	10
Fees payable for other services provided by the auditor	9	7
<b>Total</b>	<b>61</b>	<b>66</b>

### 8. Members' Allowances

The total value of the allowances paid to the 57 Members and former members of the Council between 1<sup>st</sup> April 2018 and 31<sup>st</sup> March 2019 was £433,178 (£428,993 in 2017/18). Full details are published annually in the civic magazine "Borough News" and on the Council's web-site.

## SUPPORTING NOTES

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### 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 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 2018/19 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. Four Members declared an interest in organisations which shared transactions with the Council. These included YMCA (£240,965), Banstead Commons Conservators (£85,500) and Reigate & Banstead District Citizens Advice Bureau (£106,000). 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

The Chief Executive is a director of Pathway for Care Ltd, an associate of the authority.

The Chief Executive is a director of Horley Business Park Development LLP, a joint venture of the authority.

The Chief Executive is a director of Greensand Property Holdings Limited, a subsidiary of the authority.

The Chief Executive is a director of RBBC Ltd, a subsidiary of the authority.

#### Entities controlled or significantly influenced by the Council

The Council has invested in two subsidiaries, a joint venture and an associate during 2018/19 over which it has control or significant influence.

#### Pathway for Care Ltd

Pathway for Care Ltd was split into two separate businesses (supported living and digital) during 2018/19. Supported living was held with the original company with the following change of ownership; Council 10% (B Shares) and 1,100,000 Preference Shares, Fairhome Care Plc 70% (A Shares) & 10% (B Shares), Ian Hutchinson 10% (B Shares). The digital business was held with RBBC Ltd (incorporated on 4 April 2018). After the split Pathway for Care Ltd became an associate of the Council over which it has significant influence.

#### RBBC Ltd

The Company was incorporated in 2018/19 and the Council owns a 100% shareholding. This company is the holding vehicle for the remaining digital business of Pathway for Care Ltd. The Council has invested £93,000 in the company during 2018/19.

#### Horley Business Park Development LLP

The Council 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 £50,000 during the financial year 2018/19 and the cumulative interest charged for all loans to date was £59,895. The council has lent the company a total of £602,000 as at 31/03/2019.

## SUPPORTING NOTES

### Greensand Property Holdings Ltd

The Council owns a 100% shareholding in the company. The purpose is buying and selling real estate. The Council lent the company £2,269,538 in 2016/17 and the interest charged for the loan was £102,361 for the financial year 2018/19. There have been no further loans or purchases or sales of property in 2018/19.

### 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 2017 £000	Transfers £000	Balance at 31 March 2018 £000	Transfers £000	Balance at 31 March 2019 £000
<b>General Fund Reserves:</b>					
Superannuation Reserve	1,507	0	1,507	0	1,507
Corporate Plan Delivery Fund	4,000	(1,264)	2,736	(1,530)	1,206
New Homes Bonus Reserve	11,405	3,093	14,498	2,588	17,086
New Growth Points Reserve	286	0	286	0	286
Business Rates Equalisation Reserve	1,000	0	1,000	0	1,000
Business Support Scheme Reserve	148	(1)	147	0	147
High Street Innovation Fund Reserve	40	0	40	0	40
Neighbourhood Improvement Reserve	139	(48)	91	(47)	44
Homelessness Prevention Reserve Fund	0	48	48	359	407
Government Funding Reduction Reserve	0	800	800	1,219	2,019
Feasibility Expenditure Fund	0	0	0	250	250
New Posts Reserve	0	0	0	500	500
Insurance Reserve	550	0	550	0	550
<b>Total</b>	<b>19,075</b>	<b>2,628</b>	<b>21,703</b>	<b>3,339</b>	<b>25,042</b>

## SUPPORTING NOTES

### 11. Property, Plant and Equipment & Heritage Assets

#### 11.1 Property, Plant and Equipment

##### Movements in 2018/19

	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
<b>Gross Cost or valuation</b>				
At 1 April 2018	109,803	19,531	0	129,334
Additions	2,523	289	0	2,812
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(2,438)	0	0	(2,438)
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	1,236	0	0	1,236
Derecognition – disposals	0	(281)	0	(281)
Asset reclassifications	0	0	0	0
<b>At 31 March 2019</b>	<b>111,124</b>	<b>19,539</b>	<b>0</b>	<b>130,663</b>
<b>Gross Accumulated Depreciation and Impairment</b>				
At 1 April 2018	650	15,467	0	16,117
Adjustments to brought forward balance	222	(222)	0	0
Depreciation charge	1,894	1,219	0	3,113
Depreciation written out to the Revaluation Reserve	(2,064)	0	0	(2,064)
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	0
Derecognition – disposals	0	(286)	0	(286)
Other movements in depreciation and impairment	0	0	0	0
<b>At 31 March 2019</b>	<b>702</b>	<b>16,178</b>	<b>0</b>	<b>16,880</b>
<b>Net Book value:</b>				
<b>At 31 March 2019</b>	<b>110,422</b>	<b>3,361</b>	<b>0</b>	<b>113,783</b>
<b>At 31 March 2018</b>	<b>109,153</b>	<b>4,064</b>	<b>0</b>	<b>113,217</b>



## SUPPORTING NOTES

### Movements in 2017/18

	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000
<b>Gross Cost or valuation</b>				
At 1 April 2017	<b>109,546</b>	<b>18,654</b>	<b>0</b>	<b>128,200</b>
Additions	1,220	986	0	<b>2,206</b>
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	1,503	0	0	<b>1,503</b>
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,425)	0	0	<b>(1,425)</b>
Derecognition – disposals	0	(109)	0	<b>(109)</b>
Asset reclassifications	(1,041)	0	0	<b>(1,041)</b>
<b>At 31 March 2018</b>	<b>109,803</b>	<b>19,531</b>	<b>0</b>	<b>129,334</b>
<b>Gross Accumulated Depreciation and Impairment</b>				
At 1 April 2017	193	14,443	0	<b>14,636</b>
Depreciation charge	2,076	1,127	0	<b>3,203</b>
Depreciation written out to the Revaluation Reserve	(1,327)	0	0	<b>(1,327)</b>
Depreciation written out to the Surplus/Deficit on the Provision of Services	(284)	0	0	<b>(284)</b>
Derecognition – disposals	0	(103)	0	<b>(103)</b>
Other movements in depreciation and impairment	(8)	0	0	<b>(8)</b>
<b>At 31 March 2018</b>	<b>650</b>	<b>15,467</b>	<b>0</b>	<b>16,117</b>
<b>Net Book value:</b>				
<b>At 31 March 2018</b>	<b>109,153</b>	<b>4,064</b>	<b>0</b>	<b>113,217</b>
<b>At 31 March 2017</b>	<b>109,353</b>	<b>4,211</b>	<b>0</b>	<b>113,564</b>

## SUPPORTING NOTES

### 11.2 Heritage Assets

#### Movements in 2018/19

	Historic Land and Buildings £000	Art & Civic Regalia £000	Total Heritage Assets £000
<b>Gross Cost or valuation</b>			
At 1 April 2018	268	265	533
Additions	8	0	8
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(14)	0	(14)
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	0	0	0
Derecognition – disposals	0	0	0
Asset reclassifications			
<b>At 31 March 2019</b>	<b>262</b>	<b>265</b>	<b>527</b>
<b>Gross Accumulated Depreciation and Impairment</b>			
At 1 April 2018	0	56	56
Depreciation charge	0	2	2
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
<b>At 31 March 2019</b>	<b>0</b>	<b>58</b>	<b>58</b>
<b>Net Book value:</b>			
<b>At 31 March 2019</b>	<b>262</b>	<b>207</b>	<b>469</b>
<b>At 31 March 2018</b>	<b>268</b>	<b>209</b>	<b>477</b>

## SUPPORTING NOTES

### Movements in 2017/18

	Historic Land and Buildings £000	Art & Civic Regalia £000	Total Heritage Assets £000
<b>Gross Cost or valuation</b>			
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
<b>At 31 March 2018</b>	<b>268</b>	<b>265</b>	<b>533</b>
<b>Gross Accumulated Depreciation and Impairment</b>			
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
<b>At 31 March 2018</b>	<b>0</b>	<b>56</b>	<b>56</b>
<b>Net Book value:</b>			
<b>At 31 March 2018</b>	<b>268</b>	<b>209</b>	<b>477</b>
<b>At 31 March 2017</b>	<b>268</b>	<b>200</b>	<b>468</b>

## SUPPORTING NOTES

### 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:

	2018/19 £000	2017/18 £000
Rental income from investment property	(3,065)	(1,097)
Direct operating expenses arising from investment property	191	188
<b>Net (gain)/loss</b>	<b>(2,874)</b>	<b>(909)</b>

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, i.e. level 2 observable inputs. There were no transfers between levels of observable inputs during the year.

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

	31 March 2019 £000	31 March 2018 £000
<b>Balance at start of the year</b>	<b>66,055</b>	<b>47,122</b>
In year adjustments	(4)	0
Additions	35,145	17,634
Recognition	0	624
Disposals	54	(1,725)
Net gains/losses from fair value adjustments	(2,804)	2,999
Transfers (to)/from Property, Plant and Equipment	0	1,033
Transfers (to)/from Assets Held for Sale	0	(1,632)
<b>Balance at end of the year</b>	<b>98,446</b>	<b>66,055</b>

### 13. Assets Held for Sale

	31 March 2019 £000	31 March 2018 £000
<b>Balance outstanding at start of year</b>	<b>0</b>	<b>0</b>
Assets classified as Held for Sale	1	1,632
Assets sold	0	(1,632)
<b>Revaluation gains/( losses):</b>		
Charged to the Revaluation Reserve	0	0
Charged to the Comprehensive Income and Expenditure Statement	0	0
Property, plant and equipment assets declassified as held for sale:	0	0
<b>Balance outstanding at year-end</b>	<b>1</b>	<b>0</b>

## SUPPORTING NOTES

### 14. Debtors

	31 March 2019 £000	31 March 2018 £000
Central government bodies	2,339	1,575
Other local authorities	870	77
NHS bodies	35	0
Public corporations and trading funds	0	0
Other entities and individuals	9,570	7,509
<b>Total (Gross)</b>	<b>12,814</b>	<b>9,161</b>
Less Expected credit loss provision	(2,463)	(2,329)
<b>Total</b>	<b>10,351</b>	<b>6,832</b>

£940,786 of receivables from contract revenue are included in the total debtors balance of £10,351,000.

### 15. Cash and Cash Equivalents

	31 March 2019 £000	31 March 2018 £000
Cash held by the Council	2	2
Bank current accounts	3,447	7,029
Short-term deposits with banks and building societies	0	0
<b>Total</b>	<b>3,449</b>	<b>7,031</b>

### 16. Creditors

	31 March 2019 £000	31 March 2018 £000
Central government bodies	(388)	(350)
Other local authorities	(5,318)	(3,063)
Other entities and individuals	(5,749)	(4,123)
<b>Total</b>	<b>(11,455)</b>	<b>(7,536)</b>

£684,612 of liabilities from contracts are included in the total creditors balance of £11,405,000.

Payment of invoices within 30 days:

For the year ending 31 March 2019 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

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**These notes provide further detail and explanation to support the financial statements. They 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 in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available 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 receipts required to be paid and out of which all liabilities are to be met, except to the extent that statutory rules might provide otherwise. These rules 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

2018/19	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
<b>Adjustments primarily involving the Capital Adjustment Account:</b>							
Charges for depreciation and impairment of non-current assets	(3,125)	0	0	0	(3,125)	3,125	0
Revaluation gains on Property, Plant and Equipment	1,242	0	0	0	1,242	(1,242)	0
Movement in the fair values of Investment Properties	(2,804)	0	0	0	(2,804)	2,804	0
Revenue funded from capital under statute	(1,269)	0	0	0	(1,269)	1,269	0
Amount of non-current assets written off on disposal or sale as part of the gain/loss on disposal	60	0	0	0	60	(60)	0
Capital expenditure funded from revenue	0	0	0	0	0	0	0
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>							
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	6,836	0	0	(6,836)	0	0	0
Application of capital financing transferred to the Capital Adjustment Account	0	0	0	3,966	3,966	(3,966)	0
<b>Adjustments primarily involving the Capital Receipts Reserve</b>							
Transfer of cash proceeds credited as part of the gain/loss on disposal	5,068	0	15,323	0	20,391	(20,391)	0

Continued

## TECHNICAL NOTES

2018/19	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
<b>Adjustments primarily involving the Pensions Reserve</b>							
Reversal of items relating to retirement benefits debited or credited to the CIES	(7,122)	0	0	0	(7,122)	7,122	0
Employer's pension contributions and direct payments to pensioners payable in year	4,018	0	0	0	4,018	(4,018)	0
<b>Adjustments primarily involving the Collection Fund Adjustment Account</b>							
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	1,712	0	0	0	1,712	(1,712)	0
<b>Adjustments primarily involving the Accumulated Absences Account</b>							
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	(85)	0	0	0	(85)	85	0
<b>Total adjustments</b>	<b>4,531</b>	<b>0</b>	<b>15,323</b>	<b>(2,870)</b>	<b>16,984</b>	<b>(16,984)</b>	<b>0</b>

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
<b>Adjustments primarily involving the Capital Adjustment Account:</b>							
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
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>							
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
<b>Adjustments primarily involving the Capital Receipts Reserve</b>							
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
<b>Adjustments primarily involving the Pensions Reserve</b>							
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
<b>Adjustments primarily involving the Collection Fund Adjustment Account</b>							
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
<b>Adjustments primarily involving the Accumulated Absences Account</b>							
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
<b>Total adjustments</b>	(1,153)	0	13,699	(2,884)	9,662	(9,662)	0

## TECHNICAL NOTES

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### 18. Revaluation Reserve

The Revaluation Reserve contains the gains arising from increases in the value of 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
<b>Balance at 1 April</b>	<b>(56,770)</b>	<b>(54,900)</b>
Other movements	0	0
Upward revaluation of assets	(4,148)	(13,997)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	4,537	11,167
<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>	<b>389</b>	<b>(2,830)</b>
Difference between fair value depreciation and historical cost depreciation	956	960
Accumulated gains on assets sold or scrapped	0	0
Amounts written off to the Capital Adjustment Account	<b>956</b>	<b>960</b>
<b>Balance at 31 March</b>	<b>(55,425)</b>	<b>(56,770)</b>

## 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 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. 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.

	<b>31 March 2019 £000</b>	<b>31 March 2018 £000</b>
<b>Balance at 1 April</b>	<b>(122,991)</b>	<b>(106,267)</b>
Prior Year Adjustment	(6)	0
<b>Reversal of items relating to capital expenditure:</b>		
Charges for depreciation and impairment of non-current assets	3,125	3,205
Revaluation (gains) losses on Property, Plant and Equipment	(1,242)	1,141
Revenue expenditure funded from capital under statute	1,269	1,057
Amounts written off on disposal or sale of non-current assets	(54)	3,363
Adjusting amounts written out of the Revaluation Reserve	(956)	(960)
<b>Capital financing applied in the year:</b>		
Use of the Capital Receipts Reserve to finance new capital expenditure	(20,133)	(18,150)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	0	(317)
Application of grants to capital financing from the Capital Grants Unapplied Account	(3,966)	(2,570)
Capital expenditure charged against the General Fund and Earmarked Reserves	(90)	0
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	2,804	(3,493)
<b>Balance at 31 March</b>	<b>(142,240)</b>	<b>(122,991)</b>

## TECHNICAL NOTES

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### 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 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 2019 £000	31 March 2018 £000
<b>Balance at 1 April</b>	<b>71,124</b>	<b>70,518</b>
Remeasurements of the net defined liability	4,322	(2,319)
Reversal of items in the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	7,122	6,838
Employer's pensions contributions and direct payments to pensioners payable in the year	(4,018)	(3,913)
<b>Balance at 31 March</b>	<b>78,550</b>	<b>71,124</b>

### 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 2019 £000	31 March 2018 £000
<b>Balance at 1 April</b>	<b>1,607</b>	<b>(1,751)</b>
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	(1,713)	3,358
<b>Balance at 31 March</b>	<b>(106)</b>	<b>1,607</b>

## 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 2019 £000	31 March 2018 £000
<b>Balance at 1 April</b>	<b>400</b>	<b>701</b>
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	85	(302)
<b>Balance at 31 March</b>	<b>485</b>	<b>399</b>

### 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.

	2018/19 £000	2017/18 £000
<b>Capital investment</b>		
Property, Plant and Equipment	2,926	2,206
Investment Properties	35,031	17,766
Heritage Assets	8	9
Revenue Expenditure Funded from Capital under Statute	1,269	1,057
	<b>39,234</b>	<b>21,038</b>
<b>Sources of finance</b>		
Capital receipts received and applied	(20,133)	(18,150)
Capital receipts reserve applied	0	0
Government grants and other contributions	(3,966)	(2,888)
External Borrowing	(12,000)	0
Internal Borrowing	(3,045)	0
Earmarked Reserves	(90)	0
	<b>(39,234)</b>	<b>(21,038)</b>

### 24. Capital Commitments

At 31 March 2019, total capital programme commitments outstanding totalled £0.404m which represent orders placed but works not completed. Of this amount £0.146m related to Marketfield Way and £0.110m to Horley High Street Pedestrian Precinct.

## TECHNICAL NOTES

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### 25. Construction Contracts

As at 31 March 2019 the Council had no material construction contracts in place.

### 26. Leases

#### Council as Lessee

#### 26.1 Finance leases

The Council has acquired use of 14 properties under finance leases which are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	2018/19 £000	2017/18 £000
Other Land and Buildings – freehold owned by Council	7,404	8,826
Other Land and Buildings – freehold not owned by Council	2,761	2,895
<b>Total</b>	<b>10,165</b>	<b>11,721</b>

#### 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 £393,000 of income in 2018/19 (£194,000 in 2017/18). Similarly other assets leased out for investment purposes provided rent of £3,065,000 in 2018/19 (£1,199,000 in 2017/18).

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

	31 March 2019 £000	31 March 2018 £000
Not later than one year	4,271	2,943
Later than one year and not later than five years	10,026	7,194
Later than five years	180,874	131,666
	<b>195,171</b>	<b>141,803</b>

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		Curent	
	31 March 2019	31 March 2018	31 March 2019	31 March 2018
	£000	£000	£000	£000
<b>Financial liabilities at amortised cost</b>				
Borrowings	0	0	(12,000)	0
Creditors	(1,703)	(1,702)	(11,405)	(7,536)
<b>Total Liabilities</b>	<b>(1,703)</b>	<b>(1,702)</b>	<b>(23,405)</b>	<b>(7,536)</b>
<b>Financial assets at amortised Cost</b>				
Fixed term deposits	13,000	5,000	35,000	51,004
Loans to Trading companies	3,787	2,822	0	1,100
Debtors	604	211	10,351	6,832
Cash & cash equivalents	0	0	3,449	7,031
<b>Total Assets</b>	<b>17,391</b>	<b>8,033</b>	<b>48,800</b>	<b>65,967</b>

The Total Investments figures include trust fund balances of £1,712,928 (£1,702,000 in 2017/18). This forms part of our total investment portfolio and is treated as resources controlled by the Council and is 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 for 2018/19 - in relation to financial instruments – are shown in the table below.

	Financial Liabilities (at amortised cost) £000	Financial Assets (loans and receivables) £000
Interest expenses	(13)	0
Expected credit loss provision – loans to trading companies	0	(185)
Expected credit loss provision – sundry debtors	0	(134)
Total expenses in Surplus/Deficit on the provision of Services	(13)	(319)
Interest income	0	788
Total income in Surplus/Deficit on the provision of Services	0	788
<b>Net Gain/(Loss) for the years</b>	<b>(13)</b>	<b>469</b>



## TECHNICAL NOTES

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### 27.3 IFRS 9 – Classification & Measurement

As required by IFRS 9 (Financial Instruments) the financial instruments of the authority have been assessed for classification and measurement and expected credit losses during the financial year 2018/19. The majority of the financial instruments have been classified as 'hold to collect' to be measured using amortised cost. As the actual and the effective interest rates are same for these instruments the amortised cost is the same as the principal amount. Sundry debtors and the other receivables are measured based on their invoiced value.

#### IFRS 9 - Financial Instruments – Expected Credit Loss Provision

A credit risk assessment has been carried out during 2018/19 to determine the credit risk associated with each individual (material) financial instrument or group of financial instruments at 31 March 2019. As set out below, the provisions have been calculated based on the credit risk assessment outcomes.

Financial Instrument	Approach - Credit Risk Assessment	Outcome
Loans & Receivables (Treasury Investment)	The expected credit loss is calculated based on the credit ratings of the counter parties and their historical risk of default rate. This information is readily available in the market.	The credit risk is very low therefore no provision has been made for 2018/19
Loans to Trading Companies (Subsidiaries and Joint Venture/Associate)	Credit ratings are not available in the market for these companies therefore risk assessed cash flow scenarios are used to derive an expected credit loss.	The credit risk is moderate therefore a provision of £184,695 has been made for 2018/19
Sundry Debtors	Debtors with similar credit risks are grouped together to make the expected credit loss provision.	Based on historical data, a default rate of 5% is used for debts under 1 year and a default rate of 100% is used for debts over 1 year

### 27.4 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 recognized;
- 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;

## TECHNICAL NOTES

- 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.

<b>Financial Liabilities</b>	<b>31 March 2019</b>		<b>31 March 2018</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Financial Liabilities at amortised cost</b>				
Short term borrowings	12,009	12,012	0	0
Trade creditors	5,749	5,749	4,123	4,123
<b>Total Financial Liabilities</b>	<b>17,758</b>	<b>17,761</b>	<b>4,123</b>	<b>4,123</b>

<b>Financial Assets</b>	<b>31 March 2019</b>		<b>31 March 2018</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Financial assets at amortised cost</b>				
Fixed term deposits	48,440	48,566	56,340	56,741
Loans to trading companies (subsidiaries, joint venture and associates)	3,787	3,787	3,922	3,922
Money Deposited in Escrow Account	0	0	4	4
Long Term Debtors	604	604	211	211
Trade Debtors	10,351	10,351	6,832	6,832
<b>Total Financial Assets</b>	<b>63,182</b>	<b>63,308</b>	<b>67,309</b>	<b>67,710</b>

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

Under the Code (IFRS 13 Fair Value Measurement), all financial instruments are initially measured at fair value, with subsequent measurement depending on the nature of the asset or liability concerned.

The Code states that fair value disclosures are not required for short term trade payables and receivables since the carrying amount is a reasonable approximation of fair value. Trading company loans have been assessed through IFRS 09 (financial instruments) in arriving at the fair value and the long term debtors balances are reasonable approximation of their fair value.

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### 27.5 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.

### 27.6 Credit Risk

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

This risk is minimised through the Annual Treasury 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 Fitch, Moody's and Standard and Poor's Credit Ratings Services. The Annual Treasury Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category. The credit risk associated with the trading company investments (loans) is mitigated by managing all the other risks incorporated in an investment. In 2018/19 as per IFRS 09 requirement there is an expected credit loss provision of £185,000 has been created.

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 Treasury Management Strategy for 2018/19 was approved by Full Council on 12 April 2018 and is available on the Council's website.

### 27.7 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.

### 27.8 Refinancing and Maturity Risk

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The Council maintains an investment portfolio. The key risk relates to managing exposure in replacing financial instruments as they mature. This risk therefore relates to the maturing of longer - term financial assets. The Council does not have any long term borrowings.

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.

	2018/19 £000	2017/18 £000
Less than 1 year	35,000	52,104
More than 1 year, less than 2 years	0	5,000
More than 2 years, less 3 years	13,000	0
More than 3 years	3,787	2,822
Total	51,787	59,926

Trade debtors of £8,296,000 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.

### 27.9 Market Risk

**Interest rate risk** - The Council is exposed only to interest rate movements on its investments as it does not have any long term borrowings.

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 held 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 be paid until employees retire, the Council has a commitment to make the payments, disclosed here, at the time when 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

<b>Comprehensive Income and Expenditure Statement</b>		<b>2018/19</b>	<b>2017/18</b>
		<b>£000</b>	<b>£000</b>
Cost of Services:			
Current service cost		5,136	5,026
Administration costs		38	36
Past service cost		84	0
Financing and Investment Income and Expenditure:			
Net interest expense		1,864	1,776
Remeasurement of the net defined benefit liability:			
Return on plan assets		(7,247)	1,239
Changes in financial assumptions		11,363	(3,540)
Changes in demographic assumptions		0	0
Other		206	(18)
<b>Total post employment benefit charged to the Comprehensive Income and Expenditure Statement</b>		<b>11,444</b>	<b>4,519</b>

### 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	(7,122)	(6,838)
Actual amount charged against the General Fund Balance for pensions in the year	4,018	3,913

### 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:

	<b>2018/19</b>	<b>2017/18</b>
	<b>£000</b>	<b>£000</b>
Total Assets as at 1 April	159,512	161,135
Interest income	4,086	3,972

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Return on plan assets	7,247	(1,239)
Employer contributions	4,018	3,913
Participant's contributions	886	831
Benefits paid	(9,454)	(9,100)
Total Assets as at 31 March	<b>166,295</b>	<b>159,512</b>

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

	<b>2018/19</b>	<b>2017/18</b>
	<b>£000</b>	<b>£000</b>
Total Liabilities as at 1 April	230,672	231,653
Adjustments to Brought forward Balance	(36)	0
Current service cost	5,136	5,062
Administration Costs	38	36
Past service cost (including curtailments)	84	0
Interest cost on defined benefit obligations	5,950	5,748
Participant contributions	886	831
Benefits paid	(9,454)	(9,100)
Remeasurements:		
Changes in financial assumptions	11,363	(3,540)
Changes in demographic assumptions	0	0
Other experience	206	(18)
Total Liabilities as at 31 March	<b>244,845</b>	<b>230,672</b>
	<b>2018/19</b>	
	<b>£000</b>	
Total Assets as at 31 March	166,295	
Total Liabilities as at 31 March	(244,845)	
Net Assets & Liabilities	<b>(78,550)</b>	

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The fund's assets comprise the following:

	2018/19		2017/18	
	£000	%	£000	%
<b>Equity Securities:</b>				
Consumer	4,503	2%	12,941	8%
Manufacturing	2,890	2%	11,731	7%
Energy and Utilities	2,563	2%	6,431	4%
Financial Institutions	2,580	2%	11,284	7%
Health and Care	2,203	1%	4,262	3%
Information Technology	4,924	3%	8,984	6%
Other	439	0%	325	0%
<b>Debt Securities:</b>				
Corporate Bonds (investment grade)	0	0%	5,538	3%
Corporate Bonds (non-investment grade)	0	0%	350	0%
UK Government	0	0%	325	0%
Other	0	0%	731	1%
<b>Private Equity:</b>				
All	9,857	6%	6,695	4%
<b>Property:</b>				
UK	7,887	5%	9,070	6%
Overseas	2,885	2%	59	0%
<b>Investment Funds and Unit Trusts:</b>				
Equities	91,153	55%	44,233	28%
Bonds	27,778	17%	17,436	11%
Other	0	0%	0	0%
<b>Derivatives:</b>				
Interest Rate	0	0%	(5)	0%
Foreign Exchange	970	0%	226	0%
<b>Cash and cash equivalents:</b>				
All	5,663	3%	18,896	12%
	<b>166,295</b>	<b>100%</b>	<b>159,512</b>	<b>100%</b>

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### 28.3 Basis for Estimating Assets and Liabilities

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

	2018/19	2017/18
<b>Longevity at 65</b>		
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
<b>Other Assumptions</b>		
Expected return on assets	7.20%	1.7%
Rate of Increase in Salaries	2.80%	2.7%
Rate of Increase in Pensions	2.50%	2.4%
Rate for Discounting Scheme Liabilities	2.40%	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 or service provision might be impaired.

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

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.
- Expected credit loss provision – an allowance for expected credit loss has been estimated to cover all major items of income (see note 14) and the trading company loans. This allowance is considered adequate to cover future bad debts, but by its nature is an estimate.
- Asset valuations and impairments – the Council engages 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 Interim Head of Finance & Assets and the Deputy Section 151 Officer on 31 May 2019. Events taking place after the balance sheet date are not reflected in the financial position or notes.

The financial statements and notes have not been adjusted for the following events which took place after 31 March 2019 as they provide information that is relevant to an understanding of the authority's financial position but do not relate to conditions at that date:

- Following the end of the reporting period, the directors of Pathway for Care Limited have changed, and the company's priorities going forward are being considered by the new directors.

### 32. Contingent Liabilities

National Non Domestic Rates (NNDR) and NHS Foundation Trusts: The Council has a possible future reduction in NNDR income of approximately £1,289,000 if the NHS Foundation Trust's 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 April 2004 when responsibility passed to Surrey County Council.

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

The surplus of income over expenditure paid to Surrey County Council during 2018/19 amounted to £0 (£0 in 2017/18).

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### 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 to future years. A brief summary and their impact are set out below:

- IFRS 16 Leases. Replaces IAS 17. Redefines classification and measurement of leases, bringing the majority of leases onto the balance sheet. Intended to recognise the “right of use” of the asset and the “lease liability”. There are significant changes for lessees with additional disclosure requirements. Implementation has been deferred until financial year 2020/21 to allow additional preparation time. The impact of this is expected to require some changes in the statement of accounts.
- IAS 19 Pension. A change to the existing IAS19 standard relating to reports and actuarial assumptions. Implementation has been deferred until financial year 2020/21 in line with delayed EU adoption. This is expected to have minimal change on the statement of accounts.

### 35. Balances on Trust Funds

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

Notes	Trust Fund	31 March 2018 £000	Receipts in Year £000	Payments in Year £000	31 March 2019 £000
i.	Commons Trust	(779)	(8)	8	(779)
ii.	Reigate Baths Trust	(773)	(8)	8	(773)
iii.	Environmental Traffic Trust	(77)	(1)	0	(78)
iv.	Reigate Priory & Park Hill Trust	(48)	0	0	(48)
v.	Redhill Memorial Sports Ground Trust	(13)	0	0	(13)
vi.	Other Trusts	(12)	(1)	0	(13)
	<b>Total</b>	<b>(1,702)</b>	<b>(18)</b>	<b>16</b>	<b>(1,704)</b>

#### Notes

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

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### 36. Cash Flow Supporting Notes

#### 36.1 Cash Flow Statement – Operating activities

The cash flows for operating activities include the following items:

	<b>2018/19</b>	<b>2017/18</b>
	<b>£000</b>	<b>£000</b>
Interest Received	(864)	(636)

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

	<b>2018/19</b>	<b>2017/18</b>
	<b>£000</b>	<b>£000</b>
Depreciation	(3,125)	(3,205)
Impairment and downward valuations	(1,562)	2,351
(Increase)/decrease in creditors	(2,565)	3,406
Increase/(decrease) in debtors	3,939	2,880
Increase/(decrease) in inventories	(5)	9
Movement in pension liability	(3,104)	(2,925)
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	59	(3,363)
Other non-cash items charged to the net Surplus or Deficit on the Provision of Services	(1,354)	(756)
	<b>(7,717)</b>	<b>(1,603)</b>

The Surplus or deficit on the provision of services has been adjusted for the following items that are investing:

	<b>2018/19</b>	<b>2017/18</b>
	<b>£000</b>	<b>£000</b>
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	4,810	4,451
Any other items for which the cash effects are investing or financing cash flows	6,836	5,773
	<b>11,646</b>	<b>10,224</b>

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### 36.2 Cash Flow Statement – Investing Activities

	2018/19 £000	2017/18 £000
Purchase of property, plant and equipment, investment property and intangible assets	39,235	16,921
Purchase of short-term and long-term investments**	(8,165)	8,986
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(4,810)	(4,451)
Other receipts from investing activities	(6,647)	(5,619)
<b>Net cash flows from investing activities</b>	<b>19,613</b>	<b>15,837</b>

\*\*Analysis of Short Term and Long Term Investment Cashflow

	Purchases £000	Disposals £000	Total £000
Short Term Investments	38,000	(16,026)	21,974
Long Term Investments	22,050	(52,189)	(30,139)
<b>Subtotal</b>	<b>60,050</b>	<b>(68,215)</b>	<b>(8,165)</b>

### 36.3 Cash Flow Statement – Financing Activities

	2018/19 £000	2017/18 £000
Cash receipts of short-term and long-term borrowing	(12,000)	0
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts	0	0
Repayments of short-term and long-term borrowing	0	0
Other payments for financing activities	0	0
<b>Net cash flows from financing activities</b>	<b>(12,000)</b>	<b>(0)</b>

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### 36.4 Reconciliation of Liabilities Arising From Financing Activities

	2018/19 1 April	Financing cash flows	2018/19 31 March
	£000	£000	£000
Long-term borrowings	0	0	0
Short-term borrowings	0	(12,000)	(12,000)
Lease liabilities	0	0	0
On balance sheet PFI liabilities	0	0	0
Total liabilities from financing activities	0	(12,000)	(12,000)

### 37. Long Term Debtors

	2018/19	2017/18
	£000	£000
Community Infrastructure Levy	472	149
Other receivables	132	62
Total long term Debtors	604	211

## ACCOUNTING POLICIES

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### General Principles

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and shows its position at 31 March 2019. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the UK 2018*.

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 contracts with service recipients is recognised when the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract. An estimated creditor is created when the payment is received from the customers before the performance obligations are performed by 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, 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

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opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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 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

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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 the rate for discounting scheme liabilities shown in note 28.3 Basis for Estimating Assets and Liabilities .

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 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.



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- 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 are 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.

#### 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:

## ACCOUNTING POLICIES

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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 one of three types:

- Amortised cost – these represent loans and loan-type arrangement where the objective would be collecting contractual cash flows (solely payment of principal and interest). Movements in amortised cost debited/credited to the Surplus/Deficit on the Provision of Services. The amount presented in the balance sheet represents the outstanding principal and the accrued interest.
- Fair value through other comprehensive income – these instruments are measured and carried at fair value. The objective of these assets would be both collecting contractual cash flows and selling assets. Movements in amortised cost debited/credited to the Surplus/Deficit on the Provision of Services. But movements in fair value debited/credited to Other Comprehensive Income and Expenditure. Cumulative gain/losses on fair value are transferred to the general fund balance on derecognition.
- Fair value through profit or loss (FVTPL) – These assets are measured and carried at fair value. Movement in fair value, all gains and losses posted to Surplus/Deficit on the Provision of Services as they arise.

### Impairment – Expected Credit Losses Provision

Allowance for impairment losses have been calculated for amortised cost assets, applying the expected credit losses model. Credit risk plays a crucial part in assessing losses, particularly where risk has increased significantly since an instrument was initially recognised. Changes in loss allowances are debited/credited to the financing and investment income and expenditure line in the CIES.

**Lifetime expected credit losses:** where the credit risk on a financial instrument has increased significantly since initial recognition.

**12 – month expected credit losses:** where the credit risk on a financial instrument has not increased significantly since initial recognition.

### Simplified approach for trade receivables

## ACCOUNTING POLICIES

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The trade debtors have used the simplified approach in calculating the expected loss provision, under which impairment losses are automatically based on lifetime expected credit losses, removing the need to consider changes in credit risk since initial recognition and the possibility that the appropriate measure should be 12 – month expected credit losses.

### **Collective and individual assessment basis**

A collective assessment has been done for the trade receivables as it might not be possible to identify significant changes in credit risk for individual financial instruments until they actually become past due. However, it is probable that credit risk will have risen significantly before such an instrument becomes past due.

### **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 is 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.

## ACCOUNTING POLICIES

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### Group Accounts

IFRS group accounting standards (IFRS10, IFRS 11, IFRS 12, IAS 27 and IAS 28) are applied by the Council when preparing the consolidated financial statements (Group Accounts).

Accounting policies are aligned where the subsidiary/joint venture/associate company's accounting policies are different from the Council's own policies.

Subsidiaries are consolidated using a 'line-by-line' consolidation method; joint ventures and associates are consolidated using an 'equity-basis' method.

### 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. In addition there are some wooden sculptures in local parkland.

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

The Council also hold land and historical structures such as the Reigate Heath Windmill and the caves in the castle grounds.

### 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.

## ACCOUNTING POLICIES

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### Interests in Companies and Other Entities

The Council 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 Council'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, 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).

## ACCOUNTING POLICIES

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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).

### 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 (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

## ACCOUNTING POLICIES

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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 – Depreciated replacement cost (DRC) Existing Use Value (EUV) or Fair 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 value.

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

Assets included in the Balance Sheet are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their value at the year-end, but as a minimum every five years by a qualified external valuer. This year the Council decided to undertake a desktop exercise of revaluations in addition to the rolling five year programme.

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:

## ACCOUNTING POLICIES

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- 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:
  - 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



## ACCOUNTING POLICIES

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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 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

## ACCOUNTING POLICIES

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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 and Crime Commissioner, and Reigate & Banstead Borough Council).

### Collection Fund for the Year Ended 31 March

Council Tax £000	2017/18 Business Rates £000	Total £000		Council Tax £000	2018/19 Business Rates £000	Total £000
(106,536)	0	(106,536)	<b>INCOME</b>	(113,344)	0	(113,344)
0	(53,640)	(53,640)	Council Tax receivable	0	(53,460)	(53,460)
<b>(106,536)</b>	<b>(53,640)</b>	<b>(160,176)</b>	Business Rates receivable	<b>(113,344)</b>	<b>(53,460)</b>	<b>(166,804)</b>
			<b>Total Income</b>			
			<b>EXPENDITURE</b>			
			<b>Precepts and Demands:</b>			
0	28,137	28,137	Central Government	0	0	0
13,032	22,510	35,542	Reigate & Banstead Borough Council	13,585	16,442	30,027
78,663	5,627	84,290	Surrey County Council	84,368	38,366	122,734
13,267	0	13,267	Surrey Police and Crime Commissioner	14,142	0	14,142
			<b>Distribution of Prior Years' Surplus:</b>			
0	2,321	2,321	Central Government	0	(1,895)	(1,895)
199	1,857	2,056	Reigate & Banstead Borough Council	213	(1,516)	(1,303)
1,173	464	1,637	Surrey County Council	1,284	(379)	905
204	0	204	Surrey Police and Crime Commissioner	217	0	217
			<b>Charges to the Collection Fund:</b>			
155	114	269	Increase/decrease in bad debt provision	108	117	225
0	736	736	Increase/decrease in appeals provision	0	(2,523)	(2,523)
0	174	174	Cost of collection	0	172	172
<b>106,693</b>	<b>61,940</b>	<b>168,633</b>	<b>Total Expenditure</b>	<b>113,917</b>	<b>48,784</b>	<b>162,701</b>
<b>157</b>	<b>8,300</b>	<b>8,457</b>	<b>Deficit/(Surplus) for the Year</b>	<b>573</b>	<b>(4,675)</b>	<b>(4,102)</b>
(2,543)	(3,561)	(6,104)	Add Opening Balance as at 1 April	(2,386)	4,740	2,354
<b>(2,386)</b>	<b>4,739</b>	<b>2,353</b>	<b>Closing Balance as at 31 March</b>	<b>(1,813)</b>	<b>64</b>	<b>(1,748)</b>

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

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### 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 eight 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 and Crime Commissioner
- Horley Town Council
- Salfords and Sidlow Parish Council.

The total council tax requirement is then divided by the council tax case.

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 2018/19 (with comparative figures for 2017/18) is set out below.

Band	Range of Values	Estimated Number of Properties	Multiplier	2018/19 Band D Equivalent	2017/18 Band D Equivalent
A	Up to £40,000	636	6/9	424	413
B	£40,000 to £52,000	2,414	7/9	1,877	1,848
C	£52,001 to £68,000	9,091	8/9	8,081	7,952
D	£68,001 to £88,000	14,641	9/9	14,641	14,517
E	£88,001 to £120,000	9,706	11/9	11,862	11,697
F	£120,001 to £160,000	6,840	13/9	9,880	9,716
G	£160,001 to £320,000	6,897	15/9	11,496	11,427
H	More than £320,000	1,001	18/9	2,002	1,982
Total				60,263	59,552
Less Allowance for Non-collection				(482)	(476)
Council Tax Base				59,781	59,076

The average "Band D" Council Tax for 2018/19 was £1,868.71 (£1,770.56 in 2017/18).

## COLLECTION FUND

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### 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:

	2018/19	2017/18
Rateable value at 1 April	£133.6m	£134.3m
Standard Business Rate	49.3p	47.9p
Small Business Rate	48.0p	46.6p

### Group Accounts

#### 1. Introduction

The 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, associates and joint ventures, by bringing together their results in a unified set of accounts.

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

## GROUP ACCOUNTS 2018/19

### Group Company and Joint Venture/Associate Information

Company Name	Shareholding	Council's Nature of Interest	In year activity 2018/19	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 2018/19. The Council does not 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 £50,000 during the financial year 2018/19 and the interest charged for the loans to date was £59,895.	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 Limited (Associate, previously a subsidiary)	Council 10% (B Shares) and 1,100,000 Preference Shares, Fairhome Care Plc 70% (A Shares) & 10% (B Shares), Ian Hutchinson 10% (B Shares)	Pathway for Care Ltd split into two separate businesses during the financial year 2018/19. The supported living business remained with Pathway for Care Ltd (see the shareholding) and the digital business was transferred to RBBC Ltd (see below) After the split Pathway for Care Ltd became an associate of the Council over which it has significant influence.	£1,100,000 Preference Shares (previously £1,100,000 loan). Of the £1,045,000 retained earnings loss of Pathway for Care Limited, a retained earnings loss of £988,000 has been derecognised in the balance sheet and the MIRS in 2018/19. A retained earnings loss balance of £57,000 has been transferred over to RBBC Ltd.	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.
RBBC Ltd	Council 100%	Fully owned subsidiary company.	The Council	Company was

## GROUP ACCOUNTS 2018/19

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(Subsidiary)			has invested £93,000 in the company during 2018/19.	incorporated in 2018/19. This company is the holding vehicle of remaining digital business of Pathway for Care Ltd.
Greensand Holdings Ltd (Subsidiary)	Council 100%	Ownership structure has not changed during the financial year 2018/19. The Council does not 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 2018/19	Greensand is a property company

## GROUP ACCOUNTS 2018/19

### Group Movement in Reserves Statement

	General Fund Reserve	Earmarked Revenue Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Usable Reserves	Unusable Reserves	Total Authority Reserves	The Council's share of Reserves of subsidiary, Joint Venture & Associate	Total Reserves attributable to the Council	Minority Interest	Group Reserve Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2017</b>	<b>5,912</b>	<b>19,075</b>	<b>29,509</b>	<b>10,424</b>	<b>64,920</b>	<b>92,123</b>	<b>157,043</b>	<b>(199)</b>	<b>156,844</b>	<b>(52)</b>	<b>156,792</b>
<b>Movement in reserves during 2017/18</b>											
Surplus or (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	1	0	0	0	1	(1)	0	0	0	0	0
<b>Increase/Decrease in 2017/18</b>	<b>6,635</b>	<b>2,628</b>	<b>(13,699)</b>	<b>2,884</b>	<b>(1,552)</b>	<b>14,810</b>	<b>13,258</b>	<b>(436)</b>	<b>12,822</b>	<b>(155)</b>	<b>12,667</b>
<b>Balance at 31 March 2018</b>	<b>12,547</b>	<b>21,703</b>	<b>15,810</b>	<b>13,308</b>	<b>63,368</b>	<b>106,933</b>	<b>170,301</b>	<b>(635)</b>	<b>169,666</b>	<b>(207)</b>	<b>169,459</b>



## GROUP ACCOUNTS 2018/19

	General Fund Reserve	Earmarked Revenue Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Usable Reserves	Unusable Reserves	Total Council's Reserves	Council'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
<b>Balance at 31 March 2018</b>	<b>12,547</b>	<b>21,703</b>	<b>15,810</b>	<b>13,308</b>	<b>63,368</b>	<b>106,933</b>	<b>170,301</b>	<b>(635)</b>	<b>169,666</b>	<b>(207)</b>	<b>169,459</b>
<b>Movement in reserves during 2018/19</b>											
Adjustment to opening balance	0	0	0	0	0	0	0	780	780	207	987
Surplus (deficit) on provision of services	7,916	0	0	0	7,916	0	7,916	(35)	7,881	0	7,881
Other comprehensive income and expenditure	0	0	0	0	0	(4,711)	(4,711)	0	(4,711)	0	(4,711)
Adjustment between group and authority accounts	137	0	0	0	137	0	137	(137)	0	0	0
Adjustments between accounting and funding basis under regulations (Note 17)	(4,531)	0	(15,323)	2,870	(16,984)	16,984	0	0	0	0	0
Transfers to/from Usable Reserves (Note 10)	(3,429)	3,429	0	0	0	0	0	0	0	0	0
Other Adjustments	0	(90)	140	(140)	(90)	90	0	0	0	0	0
<b>Increase/Decrease in 2018/19</b>	<b>93</b>	<b>3,339</b>	<b>(15,183)</b>	<b>2,730</b>	<b>(9,021)</b>	<b>12,363</b>	<b>3,342</b>	<b>608</b>	<b>3,950</b>	<b>207</b>	<b>4,157</b>
<b>Balance at 31 March 2019</b>	<b>12,640</b>	<b>25,042</b>	<b>627</b>	<b>16,038</b>	<b>54,347</b>	<b>119,296</b>	<b>173,643</b>	<b>(27)</b>	<b>173,616</b>	<b>0</b>	<b>173,616</b>

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485	(489)	1,996	Projects & Performance	2,337	(550)
463	(128)	2,335	Community Partnerships	2,733	(16)
123	(39)	84	Place Delivery	128	(39)
701	(10,776)	6,925	Neighbourhood Operations	17,343	(10,098)
703	(1,517)	3,186	Wellbeing & Intervention	3,327	(1,368)
837	(926)	1,911	Planning	2,607	(1,001)
034	(418)	616	Communications & Customer Contact	1,016	(376)
833	(1,865)	(32)	ICT	1,999	(1,999)
844	(1,669)	1,175	Legal & Governance	2,754	(1,126)
922	(7,321)	601	Finance & Assets	6,493	(5,701)
<b>707</b>	<b>(65,161)</b>	<b>22,546</b>	<b>Cost of Services</b>	<b>85,144</b>	<b>(61,991)</b>
864	(965)	(601)	Other Operating Expenditure (Note 2)	382	(5,127)
776	(5,230)	(3,454)	Financing and Investment Income and Expenditure (Note 43)	1,993	(849)
126	(48,180)	(26,054)	Taxation and Non-specific Grant Income and Expenditure (Note 4)	14,434	(42,021)
<b>973</b>	<b>(119,536)</b>	<b>(7,563)</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>101,953</b>	<b>(109,998)</b>
		4	Joint venture & Associate accounted for on an equity basis (Note 44 & 45)		
		41	Tax expenses of subsidiaries		
		0	Tax expenses of Joint venture		
		<b>(7,518)</b>	<b>Group surplus or deficit</b>		
		(2,830)	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment assets		
		(2,319)	Actuarial remeasurements		
		0	Share of other comprehensive		

## GROUP ACCOUNTS 2018/19

### Group Balance Sheet

31 March 2018		Note	31 March 2019
£000			£000
113,564	Property, Plant and Equipment	38	113,783
49,433	Investment Property	39	101,038
468	Heritage Assets		469
4	Investment in Joint venture & Associate	44,45	0
15	Long Term Debtors		604
0	Deferred Tax Asset		0
11,002	Long term Investment	47	14,351
<b>174,486</b>	<b>Long Term Assets</b>		<b>230,245</b>
41,320	Short Term Investments		35,000
0	Assets Held for Sale		1
45	Inventories		49
4,149	Short Term Debtors	40	10,292
23,841	Cash and Cash Equivalents	42	3,492
0	Current Tax Asset		0
<b>69,355</b>	<b>Current Assets</b>		<b>48,834</b>
	Short Term Borrowings		(12,000)
(11,824)	Short Term Creditors	41	(11,433)
(7)	Current Tax liability		(10)
<b>(11,831)</b>	<b>Current Liabilities</b>		<b>(23,443)</b>
(1,701)	Long Term Creditors		(1,703)
(1,670)	Business Rates Appeals Provision		(717)
(70,518)	Pension Liability		(78,550)
(1,177)	Capital Grants in Advance		(834)
(152)	Other Long Term Liabilities		(180)
0	Deferred Tax liability		(36)
<b>(75,218)</b>	<b>Long Term Liabilities</b>		<b>(82,020)</b>
<b>156,792</b>	<b>Net Assets</b>		<b>173,616</b>
(5,912)	General Fund Reserve		(12,640)
(19,075)	Earmarked Reserves		(25,042)
(29,509)	Capital Receipts Reserve		(627)
(10,424)	Capital Grants Unapplied		(16,038)
0	Pension Reserve – Private		0
199	Profit and Loss Reserve		284
<b>(64,721)</b>	<b>Usable Reserves</b>		<b>(54,063)</b>
(54,900)	Revaluation Reserve		(55,682)
(106,266)	Capital Adjustment Account		(142,240)
(425)	Deferred Capital Receipts Reserve		(560)
70,518	Pensions Reserve – Local Government		78,550
(1,751)	Collection Fund Adjustment Account		(106)
701	Accumulated Absences Account		485
52	Minority Interest		0
<b>(92,071)</b>	<b>Unusable Reserves</b>		<b>(119,553)</b>
<b>156,792</b>	<b>Total Reserves</b>		<b>(173,616)</b>

## Group Cash Flow Statement

2017/18 £000		2018/19 £000
(7,526)	Net (surplus) or deficit on the provision of services (Note 46.1)	(7,881)
(1,239)	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 46.1)	(7,616)
10,037	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 46.1)	11,491
0	Deferred Tax (Note 46.1)	1
<b>1,272</b>	<b>Net cash flows from Operating Activities</b>	<b>(4,005)</b>
17,067	Purchase of Property Plant and Equipment (PPE) & Investment Property (Note 36.2)	39,235
8,350	Purchase of short-term and long-term investments (Note 36.2)	(8,165)
(4,451)	Proceeds from the sale of PPE & Investment Property (Note 36.2)	(4,810)
(5,619)	Capital grants received (Note 36.2)	(6,647)
<b>15,347</b>	<b>Net cash flows from Investment Activities</b>	<b>19,613</b>
<b>165</b>	<b>Net cash flows from financing Activities (Note 36.3 &amp; 36.4)</b>	<b>(12,000)</b>
<b>16,784</b>	<b>Net (increase)/decrease in cash and cash equivalents</b>	<b>3,608</b>
<b>23,841</b>	<b>Cash and cash equivalents at the beginning of the reporting period</b>	<b>7,100</b>
<b>7,057</b>	<b>Cash and cash equivalents at the end of the reporting period (Note 42)</b>	<b>3,492</b>

## 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/Associate Companies

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

### 38. Fixed Asset

#### Movements in 2018/19

	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
<b>Gross Cost or valuation</b>				
At 1 April 2018	109,803	19,676	0	129,479
Additions	2,523	289	0	2,812
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(2,438)	0	0	(2,438)
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	1,236	0	0	1,236
Derecognition – disposals	0	(390)	0	(390)
Assets reclassifications	0	0	0	0
<b>At 31 March 2019</b>	<b>111,124</b>	<b>19,575</b>	<b>0</b>	<b>130,699</b>
<b>Gross Accumulated Depreciation and Impairment</b>				
At 1 April 2018	650	15,503	0	16,153
Adjustment to b/f balance	222	(222)	0	0
Depreciation charge	1,894	1,219	0	3,113
Depreciation written out to the Revaluation Reserve	(2,064)	0	0	(2,064)
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	0
Derecognition – disposals	0	(286)	0	(286)
Other movements in depreciation and impairment	0	0	0	0
<b>At 31 March 2019</b>	<b>702</b>	<b>16,214</b>	<b>0</b>	<b>16,916</b>
<b>Net Value at 31 March 2019</b>	<b>110,422</b>	<b>3,361</b>	<b>0</b>	<b>113,783</b>

#### Movements in 2017/18

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

### 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

	2018/19 £000	2017/18 £000
Rental income from investment property	(3,395)	(1,554)
Direct operating expenses arising from investment property	358	418
<b>Net (gain)/loss</b>	<b>(3,037)</b>	<b>(1,136)</b>

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

	31 March 2019 £000	31 March 2018 £000
Balance at start of the year	68,599	49,433
In year adjustment	(4)	0
Additions	35,145	17,867
Recognition	0	624
Disposals	54	(1,725)
Net gains/losses from fair value adjustments	(2,804)	2,999
Transfers (to)/from Property, Plant and Equipment	0	1,033
Transfers (to)/from Assets held for Sale	0	(1,632)
<b>Balance at end of the year</b>	<b>100,990</b>	<b>68,599</b>

### 40. Debtors

	31 March 2019 £000	31 March 2018 £000
Central government bodies	2,339	1,575
Other local authorities	870	77
NHS bodies	35	0
Public corporations and trading funds	0	0
Other entities and individuals	9,511	7,478
<b>Total (Gross)</b>	<b>12,755</b>	<b>9,130</b>
Expected credit loss provision	(2,463)	(2,329)
<b>Total</b>	<b>10,292</b>	<b>6,801</b>

### 41. Creditors

	31 March 2019 £000	31 March 2018 £000
Central government bodies	(338)	(350)
Other local authorities	(5,318)	(3,063)
Other entities and individuals	(5,777)	(4,192)
<b>Total</b>	<b>(11,433)</b>	<b>(7,605)</b>

### 42. Cash & Cash Equivalents

	<b>31 March 2019 £000</b>	<b>31 March 2018 £000</b>
Cash held by the Council	2	2
Bank current accounts	3,490	7,055
Short-term deposits with banks and building societies	0	0
<b>Total</b>	<b>3,492</b>	<b>7,057</b>

#### 43. Financing & Investment Income and Expenditure

	<b>2018/19 £000</b>	<b>2017/18 £000</b>
Interest payable and similar charges	13	0
Net interest on the defined benefit liability	1,864	1,776
Interest receivable and similar income	(950)	(727)
Financial instruments impairment loss provision	185	0
Income and expenditure in relation to investment properties and changes in their fair value	32	(4,503)
<b>Total</b>	<b>1,144</b>	<b>(3,454)</b>

#### 44. Joint Venture – Allocating Income and Expenditure Items

	<b>Joint Venture – Horley LLP £ 000</b>	<b>RBBC Share at 50% £ 000</b>
Share of the (Surplus) or Deficit on the Provisions of Services by Joint Venture	8	4
Tax Expenses of Joint Venture	0	0
Share of the other Comprehensive Income and Expenditure of Joint Venture	0	0
<b>Total</b>	<b>8</b>	<b>4</b>

#### Joint Venture - Net Assets – Council's Interest

	<b>Joint Venture – Horley LLP £000</b>	<b>RBBC Share at 50% £000</b>
Current Assets	1,153	577
Current Liability	(256)	(128)
Long Term Liability	(928)	(464)
<b>Net Asset</b>	<b>(31)</b>	<b>(15)</b>

#### 45. Associate – Allocating Income and Expenditure Items



	<b>Associate – Pathway for Care Ltd £ 000</b>	<b>RBBC Share at 10% £ 000</b>
Share of the (Surplus) or Deficit on the Provisions of Services by Associate	1,512	151
Tax Expenses of Associate	0	0
Share of the other Comprehensive Income and Expenditure of Associate	0	0
<b>Total</b>	<b>1,512</b>	<b>151</b>

#### **Associate - Net Assets – Council's Interest**

	<b>Associate – Pathway for Care Ltd</b>	<b>RBBC Share at 10%</b>
Fixed Assets	10	1
Current Assets	178	18
Current Liability	(600)	(60)
Long Term Liability	(1,100)	(110)
<b>Net Asset</b>	<b>(1,512)</b>	<b>(151)</b>

#### **46. Cash Flow Supporting Notes**

##### **46.1 Cash Flow Statement – Operating activities**

The cash flows for operating activities include the following items:

	<b>2018/19 £000</b>	<b>2017/18 £000</b>
Interest Received	(864)	(636)
Interest Paid	102	89
<b>Total</b>	<b>(762)</b>	<b>(547)</b>

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

	<b>2018/19 £000</b>	<b>2017/18 £000</b>
Depreciation	(3,125)	(3,205)
Impairment and downward valuations	(1,562)	2,351
Increase/decrease in creditors	(445)	3,406
Increase/decrease in debtors	(1,884)	2,880
Increase/decrease in inventories	(5)	9

Movement in pension liability	(3,104)	(2,925)
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	59	(3,363)
Other non-cash items charged to the net Surplus or Deficit on the Provision of Services	(1,318)	(392)
	<b>(11,384)</b>	<b>(1,239)</b>

The Surplus or deficit on the provision of services has been adjusted for the following items that are investing:

	<b>2018/19 £000</b>	<b>2017/18 £000</b>
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	4,810	4,451
Any other items for which the cash effects are investing or financing cash flows	6,836	5,773
	<b>11,646</b>	<b>10,224</b>

#### 47. Long Term Investments

	<b>31 March 2019 £000</b>	<b>31 March 2018 £000</b>
<b>Financial assets at amortised Cost</b>		
Fixed term deposits	13,000	5,000
Loans to Trading companies	1,517	552
Joint Venture net asset adjustment on equity basis	(15)	0
Associate net asset adjustment on equity basis	(151)	0
<b>Total Long Term Investment</b>	<b>14,351</b>	<b>5,552</b>

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## **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. Greensand Holdings Ltd and Horley Business Park Development LLP prepare their accounts to 31 December each year. Pathway for Care Ltd prepare their accounts to 31 July each year. RBBC Ltd prepare their accounts to 30 October 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.

### **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 note 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.

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**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.

**Associate**

An entity over which an investor (ie a reporting authority) has significant influence.

**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 (NNDR).

**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.

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### **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 organisation 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.

### **Joint Venture**

A joint arrangement whereby the parties that have joint control of the arrangement have the right to the net assets of the arrangement.

### **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 and Crime Commissioner 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.

### **Subsidiary**

An entity, including an unincorporated entity such as a partnership that is controlled by another entity (known as the parent).