



REPORT OF:	HEAD OF FINANCE (CFO)
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TO:	EXECUTIVE
DATE:	14 SEPTEMBER 2017
EXECUTIVE MEMBER:	COUNCILLOR T SCHOFIELD

KEY DECISION REQUIRED:	NO
WARD(S) AFFECTED:	All

SUBJECT:	STATEMENT OF ACCOUNTS 2016/17
RECOMMENDATION: The Executive approves the Statement of Accounts for the year ended 31 March 2017.	
REASONS FOR RECOMMENDATION: The Code of Practice of Local Government Accounting recommends that the Statement of Accounts should be endorsed by the body within the Council that is responsible for overall corporate governance. Under the Council's Constitution this function has been delegated to the Executive.	
EXECUTIVE SUMMARY The Statement of Accounts for the financial year 2016/17 has been prepared and audited, subject to final review by our external auditors. A copy of the Annual Financial Report, incorporating the Statement of Accounts, is attached as Annex 1 to this report. The report of the external auditors on the Statement (the <i>ISA 260 Report</i>) is elsewhere on this agenda.	

Executive has authority to determine the above recommendation.

STATUTORY POWERS

1. The Council is required to produce the Statement of Accounts by the *Local Government and Housing Act 1989* and the *Accounts and Audit Regulations 2011*.
2. In accordance with the *Local Authorities (Functions and Responsibilities) (England) Regulations 2000*, the approval of the Statement of Accounts is an Executive function.

ISSUES

3. The *Code of Practice on Local Authority Accounting in the United Kingdom 2013* requires that the financial statements follow – as closely as possible – the same regulations that apply to all organisations that are required to produce Accounts. These regulations are known as *International Financial Reporting Standards* (IFRS).
4. The key financial statements within the Annual Financial Report are:
 - the Movement in Reserves Statement – this is a summary of all the changes to the Council's financial reserves during 2016/17.
 - the Comprehensive Income & Expenditure Statement – this statement shows the cost of providing services during the year.
 - the Balance Sheet – this identifies the assets and liabilities of the Council and shows its net worth at the end of the financial year.
 - the Cash Flow Statement – this summarises all of the cash flows into and out of the Council during 2016/17.
5. A full explanation of each of the financial statements is included within the Annual Financial Report. It is, however, worth noting that whilst the surplus or deficit on the Comprehensive Income and Expenditure Statement is the best measure of the Council's financial results in accordance with accepted accounting practice, the Movement in Reserves Statement is a key indicator of stewardship.

LEGAL IMPLICATIONS

6. There are no legal implications.

FINANCIAL IMPLICATIONS

7. There are no direct financial implications.

EQUALITIES IMPLICATIONS

8. There are no equalities implications.

CONSULTATION

9. The Executive Member for Finance established, and chaired, a Member advisory panel during the preparation of the Annual Financial Report.

POLICY FRAMEWORK

10. There are no policy issues to raise as part of this report.

Background Papers: Executive, 14 September 2017, *ISA 260 External Auditors Report*

Annual Financial Report

for the year ended 31 March 2017

ANNUAL FINANCIAL REPORT

(INCORPORATING THE STATEMENT OF ACCOUNTS)

for the year ended 31 March 2017

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The purpose of this Statement of Accounts (the Accounts) is to summarise the financial performance for the year 2016/17 and the overall financial position of the Council. The report aims to give a general guide to the main features of the information within the rest of the Accounts.

Revenue budget and outturn

Despite continued challenging economic and market conditions in 2016/17, financial performance has been well managed to give a net underspend of £1,035,200 (6%). The final outturn position for the year against the revised budget is set out in the table below.

Function	Budget £000	Outturn £000	Variance £000
Management Team	489.2	509.4	20.2
Democratic & Electoral Services	1,078.9	1,049.7	(29.2)
Planning Policy & Economic Prosperity	1,030.9	939.0	(91.9)
Information & Communication Technology	1,355.2	1,342.3	(12.9)
Communications, Web & Information	670.1	596.5	(73.6)
Customer Services	381.8	335.8	(46.0)
Human Resources	589.3	617.0	27.7
Legal Services	31.4	204.0	172.6
Finance	5,151.2	5,055.1	(96.1)
Treasury Management	(464.9)	(518.7)	(53.8)
Risk, Performance & Contingency Planning	180.0	152.6	(27.4)
Waste & Recycling	890.9	481.0	(409.9)
Greenspaces	1,115.6	1,072.7	(42.9)
Street Cleansing	994.3	1,038.9	44.6
Vehicle Fleet Operation	736.6	795.4	58.8
Car Parking	(2,011.5)	(2,230.3)	(218.8)
Property & Facilities	409.8	351.9	(57.9)
Engineering & Construction	97.6	95.4	(2.2)
Development Management	262.2	273.0	10.8
Building Control	(15.2)	(12.8)	2.4
Joint Enforcement Team	314.0	288.6	(25.4)
Housing Needs & Supporting Families	1,088.1	927.1	(161.0)
Benefits	(50.3)	(44.9)	5.4
Local Taxation	(4.4)	104.6	109.0
Environmental Health	518.0	392.1	(125.9)
Leisure Services	941.5	944.2	2.7
Corporate Support Services	192.5	164.2	(28.3)
Trading Companies Investment	471.0	484.8	13.8
Net Total	16,443.8	15,408.6	(1,035.2)
Depreciation		2,488.8	
Accounting adjustments		2,566.7	
Total Gross Expenditure		20,464.1	

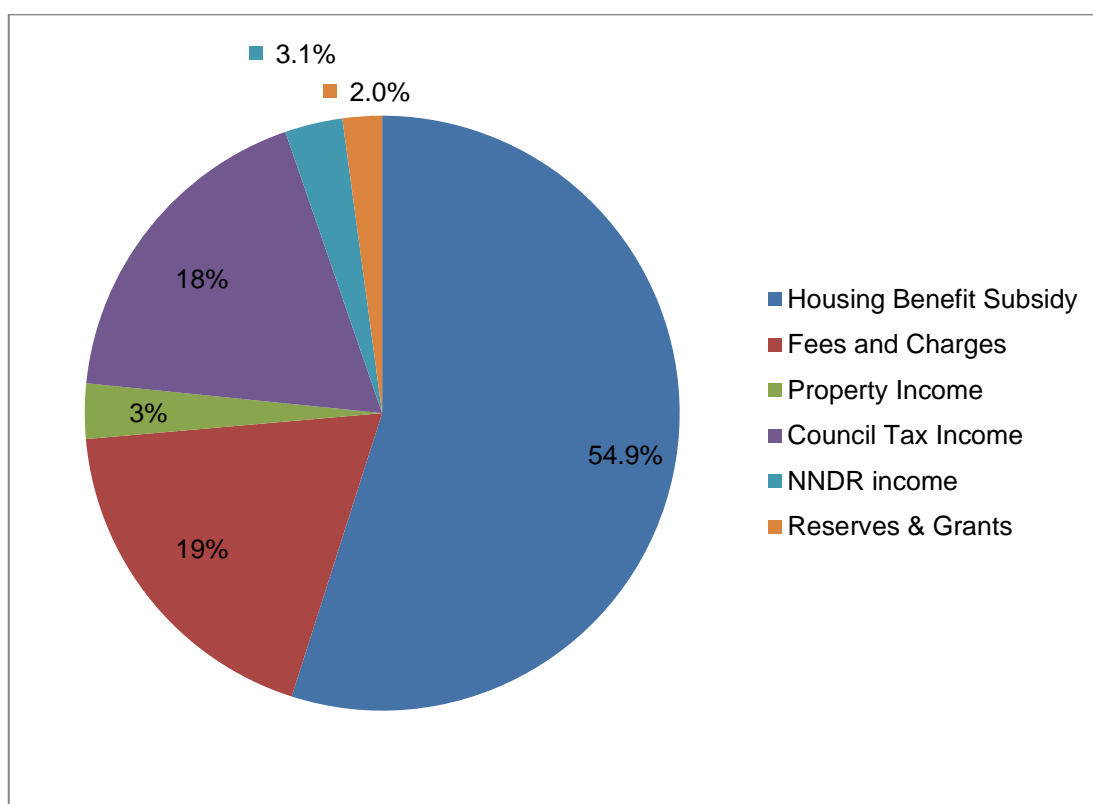
The most significant revenue budget variances for 2016/17 have been recycle income in Refuse and Recycling, increased income in Car Parking following a successful marketing

REPORT

campaign, and homelessness prevention activity and the increased supply of temporary accommodation leading to a significant underspend on emergency accommodation. Changing economic factors such as this have been recognised in setting the 2017/18 budget.

During the year some additional funds have been released from reserves to fund specific projects which have been added to the budget. The table above includes all the income the Council has received from fees and charges and specific government grants, such as housing benefit subsidy. The gross expenditure budget of £70 million has been funded from the sources set out in the pie chart below. £12.7 million was budgeted to be collected from locally raised council tax and £2.2 million from business rate payers. Just over £1.3 million has been drawn from reserves to fund specific projects and the remainder has been funded from central government grants.

Funding sources of gross revenue (percentage)



Looking ahead, income from central government grants will cease and consequently the Council is required to either bridge this gap through additional income sources, such as fees, charges and rental income, or by reducing expenditure. The current Medium Term Financial Plan sets out an anticipated level of saving for the next five years of £3.6 million. Further savings will be made in the light of funding reductions from Central Government. The 2017/18 budget has identified £0.85 million of this total and the Management Team are working closely with Members as part of Service and Financial Planning to identify the remainder and ensure the financial stability of the Council over the long-term.

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Capital budget and outturn

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

Theme	Revised budget £000	Outturn £000	Variance £000
Waste Management & Recycling	818	474	(344)
Environment	255	165	(90)
Capital Grants	1,139	649	(490)
Regeneration	5,256	4,624	(632)
Leisure & Culture	682	400	(282)
Strategic Property	8,877	8,902	25
Organisational Change	828	785	(43)
Rolling Programmes	927	475	(452)
Total	18,782	16,474	(2,308)

Financed by

Government grants and contributions	3,811
Capital Receipts	12,165
Revenue	498
Total	16,474

The majority of this underspend was due to slippage in projects and outstanding retention amounts which have been re-profiled in the five-year capital programme, which totals £17.5 million for the years 2017/18 to 2021/22. A large proportion of this planned spend is on a series of regeneration projects in Merstham, Redhill and Preston in partnership with Surrey County Council and Raven Housing Trust. The majority of the capital spend is expected to take place over the next two years.

Financial Statements

The Statement of Accounts for 2016/17 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 accounting arrangements of any large organisation such as Reigate & Banstead Borough Council are complex, as is local government finance. The Accounts are presented as simply as possible whilst recognising that it is necessary for some technical terminology and disclosures to be used. To help you understand the Accounts, the main statements are supported by explanatory notes that set out the main areas of income and expenditure, and by technical notes which include detailed accounting disclosures. A glossary of terms is also provided.

The Accounts consist of:

- Movement in Reserves Statement 16
- Comprehensive Income and Expenditure Statement 17
- Balance Sheet 18
- Cash Flow Statement 19
- Group Accounts 71

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Further information

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

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

J. Convey
Head of Finance

ANNUAL GOVERNANCE STATEMENT

1. Scope of Responsibility

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

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

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

Our Code of Corporate Governance outlines our governance principles:

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

This statement describes how we have complied with our Code of Corporate Governance and how we have met the requirements of the Accounts and Audit Regulations 2015.

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.
- Our arrangements for the oversight and scrutiny of decisions and policy development by Councillors.

ANNUAL GOVERNANCE STATEMENT

- 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 Human Resources Plan, role profiles and codes of conduct which underpin how Members and employees work.
- Our arrangements for consultation and engagement with the community.
- Our independent internal audit service arrangements which provide risk-based assurance as well as supporting wider audit requirements.
- The independent oversight and challenge provided by our external auditors and the Local Government Ombudsman;
- Our procedure rules and internal management processes for:
 - Financial management
 - Procurement
 - Project management
 - Information governance & data security
 - Health & safety
 - Decision making
 - Whistleblowing
 - Complaints handling
 - Anti-fraud & corruption

4. Review of Effectiveness

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

Our review of effectiveness considers decisions taken and matters considered by full Council, the Executive, the Management Team, the work of the Overview & Scrutiny Committee, 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 Executive and Overview & Scrutiny Committee with the information to check and challenge attainment of our priorities.

A number of improvements to our approach to risk have been made including an external review of both our strategic and operational risks, the reporting of risk and performance information and better linkages to the business planning and appraisal processes. Executive Members have reviewed the register of the strategic business risks facing the Council and the Overview and Scrutiny Committee has received positive assurances about the operation of the arrangements for identifying and managing risk.

ANNUAL GOVERNANCE STATEMENT

Effective financial planning and management

The 2016/17 budget represented a challenge for the Council and required savings of just over 0.8m. Difficult economic conditions created budget pressures but the final outturn was an underspend equivalent to 6% of the budget (£1.035m).

The Chief Finance Officer has ensured that effective budget monitoring and reporting arrangements, involving the Management Team, Executive and Overview & Scrutiny Committee 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 2016, 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 have also updated the Scheme of Delegation for the Council and Executive responsibilities to reflect various legislative and organisational changes. All Managers have been asked to document authorisations under the scheme to provide a clear description of decision making responsibilities.

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

Effective Conduct Arrangements

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

Changes have been agreed in relation to our complaint handling arrangements which now place greater emphasis on a speedy informal resolution of concerns. A set of principles has been agreed by the Political Group Leaders who work together to support this process.

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

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 have reviewed these as part of the review of the Constitution and made a number of changes to reflect new working arrangements.

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

Effectively developing skills and capacity

The Council has a Human Resource Plan which sets out the resources required to deliver the Council's priorities and services. Personal development plans and the "talent management" programmes 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 surveys and an action plan is in place to address the themes emerging from these.

An induction programme is in place for new Councillors and skills training for regulatory functions takes place annually before Members take up places on the Planning, 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. We

ANNUAL GOVERNANCE STATEMENT

consulted with Councillors to develop a programme of training and development which is both accessible and relevant to their needs. This programme commenced during 2014/15 and is ongoing.

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 2016/17 included the following:

- “The organisation has an adequate and effective framework for risk management, governance and internal control. However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.”

The Annual Audit Letter (from our external auditors - KPMG) summarises the finding of the audit of the Council each year. The last letter received by the Council, in October 2016, in respect of the 2015/16 financial year contained the following conclusions:

- “We issued an unqualified conclusion on the Authority’s arrangements to secure value for money (VFM conclusion) for 2015/16 on 29 September 2016. This means we are satisfied that during the year the Authority had appropriate arrangements for securing economy, efficiency and effectiveness in the use of its resources”.
- “We issued an unqualified opinion on the Authority’s financial statements on 29 September 2016. 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”.

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

http://www.reigate-banstead.gov.uk/downloads/file/2905/annual_audit_letter2015-16

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.

Whilst the outlook for local government over the next few years is a challenging, with 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.

AUDITORS REPORT ON THE FINANCIAL STATEMENTS

THE AUTHORITY'S RESPONSIBILITIES

The Authority is required:

- to make arrangements for proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority that officer is the Head of Finance.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- to approve the statement of accounts.

Certificate of the Leader of the Council

I confirm that the accounts were approved by the Executive at the meeting held on 14 September 2017.

Councillor Victor Broad

Chairman of Meeting approving the Statement of Accounts

THE CHIEF FINANCIAL OFFICER'S RESPONSIBILITIES

The Chief Financial Officer is responsible for the preparation of the authority's statement of accounts in accordance with the proper practices as set out in the *Code of Practice on Local Authority Accounting in the UK 2016/17*.

In preparing these statements of account the Chief Financial Officer has:

- selected suitable accounting policies and applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the Code of Practice.

The Chief Financial Officer has also:

- kept proper records which were up-to-date
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certificate of the Chief Financial Officer

I certify that the accounts set out on pages 15 to 82 give a true and fair view of the financial position of the Council as at 31 March 2017 and its income and expenditure for the year then ended.

Jocelyn Convey
Head of Finance

AUDITORS REPORT ON THE FINANCIAL STATEMENTS

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NOTES TO THE ACCOUNTS

The financial statements consist of:

Movement in Reserves Statement

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

Comprehensive Income and Expenditure Statement

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

Balance Sheet

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

Cash Flow Statement

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

Supporting Notes

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

Technical Notes

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

Accounting Policies

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

Collection Fund

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

Group Accounts

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

NOTES TO THE ACCOUNTS

Movement in Reserves Statement

	General Fund Reserve	Earmarked Revenue Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2015	6,717	10,963	20,925	9,583	48,188	35,013	83,201
Movement in reserves during 2015/16							
Surplus (deficit) on provision of services	24,079	0	0	0	24,079	0	24,079
Other comprehensive income and expenditure	0	0	0	0	0	36,390	36,390
Adjustments between accounting and funding basis under regulations (Note 17)	(19,537)	0	5,223	(3,859)	(18,173)	18,173	0
Transfers to/from Usable Reserves (Note 10)	(2,522)	2,522	0	0	0	0	0
Other adjustments	0	0	0	0	0	0	0
Increase/Decrease in 2015/16	2,020	2,522	5,223	(3,859)	5,906	54,563	60,469
Balance at 31 March 2016	8,737	13,485	26,148	5,724	54,094	89,576	143,670
Movement in reserves during 2016/17							
Surplus (deficit) on provision of services	14,393	0	0	0	14,393	0	14,393
Other comprehensive income and expenditure	0	0	0	0	0	(1,020)	(1,020)
Adjustments between accounting and funding basis under regulations (Note 17)	(11,628)	0	3,361	4,700	(3,567)	3,567	0
Transfers to/from Usable Reserves (Note 10)	(5,590)	5,590	0	0	0	0	0
Other adjustments	0	0	0	0	0	0	0
Increase/Decrease in 2016/17	(2,825)	5,590	3,361	4,700	10,826	2,547	13,373
Balance at 31 March 2017	5,912	19,075	29,509	10,424	64,920	92,123	157,043

NOTES TO THE ACCOUNTS

Comprehensive Income and Expenditure Statement

2015/16				2016/17		
Gross Exp	Gross Inc	Net Exp		Gross Exp	Gross Inc	Net Exp
£000	£000	£000		£000	£000	£000
3,434	(1,424)	2,010	People and Welfare	3,449	(1,427)	2,022
11,023	(5,279)	5,744	Recycling and Cleansing	9,818	(5,246)	4,572
3,126	(2,359)	767	Communication, Customers and Change	2,761	(2,110)	651
3,420	(4,598)	(1,178)	Policy, Performance and Parking	6,000	(4,246)	1,754
8,332	(8,649)	(317)	Property	4,792	(5,035)	(243)
9,279	(1,341)	7,938	Places and Planning	6,309	(1,599)	4,710
787	(1,004)	(217)	Legal	910	(1,100)	(190)
44,276	(42,198)	2,078	Finance, Revenue and Benefits	43,427	(41,807)	1,620
8,920	(2,061)	6,859	Health and Wellbeing	7,671	(2,103)	5,568
92,597	(68,913)	23,684	Cost of Services	85,137	(64,673)	20,464
335	(13,441)	(13,106)	Other Operating Expenditure (Note 2)	347	(2,562)	(2,215)
2,237	(10,979)	(8,742)	Financing and Investment Income and Expenditure (Note 3)	1,978	(6,357)	(4,379)
16,956	(42,871)	(25,915)	Taxation and Non-specific Grant Income and Expenditure (Note 4)	15,613	(43,876)	(28,263)
112,125	(136,204)	(24,079)	(Surplus) or Deficit on Provision of Services	103,492	(117,468)	(14,393)
		(21,341)	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment assets			(11,400)
		(15,049)	Actuarial remeasurements			12,420
		(36,390)	Other Comprehensive Income and Expenditure			1,020
		(60,469)	Total Comprehensive Income and Expenditure			(13,373)

NOTES TO THE ACCOUNTS

Balance Sheet

31 March 2016		Note	31 March 2017
£000			£000
103,753	Property, Plant and Equipment	11	113,564
35,960	Investment Property	12	47,122
439	Heritage Assets		468
18	Long Term Debtors		23
0	Long Term Investments		11,002
140,170	Long Term Assets		169,177
53,208	Short Term Investments	27	44,055
0	Assets Held for Sale	13	0
45	Inventories		45
12,708	Short Term Debtors	14	4,140
8,579	Cash and Cash Equivalents	15	23,380
74,540	Current Assets		74,622
(9,348)	Short Term Creditors	16	(11,538)
(9,348)	Current Liabilities		(11,538)
(1,700)	Long Term Creditors	35	(1,701)
(1,472)	Business Rates Appeals Provision		(1,670)
(56,975)	Pension Liability	28	(70,518)
(1,354)	Capital Grants in Advance	5	(1,177)
(191)	Other Long Term Liabilities		(152)
(61,692)	Long Term Liabilities		(75,218)
143,670	Net Assets		157,043
(8,737)	General Fund Reserve		(5,912)
(13,485)	Earmarked Reserves	10	(19,075)
(26,147)	Capital Receipts Reserve		(29,509)
(5,724)	Capital Grants Unapplied		(10,423)
(54,093)	Useable Reserves		(64,919)
(44,388)	Revaluation Reserve	18	(54,900)
(95,776)	Capital Adjustment Account	19	(106,267)
(7,378)	Deferred Capital Receipts Reserve		(425)
56,975	Pensions Reserve	28	70,518
348	Collection Fund Adjustment Account	21	(1,751)
642	Accumulated Absences Account	22	701
(89,577)	Unusable Reserves		(92,124)
(143,670)	Total Reserves		(157,043)

NOTES TO THE ACCOUNTS

Cash Flow Statement

2015/16		2016/17
£000		£000
(22,837)	Net (surplus) or deficit on the provision of services	(14,393)
339	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(18,909)
11,223	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	24,037
(11,275)	Net cash flows from Operating Activities	(9,265)
14,741	Purchase of Property Plant and Equipment (PPE) & Investment Property	15,388
0	Purchase of short-term and long-term investments	2,936
(5,233)	Proceeds from the sale of PPE & Investment Property	(15,526)
(4,458)	Capital grants received	(8,334)
5,050	Net cash flows from Investment Activities	(5,536)
(6,225)	Net (increase)/decrease in cash and cash equivalents	(14,801)
2,354	Cash and cash equivalents at the beginning of the reporting period	8,579
8,579	Cash and cash equivalents at the end of the reporting period (Note 15)	23,380

NOTES TO THE ACCOUNTS

1. Analysis of Comprehensive Income and Expenditure

1.1 Expenditure and Funding Analysis

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

2016/17	Provisional Outturn	Recharges and Adjustments Affecting the General Fund	Net Expenditure Chargeable to the General Fund	Adjustments Between Accounting Basis and Funding Basis	Comprehensive Income and Expenditure Statement
	£000	£000	£000	£000	£000
People and Welfare	1,544	51	1,595	427	2,022
Recycling and Cleansing	2,315	1,284	3,599	973	4,572
Communication, Customers and Change Policy	2,275	(1,891)	384	267	651
Performance and Parking	(367)	523	156	1,598	1,754
Property	352	(2,802)	(2,450)	2,207	(243)
Places and Planning	2,380	2,021	4,401	311	4,710
Legal	204	(434)	(230)	40	(190)
Finance, Revenues and Benefits	4,595	(1,111)	3,484	(1,866)	1,620
Health and Wellbeing	2,111	2,658	4,769	799	5,568
Net Cost of Services	15,409	299	15,708	4,756	20,464
Other Income and Expenditure			(18,473)	(16,384)	(34,857)
Surplus or Deficit			(2,765)	(11,628)	(14,393)
Opening General Fund Balance			(22,222)		
Add Surplus/Less Deficit			(2,765)		
Closing General Fund Balance			(24,987)		

NOTES TO THE ACCOUNTS

2015/16	Provisional Outturn	Recharges and Adjustments Affecting the General Fund	Net Expenditure Chargeable to the General Fund	Adjustments Between Accounting Basis and Funding Basis	Comprehensive Income and Expenditure Statement
	£000	£000	£000	£000	£000
People and Welfare	2,081	(570)	1,511	499	2,010
Recycling and Cleansing	2,250	1,948	4,198	1,545	5,743
Communication, Customers and Change	2,340	(2,064)	276	491	767
Policy	(102)	1,404	1,302	(2,480)	(1,178)
Performance and Parking	700	(6,804)	(6,104)	5,787	(317)
Property	2,159	2,908	5,067	2,872	7,939
Places and Planning	117	(368)	(251)	34	(217)
Legal	5,244	(1,504)	3,740	(1,662)	2,078
Finance, Revenues and Benefits	1,511	4,278	5,789	1,070	6,859
Health and Wellbeing	16,300	(772)	15,528	8,156	23,684
Net Cost of Services					
Other Income and Expenditure			(20,070)	(27,693)	(47,763)
Surplus or Deficit			(4,542)	(19,537)	(24,079)
Opening General Fund Balance			(17,680)		
Add Surplus/Less Deficit			(4,542)		
Closing General Fund Balance			(22,222)		

NOTES TO THE ACCOUNTS

1.2 Note to the EFA

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

	2016/17			
	Adjustments for Capital Purposes	Net Change for Pensions Adjustments	Other Differences	Total Funding Adjustments
	£000	£000	£000	£000
People and Welfare	315	101	11	427
Recycling and Cleaving	687	278	8	973
Communication, Customers and Change	173	112	(18)	267
Policy, Performance and Parking	1,484	120	(6)	1,598
Property	2,170	42	(5)	2,207
Places and Planning	74	224	13	311
Legal	0	35	5	40
Finance, Revenue and Benefits	18	(1,903)	19	(1,866)
Health and Wellbeing	631	136	31	799
Cost of Services	5,552	(855)	59	4,756
Other Income and Expenditure	(15,975)	1,978	(2,387)	(16,384)
Financing and Difference between GF Surplus or Deficit and CIES Surplus or Deficit				(11,628)

NOTES TO THE ACCOUNTS

	2015/16			
	Adjustments for Capital Purposes	Net Change for Pensions Adjustments	Other Differences	Total Funding Adjustments
	£000	£000	£000	£000
People and Welfare	340	131	28	499
Recycling and Cleansing	1014	389	142	1,545
Communication, Customers and Change	308	174	9	491
Policy, Performance and Parking	(2,674)	187	7	(2,480)
Property	5,771	0	16	5,787
Places and Planning	2,514	313	45	2,872
Legal	0	26	8	34
Finance, Revenue and Benefits	18	(1,685)	5	(1,662)
Health and Wellbeing	828	233	9	1,070
Cost of Services	8,119	(232)	269	8,156
Other Income and Expenditure	(29,518)	2,237	(412)	(27,693)
Financing and Difference between GF Surplus or Deficit and CIES Surplus or Deficit				(19,537)

1.3 Subjective Note to the Accounts

	£000
Employee Benefits Expense	17,091
Depreciation and Amortisation Expense	2,849
Other Service Expenses	83,912
Fees, Charges and Other Income	(117,877)
Surplus or Deficit on the Provision of Services	(14,385)

NOTES TO THE ACCOUNTS

2. Other Operating Expenditure

	2016/17	2015/16
	£000	£000
Parish council precepts and grants paid	347	335
(Gains)/losses on the disposal of non-current assets	(2,562)	(13,441)
Total	(2,215)	(13,106)

3. Financing & Investment Income and Expenditure

	2016/17	2015/16
	£000	£000
Interest payable and similar charges	0	0
Net interest on the defined benefit liability	1,978	2,237
Interest receivable and similar income	(527)	(471)
Icelandic impairments	0	0
Income and expenditure in relation to investment properties and changes in their fair value	(5,830)	(10,508)
Total	(4,379)	(8,742)

4. Taxation and Non Specific Grant Income and Expenditure

	2016/17	2015/16
	£000	£000
Council tax income	(12,719)	(12,336)
Non domestic rates income	(19,888)	(18,962)
Non domestic rates expenditure	17,711	17,118
Non-ring fenced government grants	(4,856)	(5,745)
Capital grants and contributions	(8,511)	(5,990)
Total	(28,263)	(25,915)

NOTES TO THE ACCOUNTS

5. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2016/17:

	2016/17	2015/16
	£000	£000
Council Tax income	(12,719)	(12,337)
Non domestic rates	(2,177)	(1,843)
Non ring-fenced government grants	(4,856)	(5,745)
Capital grants and contributions	(8,511)	(5,990)
Total - Credited to Taxation and Non Specific Grant Income	(28,263)	(25,915)
Rent Allowances	(38,653)	(38,563)
Council Tax Support	(285)	(102)
Rent Rebates	(207)	(182)
NNDR	0	(175)
Land Charges Grant	0	(113)
Refugee Support Grant	(44)	0
CO2 reductions	0	(8)
OFGEM renewable grants	(1)	(12)
Individual electoral registration grant	(48)	(47)
Core Funding (Joint Charitable)	(1)	0
Site Delivery Fund	0	(50)
Total – Credited to Cost of Services	(39,239)	(39,252)
Total – Grant Income	(67,502)	(65,167)

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

	2016/17	2015/16
	£000	£000
Unapplied Capital Grants & Contributions	0	0
Developers Contributions Unapplied – Horley Master Plan	(166)	(166)
Developers Contributions Unapplied - non tariff	(1,011)	(1,188)
Total	(1,177)	(1,354)

NOTES TO THE ACCOUNTS

6. Officers' Remuneration

Detailed remuneration information for senior employees is set out below.

Name/Post Title	Year	Salary Fees and Allowances	Bonus	Allowances & Expenses	Compensation for Loss of Office	Pension Contribution	Total
		£000	£000	£000	£000	£000	£000
Chief Executive	16/17	170	15	4	0	4	193
	15/16	146	22	8	0	26	202
Deputy Chief Executive	16/17	10	10	0	92	3	115
	15/16	95	9	2	0	16	122
Head of Finance (S.151 Officer)	16/17	80	0	0	0	12	92
	15/16	74	3	1	0	12	90
Legal Manager (Monitoring Officer)*	16/17	6	0	0	5	1	12
	15/16	7	0	0	0	1	8

* From 2015/16 the Legal Manager post was shared with another Council and was not directly employed by Reigate and Banstead Borough Council. This arrangement continued to 28/02/2017.

NOTES TO THE ACCOUNTS

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

Remuneration Band	2016/17	2015/16
	No. of Employees	No. of Employees
£50,000 to £54,999	13	11
£55,000 to £59,999	1	2
£60,000 to £64,999	2	2
£65,000 to £69,999	2	1
£70,000 to £74,999	0	4
£75,000 to £79,999	3	1
£80,000 to £84,999	1	0
£85,000 to £89,999	0	0
£90,000 to £94,999	1	0
£95,000 to £99,999	1	0
£100,000 to 104,999	0	0
£105,000 to 109,999	0	1
£110,000 to 114,999	0	0
£115,000 to 119,999	0	0
£120,000 to 124,999	0	0
£125,000 to 125,999	0	0
£130,000 to 134,999	0	0
£135,000 to 139,999	0	0
£140,000 to 144,999	0	0
£145,000 to 149,999	0	0
£150,000 to 154,999	0	0
£155,000 to 159,999	0	0
£160,000 to 164,999	0	0
£165,000 to 169,999	0	0
£170,000 to 174,999	0	0
£175,000 to 179,999	0	1
£180,000 to £184,999	0	0
£185,000 to £189,999	1	0

NOTES TO THE ACCOUNTS

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies for 2016/17 are set out in the table below:

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

2015/16	No.	No.	No.	£000
£0-£20,000	2	5	7	70
£20,000-£40,000	1	2	3	88
£40,000-£60,000	0	0	0	0
£60,000-£80,000	0	1	1	60
£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:

	2016/17 £000	2015/16 £000
Fees payable for external audit services	49	49
Fees payable for statutory inspections	0	0
Fees payable for the certification of grant claims	12	10
Fees payable for other services provided by the auditor	2	3
Total	63	62

8. Members Allowances

The total value of the allowances paid to the 56 Members and former members of the Council during the year was £429,725 (£416,379 in 2015/16). Full details are published annually in the civic magazine "*Borough News*" and the Council's web-site.

NOTES TO THE ACCOUNTS

9. Related Parties

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

Central Government

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

Members

Members of the council have direct control over the council's financial and operating policies. The total of Members' Allowances paid in 2016/17 is shown in Note 8. Details of all these interests are recorded in the Register of Members' Interest, open to public inspection at the Town Hall during office hours. Eleven Members declared an interest in organisations which shared transactions with the Council. These included Pathway for Care Ltd (See Below), YMCA (£123,832), Reigate & Banstead District Citizens Advice Bureau (£104,000), Banstead Commons Conservators Committee (£85,500), Age Concern Banstead (£36,854) and Raven Housing Trust (Income £2,679,529).

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

Officers

CEO John Jory and Officer Tom Kealey are directors of Pathway for Care Ltd, a subsidiary of the authority. CEO John Jory and Officer John Reed are directors of Horley Business Park Development LLP, a joint venture of the authority. CEO John Jory and Officers John Reed and Bill Pallett are Directors of Greensand Property Holdings Limited, a subsidiary of the authority.

Entities controlled or significantly influenced by the council

The council has invested in two subsidiaries and a joint venture during 2016/17 over which it has control/significant influence.

Pathway for Care Ltd

The authority owns 80% of the shareholding and Table7 Consulting Ltd owns the remaining 20% of the shareholding. Pathway is a new business that seeks to address some of the challenges faced by a significant number of older people across the borough and beyond. The Council has lent the company £456,000 during the financial year 2016/17 and charged an interest of £8,000.

Horley Business Park Development LLP

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

The Council has lent the company £276,200 during financial year 2016/17 and the interest charged for the loan was £14,722.

NOTES TO THE ACCOUNTS

Greensand Property Holdings Ltd

The authority owns the 100% of shareholding of the company. The purpose is buying and selling of real estate. The Council has lent the company £2,269,538 and the interest charged for the loan was £12,122 for the financial year 2016/17.

10. Transfers to/from Usable Reserves

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

	Balance at 31/3/15 £000	Transfers £000	Balance at 31/3/16 £000	Transfers £000	Balance at 31/3/17 £000
General Fund Reserves:					
Superannuation Reserve	1,507	0	1,507	0	1,507
Corporate Plan Delivery Fund	2,098	(98)	2,000	2,000	4,000
LCAP Reserve	0	0	0	0	0
Insurance Reserve	550	0	550	0	550
New Homes Bonus Reserve	5,245	2,430	7,675	3,730	11,405
Growth Points Reserve	286	0	286	0	286
Business Rates Equalisation Reserve	1,000	0	1,000	0	1,000
Supporting Families Reserve	59	0	59	(59)	0
High Street Innovation Fund Reserve	70	0	70	(30)	40
Business Support Scheme Reserve	148	0	148	0	148
Neighbourhood Improvement Reserve	0	190	190	(51)	139
Total	10,963	2,522	13,485	5,590	19,075

NOTES TO THE ACCOUNTS

11. Property, Plant and Equipment

Movements in 2016/17

	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000
Gross Cost or valuation				
At 1 April 2016	99,733	17,797	0	117,530
Additions	2,418	1,081	0	3,499
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	10,154	0	0	10,154
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,634)	0	0	(2,634)
Derecognition – disposals	(128)	(225)	0	(353)
Assets reclassifications	0	0	0	0
At 31 March 2017	109,544	18,653	0	128,197
Gross Accumulated Depreciation and Impairment				
At 1 April 2016	403	13,374	0	13,777
Depreciation charge	1,422	1,067	0	2,489
Depreciation written out to the Revaluation Reserve	(1,217)	0	0	(1,218)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(193)	0	0	(193)
Derecognition – disposals	(222)	0	0	(222)
Other movements in depreciation and impairment				
At 31 March 2017	190	14,441	0	14,633
Net Book value:				
At 31 March 2017	109,352	4,212	0	113,564
At 31 March 2016	99,330	4,423	0	103,753

NOTES TO THE ACCOUNTS

Movements in 2015/16

	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000
Gross Cost or valuation				
At 1 April 2015	77,938	17,005	6,810	101,753
Additions	6,422	1,195	0	7,617
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	15,944	0	0	15,944
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,989)	0	0	(2,989)
Derecognition – disposals	(4,282)	(403)		(4,685)
Assets reclassifications	6,700	0	(6,810)	(110)
At 31 March 2016	99,733	17,797	0	117,530
Gross Accumulated Depreciation and Impairment				
At 1 April 2015	4,395	12,682	0	17,077
Depreciation charge	2,415	1,074	0	3,489
Depreciation written out to the Revaluation Reserve	(5,175)	0	0	(5,175)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(648)	0	0	(648)
Derecognition – disposals	(584)	(382)	0	(966)
Other movements in depreciation and impairment	0	0	0	0
At 31 March 2016	403	13,374	0	13,777
Net Book value:				
At 31 March 2016	99,330	4,423	0	103,753
At 31 March 2015	73,543	4,323	6,810	84,676

NOTES TO THE ACCOUNTS

12. Investment Properties

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

	2016/17	2015/16
	£000	£000
Rental income from investment property	(1,321)	(514)
Direct operating expenses arising from investment property	393	93
Net (gain)/loss	(928)	(421)

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	31 March
	2017	2016
	£000	£000
Balance at start of the year	35,960	20,663
Additions	12,142	5,005
Disposals	0	0
Net gains/losses from fair value adjustments	4,902	10,182
Transfers (to)/from Property, Plant and Equipment	0	110
Transfers (to)/from Assets held for Sale	(5,881)	0
Balance at end of the year	47,122	35,960

NOTES TO THE ACCOUNTS

13. Assets Held for Sale

	31 March 2017 £000	31 March 2016 £000
Balance outstanding at start of year		0
Property, Plant and Equipment Assets newly classified as held for sale	5,881	3,698
Assets sold	(5,881)	(3,698)
Revaluation gains/(losses):		
<i>Charged to the revaluation reserve</i>	0	0
<i>Charged to the Comprehensive Income and Expenditure Statement</i>	0	0
Property, plant and equipment assets declassified as held for sale:	0	0
Balance outstanding at year-end	0	0

14. Debtors

	31 March 2017 £000	31 March 2016 £000
Central government bodies	348	2,088
Other local authorities	988	111
NHS bodies	1	2
Public corporations and trading funds	0	0
Other entities and individuals	5,008	12,433
Total (Gross)	6,345	14,634
Less Provision for Bad Debts	(2,205)	(1,926)
Total	4,140	12,708

15. Cash and Cash Equivalents

	31 March 2017 £000	31 March 2016 £000
Cash held by the Council	3	3
Bank current accounts	23,377	8,576
Short-term deposits with banks and building societies	0	0
Total	23,380	8,579

NOTES TO THE ACCOUNTS

16. Creditors

	31 March 2017 £000	31 March 2016 £000
Central government bodies	(3,875)	(1,750)
Other local authorities	(3,290)	(4,264)
Other entities and individuals	(4,373)	(3,334)
Total	(11,538)	(9,348)

Payment of invoices within 30 days – For the year ending 31 March 2017 98.5% of undisputed purchase invoices were paid within 30 days of the invoice date. £0.74 was paid in late payment interest.

TECHNICAL NOTES

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

17. Adjustments between accounting basis and funding basis under regulations

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

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

General Fund Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

TECHNICAL NOTES

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

Continued

TECHNICAL NOTES

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

Continued

TECHNICAL NOTES

2015/16	General Fund Reserve	Earmarked Revenue Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Reserves Usable	Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000	£000
<i>Adjustments primarily involving the Capital Adjustment Account:</i>							
Charges for depreciation and impairment of non-current assets	3,516				3,516	(3,516)	0
Revaluation gains on Property, Plant and Equipment	2,230				2,230	(2,230)	0
Movement in the fair values of Investment Properties	(10,087)				(10,087)	10,087	0
Revenue funded from capital under statue	2,373				2,373	(2,373)	0
Amount of non-current assets written off on disposal or sale as part of the gain/loss on disposal	3,719				3,719	(3,719)	0
Capital expenditure funded from revenue	0				0		0
<i>Adjustments primarily involving the Capital Grants Unapplied Account</i>							
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	(5,990)			2,687	(3,303)	3,303	0
Application of capital financing transferred to the Capital Adjustment Account				(6,546)	(6,546)	6,546	0
<i>Adjustments primarily involving the Capital Receipts Reserve</i>							
Transfer of cash proceeds credited as part of the gain/loss on disposal	(17,160)		5,223		(11,937)	11,937	0

Continued

TECHNICAL NOTES

	General Fund Reserve	Earmarked Revenue Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Reserves Usable	Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000	£000
<i>Adjustments primarily involving the Pensions Reserve</i>							
Reversal of items relating to retirement benefits debited or credited to the CIES	5,628				5,628	(5,628)	0
Employer's pension contributions and direct payments to pensioners payable in year	(3,623)				(3,623)	3,623	0
<i>Adjustments primarily involving the Collection Fund Adjustment Account</i>							
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax and business rates income calculated for the year in accordance with statutory requirements	(412)				(412)	412	0
<i>Adjustments primarily involving the Accumulated Absences Account</i>							
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	269				269	(269)	0
Total adjustments	(19,537)	0	5,223	(3,859)	(18,173)	18,173	0

TECHNICAL NOTES

18. Revaluation Reserve

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

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

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

	31 March 2017 £000	31 March 2016 £000
Balance at 1 April	(44,388)	(25,414)
Other movements	0	0
Upward revaluation of assets	(14,772)	(29,360)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	3,373	8,019
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(11,399)	(21,341)
Difference between fair value depreciation and historical cost depreciation	761	1,074
Accumulated gains on assets sold or scrapped	127	1,293
Amounts written off to the Capital Adjustment Account	888	2,367
Balance at 31 March	(54,900)	(44,388)

19. Capital Adjustment Account

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

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

TECHNICAL NOTES

	31 March 2017 £000	31 March 2016 £000
Balance at 1 April	(95,776)	(80,165)
Reversal of items relating to capital expenditure:		
Charges for depreciation and impairment of non-current assets	2,488	3,517
Revaluation (gains) losses on Property, Plant and Equipment	2,441	2,325
Revenue expenditure funded from capital under statute	832	2,373
Amounts written off on disposal or sale of non-current assets	6,012	3,719
Adjusting amounts written out of the Revaluation Reserve	(888)	(2,368)
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(12,165)	(5,146)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(2,701)	(3,303)
Application of grants to capital financing from the Capital Grants Unapplied Account	(1,110)	(6,546)
Capital expenditure charged against the General Fund	(498)	0
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(4,902)	(10,182)
Balance at 31 March	(106,267)	(95,776)

20. Pensions Reserve

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

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

The debit balance on the Pensions Reserve therefore shows a shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

TECHNICAL NOTES

	31 March 2017 £000	31 March 2016 £000
Balance at 1 April	56,975	70,019
Remeasurements of the net defined liability	12,420	(15,049)
Reversal of items in the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	4,873	5,628
Employer's pensions contributions and direct payments to pensioners payable in the year	(3,750)	(3,623)
Balance at 31 March	70,518	56,975

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 2017 £000	31 March 2016 £000
Balance at 1 April	348	760
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	(2,099)	(412)
Balance at 31 March	(1,751)	348

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 2017 £000	31 March 2016 £000
Balance at 1 April	642	373
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	59	269
Balance at 31 March	701	642

TECHNICAL NOTES

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.

	2016/17 £000	2015/16 £000
Capital investment		
Property, Plant and Equipment	3,499	7,617
Investment Properties	12,142	5,005
Heritage Assets	0	0
Revenue Expenditure Funded from Capital under Statute	832	2,372
	16,474	14,994
Sources of finance		
Capital receipts received and applied	(12,165)	(5,145)
Capital receipts reserve applied	0	0
Government grants and other contributions	(3,811)	(9,849)
Revenue	(498)	0
	(16,474)	(14,994)

24. Capital Commitments

At 31 March 2017, the Council has entered into a number of contracts for the construction or enhancement of capital assets in 2016/17 and future years, with commitments totalling £1,149,000.00. The major commitment is Merstham Regeneration £0.5 million

25. Construction Contracts

As at March 2017 the Council had two material construction contracts.

Merstham Regeneration – In 2014/15, the Triangle site development was designed and scoped in conjunction with partners Raven Housing Trust and Surrey County Council, via an appointed professional team. The Triangle development is a community hub with a standalone block of 4 retail/restaurant units and associated communal parking and servicing. Tenders were received for the construction and two contractors (one for each site) appointed in April 2015.

Construction works commenced in 2015/16 and expenditure totals £3.5m. Project completion is expected during 2017/18.

TECHNICAL NOTES

26. Leases

Council as Lessee

26.1 Finance leases

The Council has acquired use of 15 properties under finance leases which are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	2016/17	2015/16
	£000	£000
Other Land and Buildings – freehold owned by Council	16,125	8,068
Other Land and Buildings – freehold not owned by Council	1,347	556
Total	17,472	8,624

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

The Council leases out various components of land and properties in order to achieve operational objectives such as the provision of social, sporting, amenity and economic development benefits to the Community providing rents totalling £467,000 in 2016/17 (£455,000 in 2015/16) as well as to provide a return from other assets leased out for investment purposes which provided rents of £1,233,000 in 2016/17 (£1,090,000 in 2015/16).

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

	31 March 2017	31 March 2016
	£000	£000
Not later than one year	1,611	1,768
Later than one year and not later than five years	4,895	4,506
Later than five years	68,016	69,380
	74,522	75,654

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

TECHNICAL NOTES

27. Financial Instruments:

27.1 Balances

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

	Long-Term		Current	
	31 March 2017 £000	31 March 2016 £000	31 March 2017 £000	31 March 2016 £000
Financial Liabilities	0	0	0	0
Interest accrued (included in creditors – other)	26	0	0	0
Total Borrowings	26	0	0	0
Loans and Receivables	8,000	3,000	44,121	50,209
Loans to Trading companies	3,002	0	0	0
Interest accrued	52	0	376	331
Total Investments	11,052	3,000	44,497	50,540

The Total Investments figures include Trust Fund balances of £1,701,000 (£1,700,948 in 2015/16), and £5,208,501 deposited in 2015/16 in an Escrow account for the construction of a hotel as part of a regeneration project in Redhill. These form part of our total investment portfolio and are now treated as resources controlled by the Council and so are included in the Council's Balance Sheet.

27.2 Gains and Losses

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

	Financial Liabilities (at amortised cost) £000	Financial Assets (loans and receivables) £000
Interest and Investment Income	0	590
Net Gain/(Loss) for the years	0	590

27.3 Icelandic Investment Impairments

The Council's financial involvement ceased in 2015/16.

In October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. The Council had £15.5m deposited with two of these institutions, with varying maturity dates and interest rates.

TECHNICAL NOTES

Final recovery was received in 2013/14 in relation to Landsbanki.

Glitnir Bank hf

Glitnir Bank hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008 its domestic assets and liabilities were transferred to a new bank (new Glitnir) with the management of the affairs of Old Glitnir being placed in the hands of a resolution committee. Following the Icelandic Supreme Court decision to grant UK local authorities priority status, the winding up board made a distribution to creditors in a basket of currencies in March 2012.

An element of the distribution was in Icelandic Kroner which had been placed in an escrow account in Iceland and was earning interest of 4.2%. This element of the distribution had been retained in Iceland due to currency controls currently operating in Iceland and as a result was subject to exchange rate risk, over which the Council had no control.

The Councils escrow held portion of the distribution, (denominated in Icelandic Kroner) was sold during 2015/16. As the Council had made an impairment of 100% of the outstanding claim amount due to currency fluctuations, in prior reporting periods, the receipt associated with this sale was recognised in the capital receipts reserve. This distribution represents the final settlement of the claim.

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

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

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

Financial Liabilities	31 March 2017		31 March 2016	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Other Debt	0	0	0	0
Interest accrued	0	0	0	0
Total Debt	0	0	0	0

TECHNICAL NOTES

Trade Creditors	4,373	4,373	3,334	3,334
Total Financial Liabilities	4,373	4,373	3,334	3,334

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

Financial Assets	31 March 2017		31 March 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£0	£0	£0	£0
Money Market Loans	48,000	48,555	48,000	48,127
Investment interest accrued – short term debtors	377	377	331	331
Money Deposited in Escrow Account	4,121	4,121	5,209	5,209
Trade Debtors	4,140	4,140	12,058	12,058
Total Financial Assets	56,638	57,193	65,598	65,725

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

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

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, as well as credit exposures to the Council's customers.

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

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

TECHNICAL NOTES

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

The full Treasury Management Strategy for 2016/17 was approved by Full Council on 14 April 2016 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

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

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

The maturity analysis of financial assets is shown below.

	2016/17 £000	2015/16 £000
Less than 1 year	39,934	50,209
More than 1 year, less than 2 years	3,000	3,000
More than 2 years, less than 3 years	5,000	0
More than 3 years	7,122	0
Total	55,057	53,209

Trade debtors of £4,140,000 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 to interest rate movements on its investments.

TECHNICAL NOTES

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

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

28. Defined Benefits Pension Schemes

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

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

In addition, there are arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, no investment assets have been built up to meet these pension's liabilities, and cash has to be generated to meet actual pension's 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

	2016/17	2015/16
Comprehensive Income and Expenditure Statement	£000	£000
Cost of Services:		
Current service cost	2895	3,342
Past service cost	0	49
Financing and Investment Income and Expenditure:		
Net interest expense	1978	2,237
Remeasurement of the net defined benefit liability:		
Return on plan assets	(56,295)	2,262
Changes in financial assumptions	32,457	(14,507)
Changes in demographic assumptions	(3,081)	0

TECHNICAL NOTES

Other	39,339	(2,804)
Total Post employment benefit charged to the Comprehensive Income and Expenditure Statement	17,293	(9,421)

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	(4,873)	(5,628)
Actual amount charged against the General Fund Balance for pensions in the year	3,750	3,623

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:

	2016/17	2015/16
	£000	£000
Total Assets as at 1 April	106,111	106,576
Interest income	3,626	3,385
Return on plan assets	57,067	(1,499)
Employer contributions	3,409	3,271
Participant's contributions	341	352
Benefits paid	(9,419)	(5,974)
Total Assets as at 31 March	161,135	106,111

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

	2016/17	2015/16
	£000	£000
Total Liabilities as at 1 April	163,086	176,595
Current service cost	2,895	3,342
Past service cost (including curtailments)	0	49
Interest cost on defined benefit obligations	5,604	5,622
Participant contributions	772	763
Benefits paid	(9,419)	(5,974)
Remeasurements:		
Changes in financial assumptions	32,457	(14,507)
Changes in demographic assumptions	(3,081)	0
Other experience	39,339	(2,804)
Total Liabilities as at 31 March	231,653	163,086

TECHNICAL NOTES

The fund's assets compromise the following:

	2016/17		2015/16	
	£000	%	£000	%
Equity Securities:				
Consumer	13,073	8%	8,524	8%
Manufacturing	11,850	7%	6,487	6%
Energy and Utilities	6,496	4%	2,981	3%
Financial Institutions	11,399	7%	7,583	7%
Health and Care	4,306	3%	3,740	4%
Information Technology	9,076	6%	5,747	5%
Other	328	0%	156	0%
Debt Securities:				
Corporate Bonds (investment grade)	5,594	3%	4,539	4%
Corporate Bonds (non-investment grade)	353	0%	282	0%
UK Government	328	0%		0%
Other	739	0%	142	0%
Private Equity:				
All	6,763	4%	4,221	4%
Property:				
UK	9,162	6%	6,403	6%
Overseas	60	0%	832	1%
Investment Funds and Unit Trusts:				
Equities	44,683	28%	27,622	26%
Bonds	17,613	11%	11,386	11%
Other			13,143	12%
Derivatives:				
Interest Rate	-5	0%	0	0%
Foreign Exchange	228	0%	(640)	(1%)
Cash and cash equivalents:				
All	19,089	12%	2,963	3%
	161,135	100%	106,111	100%

TECHNICAL NOTES

28.3 Basis for Estimating Assets and Liabilities

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

	2016/17	2015/16
Longevity at 65		
Average future life expectancy at age 65:		
Current pensioners – Men	22.5 yrs	22.5 yrs
Current pensioners – Women	24.6 yrs	24.6 yrs
Future pensioners – Men	24.1 yrs	24.5 yrs
Future pensioners – Women	26.4 yrs	26.5 yrs
Other Assumptions		
Expected return on assets	20.4%	1.1%
Rate of Increase in Salaries	2.7%	3.7%
Rate of Increase in Pensions	2.4%	2.2%
Rate for Discounting Scheme Liabilities	2.5%	3.5%
Take-up of Option to Convert Pension into Lump-sum:		
Pre April 2008 service	25%	25%
Post April 2008 service	63%	63%

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 triennial valuation was completed on 31 March 2017.

29. Critical Judgements in applying accounting policies

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

The critical judgements made in the Statement of Accounts are:

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

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

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

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

TECHNICAL NOTES

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

31. Events after the Reporting Date

The Statement of Accounts was authorised for issue by the Head of Finance on 14 September 2017. Events taking place after this date are not reflected in the financial position or notes. Where events taking place before this date provided information about conditions existing at 31 March 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

32. Contingent Liabilities

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

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

National Non Domestic Rates (NNDR) and NHS Foundation Trusts: The Council has a possible future reduction in NNDR income of approximately £835,000 if the NHS Foundation Trusts application for mandatory rate relief, based upon being classed as a charity, is granted.

33. Agency Services

The *Road Traffic Act 1991* provided for the decriminalisation of on-street parking offences with responsibility for enforcement passing from the local police authority to local traffic authorities. Surrey Police ceased enforcement of on-street parking controls with effect from 1 April 2004 when responsibility passed to Surrey County Council.

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

The surplus of income over expenditure paid to Surrey County Council during 2016/17 amounted to £0 (£0 in 2015/16).

TECHNICAL NOTES

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

There are a number of new or changes to accounting standards that will apply from 2017/18. A brief summary and their impact are set out below:

- IAS 7 Statement of Cash flows: The changes focus on improved disclosures about helping users of the accounts assess the impact of changes in liabilities arising from financial activities. Presentational impact on the statement of accounts.
- IAS 12 Income Taxes: Changes focus on clarifying the recognition of deferred taxes for unrealised losses related to debt instruments measured at fair value. Minimal impact anticipated
- Pension Investment Transaction cost: From 2017/18 there will be a requirement to disclose the transaction costs associated with pension activity. Presentational impact only.

35. Balances on Trust Funds

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

		31 March 2016	Receipts in Year	Payments in Year	31 March 2017
Notes	Trust Fund	£000	£000	£000	£000
i.	Commons Trust	(779)	(8)	8	(779)
ii.	Reigate Baths Trust	(773)	(8)	8	(773)
iii.	Environmental Traffic Trust	(75)	(1)	0	(76)
iv.	Reigate Priory & Park Hill Trust	(48)	(1)	1	(48)
v.	Redhill Memorial Sports Ground Trust	(13)	(0)	0	(13)
vi.	Other Trusts	(12)	(0)	0	(12)
	Total	<u>(1,700)</u>	<u>(18)</u>	<u>17</u>	<u>(1,701)</u>

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.

ACCOUNTING POLICIES

General Principles

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and shows its position at 31 March 2017. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the UK 2016*.

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

Accruals of Income and Expenditure

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

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

Cash and Cash Equivalents

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

Exceptional Items

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

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

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

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

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

ACCOUNTING POLICIES

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

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

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

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

Post-Employment Benefits

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

- The liabilities of the Surrey County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.3%.

ACCOUNTING POLICIES

- 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 seven 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.
 - 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.
 - 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.

ACCOUNTING POLICIES

Events after the Reporting Period

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

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

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

Asset and Liability Measurement

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

Level 1:

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

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 in with 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

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instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

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

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

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

Government Grants and Contributions

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

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

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

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

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement.

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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.

Heritage Assets

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

These items are reported in the Balance Sheet at insurance valuation which is based on market values. These insurance valuations are updated on an annual basis. The collection is relatively static with donations being rare. Where they do occur, donations are recognised at valuation.

Intangible Assets

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

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

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

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

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

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

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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).

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

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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 2016/17* (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received.

Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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- 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 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.

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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 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

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resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

Value Added Tax (VAT)

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

COLLECTION FUND

Introduction

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

Collection Fund for the Year Ended 31 March

Council Tax £000	2015/16 Business Rates £000	Total £000		Council Tax £000	2016/17 Business Rates £000	Total £000
INCOME						
(96,266)	0	(96,266)	Council Tax receivable	(100,841)	0	(100,841)
0	(49,675)	(49,675)	Business Rates receivable		(50,504)	(50,504)
(96,266)	(49,675)	(145,941)	Total Income	(100,841)	(50,504)	(151,345)
EXPENDITURE						
Precepts and Demands:						
0	24,403	24,403	Central Government	0	24,411	24,411
12,174	19,523	31,697	Reigate & Banstead Borough Council	12,558	19,529	32,087
70,289	4,880	75,169	Surrey County Council	73,942	4,882	78,824
12,442	0	12,442	Surrey Police Authority	12,837	0	12,837
Distribution of Prior Years' Surplus:						
0	(701)	(701)	Central Government	0	(2,117)	(2,117)
0	(561)	(561)	Reigate & Banstead Borough Council	116	(1,694)	(1,578)
0	(140)	(140)	Surrey County Council	690	(423)	267
0	0	0	Surrey Police Authority	122	0	122
Charges to the Collection Fund:						
99	64	163	Increase/decrease in bad debt provision	223	116	339
0	1,408	1,408	Increase/decrease in appeals provision	0	496	496
0	175	175	Cost of collection	0	172	172
95,004	49,051	144,055	Total Expenditure	100,488	45,372	145,860
(1,262)	(624)	(1,886)	Deficit/(Surplus) for the Year	(352)	(5,132)	(5,484)
(929)	2197	1,268	Add Opening Balance as at 1 April	(2,191)	1,571	(620)
(2,191)	1,573	(618)	Closing Balance as at 31 March	(2,543)	(3,561)	(6,104)

COLLECTION FUND

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.

NOTES TO THE COLLECTION FUND

1. Council Tax

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

The Council's preceptors are:

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

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

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

The calculation of the Council Tax Base for 2016/17 (with comparative figures for 2015/16) is set out below.

Band	Range of Values	Estimated Number of Properties	Multiplier	2016/17 Band D Equivalent	2015/16 Band D Equivalent
A	Up to £40,000	622	6/9	415	409
B	£40,000 to £52,000	2,293	7/9	1,784	1,740
C	£52,001 to £68,000	8,769	8/9	7,794	7,648
D	£68,001 to £88,000	14,305	9/9	14,305	14,092
E	£88,001 to £120,000	9,504	11/9	11,616	11,534
F	£120,001 to £160,000	6,689	13/9	9,662	9,628
G	£160,001 to £320,000	6,754	15/9	11,257	11,148
H	More than £320,000	969	18/9	1,938	1,896
	Total	49,905		58,771	58,095
	Less Allowance for Non-collection			(470)	(465)
	Council Tax Base			58,301	57,630

The average "Band D" Council Tax for 2016/17 was £1,697.91 (£1,641.02 in 2015/16).

COLLECTION FUND

2. Business Rates

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

	2016/17	2015/16
Rateable value at 1 st April	£119.5m	£118.9m
Standard Business Rate	49.7p	49.3p
Small Business Rate	48.4p	48.0p

GROUP ACCOUNTS 2016/17

GROUP ACCOUNTS 2016/17

1. Introduction

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

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

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

GROUP ACCOUNTS 2016/17

Group Company and Joint Venture Information

Company Name	Shareholding	Council's 's Nature of Interest	In year activity 2016	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 2016/17. RBBC doesn't have any significant restrictions on its ability to access or use the assets and settle the liabilities of the group.	The Council has lent the LLP £276,200 during the financial year 2016/17 and the interest charged for the loan was £14,722	The purpose is to promote the borough as a place to do business, securing resources to maintain and improve business related infrastructure and to create new jobs for our residents.
Pathway for Care Ltd (Subsidiary)	Council 80% and Table 7 Consulting Ltd 20%	Table 7 Consulting as a non-controlling interest has a 20% of ownership in Pathway. The council doesn't have any significant restrictions on its ability to access or use assets, and settle liabilities of the group. The council does not have any contractual obligations towards Pathway and therefore no risk associated with its interest in Pathway. The ownership composition of Pathway has not changed during the financial year 2016/17.	The Council has lent the company £456,000 during the financial year 2016/17 and the interest charged for the loan was £8,000	Pathway is a home health care company that supports people across the borough and beyond to live as independents as possible in their own homes.
Greensand Holdings Ltd (Subsidiary)	Council 100%	Greensand is fully owned by the council and this has not changed during the financial year 2016/17. The council doesn't have any significant restrictions on its ability to access or use assets, and settle liabilities of the group. The council does not have any contractual obligations towards Greensand Holdings Ltd and therefore no risk associated with its interest in the group.	The Council has lent the company £2,269,538 and the interest charged for the loan was £12,122 for the financial year 2016/17	Greensand is a property company

GROUP ACCOUNTS 2016/17

Group Movement in Reserves Statement

	General Fund Reserve	Earmarked Revenue Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority's share of Reserves of subsidiary & Joint Venture	Total Reserves attributable to the Council	Minority Interest	Total Group Reserve
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2015	6,717	10,963	20,925	9,583	48,188	35,013	83,201	0	83,201	0	83,201
<u>Movement in reserves during 2015/16</u>										0	
Surplus or (deficit) on provision of services	24,079	0	0	0	24,079	0	24,079	0	24,079	0	24,079
Other comprehensive income and expenditure	0	0	0	0	0	36,390	36,390	0	36,390	0	36,390
Adjustments between accounting and funding basis under regulations (Note 17)	(19,537)	0	5,223	(3,859)	(18,173)	18,173	0	0	0	0	0
Transfers to/from Usable Reserves (Note 10)	(2,522)	2,522	0	0	0	0	0	0	0	0	0
Other adjustments	0	0	0	0	0	0	0	0	0	0	0
Increase/Decrease in 2015/16	2,020	2,522	5,223	(3,859)	5,906	54,563	60,469	0	60,469	0	60,469
Balance at 31 March 2016	8,737	13,485	26,148	5,724	54,094	89,576	143,670	0	143,670	0	143,670

GROUP ACCOUNTS 2016/17

	General Fund Reserve	Earmarked Revenue Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority's share of Reserves of subsidiary & Joint Venture	Total Reserves attributable to the Council	Minority Interest	Total Group Reserve
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<u>Movement in reserves during 2016/17</u>											
Surplus (deficit) on provision of services	14,370	0	0	0	14,370	0	14,370	(188)	14,182	(52)	14,130
Other comprehensive income and expenditure	0	0	0	0	0	(1,020)	(1,020)	0	(1,020)	0	(1,020)
Total comprehensive income and expenditure	14,370	0	0	0	14,370	(1,020)	13,350	(188)	13,162	(52)	13,110
Adjustment between group and authority accounts	23	0	0	0	23	0	23	(11)	12	0	12
Adjustments between accounting and funding basis under regulations (Note 17)	(11,628)	0	3,361	4,700	(3,567)	3,567	0	0	0	0	0
Transfers to/from Usable Reserves (Note 10)	(5,590)	5,590	0	0	0	0	0	0	0	0	0
Other Adjustments	0	0	0	0	0	0	0	0	0	0	0
Increase/Decrease in 2016/17	(2,825)	5,590	3,361	4,700	10,826	2,547	13,373	(199)	13,174	(52)	13,122
Balance at 31 March 2017	5,912	19,075	29,509	10,424	64,920	92,123	157,043	(199)	156,844	(52)	156,792

GROUP ACCOUNTS 2016/17

Group Comprehensive Income and Expenditure Statement

2015/16				2016/17		
Gross Exp £000	Gross Inc £000	Net Exp £000		Gross Exp £000	Gross Inc £000	Net Exp £000
3,434	(1,424)	2,010	People and Welfare	3,449	(1,427)	2,022
11,023	(5,279)	5,743	Recycling and Cleansing	9,818	(5,246)	4,572
2,348	(1,581)	766	Communication customers and change	2,761	(2,110)	651
3,420	(4,598)	(1,177)	Policy performance and Parking	6,000	(4,246)	1,754
8,332	(8,649)	(317)	Property	4,792	(5,035)	(243)
9,446	(1,578)	7,868	Places and Planning	6,308	(1,598)	4,710
787	(1,003)	(216)	Legal	910	(1,100)	(190)
44,114	(42,036)	2,078	Finance, Revenue and benefits	43,427	(41,807)	1,620
9,950	(3,021)	6,929	Health and Wellbeing	7,935	(2,103)	5,832
92,854	(69,169)	23,684	Cost of Services	85,400	(64,672)	20,728
335	(13,441)	(13,106)	Other Operating Expenditure (Note 2)	347	(2,562)	(2,215)
2,237	(10,979)	(8,742)	Financing and Investment Income and Expenditure (Note 43)	1,990	(6,383)	(4,393)
16,956	(42,871)	(25,915)	Taxation and Non-specific Grant Income and Expenditure (Note 4)	15,613	(43,876)	(28,263)
112,382	(136,460)	(24,079)	(Surplus) or Deficit on Provision of Services	103,350	(117,493)	(14,143)
		0	Joint venture accounted for on an equity basis (Note 44)			6
		0	Tax expenses of subsidiaries			7
		0	Tax expenses of Joint venture			0
		(24,079)	Group surplus or deficit			(14,130)
		(21,341)	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment assets			(11,400)
		(15,049)	Actuarial remeasurements			12,420
			Share of other comprehensive income and expenditure of Joint venture			0
		(36,390)	Other Comprehensive Income and Expenditure			1,020
		(60,469)	Total Comprehensive Income and Expenditure			(13,110)

GROUP ACCOUNTS 2016/17

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

Attributable shares of income and expenditure

2015/16				2016/17		
Authority	Minority Interests	Total		Authority	Minority Interests	Total
£000	£000	£000		£000	£000	£000
0	0	0	Surplus or deficit on the Provision of Services	(14,182)	52	(14,130)
0	0	0	Other Comprehensive Income 7 Expenditure	1,020	0	1,020
0	0	0	Total Comprehensive Income & Expenditure	(13,162)	52	(13,110)

GROUP ACCOUNTS 2016/17

Group Balance Sheet

31 March 2016		Note	31 March 2017
£000			£000
103,753	Property, Plant and Equipment	38	113,565
35,960	Investment Property	39	49,433
439	Heritage Assets		468
0	Investment in Joint venture	44	4
18	Long Term Debtors		15
0	Deferred Tax Asset		0
0	Long term Investment		11,002
140,170	Long Term Assets		174,487
53,208	Short Term Investments		41,320
0	Assets Held for Sale		0
45	Inventories		45
12,708	Short Term Debtors	40	4,149
8,579	Cash and Cash Equivalents		23,841
0	Current Tax Asset		0
74,540	Current Assets		69,355
(9,348)	Short Term Creditors	41	(11,824)
0	Current Tax liability		(7)
(9,348)	Current Liabilities		(11,831)
(1,700)	Long Term Creditors		(1,701)
(1,472)	Business Rates Appeals Provision		(1,670)
(56,975)	Pension Liability		(70,518)
(1,354)	Capital Grants in Advance		(1,177)
(191)	Other Long Term Liabilities		(152)
0	Deferred Tax liability		0
(61,692)	Long Term Liabilities		(75,218)
143,670	Net Assets		156,792
(8,737)	General Fund Reserve		(5,912)
(13,485)	Earmarked Reserves		(19,075)
(26,147)	Capital Receipts Reserve		(29,509)
(5,724)	Capital Grants Unapplied		(10,424)
0	Pension Reserve – Private		0
0	Profit and Loss Reserve		199
(54,093)	Useable Reserves		(64,721)
(44,388)	Revaluation Reserve		(54,900)
(95,776)	Capital Adjustment Account		(106,266)
(7,378)	Deferred Capital Receipts Reserve		(425)
56,975	Pensions Reserve – Local Government		70,518
348	Collection Fund Adjustment Account		(1,751)
642	Accumulated Absences Account		701
0	Minority Interest		52
(89,577)	Unusable Reserves		(92,071)
(143,670)	Total Reserves		156,792

GROUP ACCOUNTS 2016/17

Group Cash Flow Statement

2015/16		2016/17
£000		£000
(22,837)	Net (surplus) or deficit on the provision of services	(14,130)
339	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(19,174)
11,223	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	24,004
(11,275)	Net cash flows from Operating Activities	(9,300)
14,741	Purchase of Property Plant and Equipment (PPE) & Investment Property	17,687
0	Purchase of short-term and long-term investments	210
(5,233)	Proceeds from the sale of PPE & Investment Property	(15,526)
(4,458)	Capital grants received	(8,334)
0	Shareholdings in companies	0
5,050	Net cash flows from Investment Activities	5,962
0	Net cash flows from financing Activities	0
(6,225)	Net (increase)/decrease in cash and cash equivalents	(15,262)
2,354	Cash and cash equivalents at the beginning of the reporting period	8,579
8,579	Cash and cash equivalents at the end of the reporting period (Note 42)	23,841

GROUP ACCOUNTS 2016/17

Notes to the Group Accounts

36. General

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

37. Subsidiary & Joint venture Companies

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

38. Fixed Asset

	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Gross Cost or valuation				
At 1 April 2016	99,733	17,797	0	117,530
Additions	2,418	1,082	0	3,499
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	10,154	0	0	10,154
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,634)	0	0	(2,634)
Derecognition – disposals	(128)	(225)	0	(353)
Assets reclassifications		0	0	
At 31 March 2017	109,543	18,654	0	128,197
Gross Accumulated Depreciation and Impairment				
At 1 April 2016	403	13,374	0	13,777
Depreciation charge	1,422	1,067	0	2,489
Depreciation written out to the Revaluation Reserve	(1,218)	0	0	(1,218)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(194)	0	0	(194)
Derecognition – disposals	(222)	0	0	(222)
Other movements in depreciation and impairment	0	0	0	0
At 31 March 2017	191	14,441	0	14,632
Net Value at 31 March 2017	109,352	4,213	0	113,565

GROUP ACCOUNTS 2016/17

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

	2016/17 £000	2015/16 £000
Rental income from investment property	(1,343)	(514)
Direct operating expenses arising from investment property	393	93
Net (gain)/loss	(950)	(421)

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

	31 March 2017 £000	31 March 2016 £000
Balance at start of the year	35,960	20,663
Additions	14,453	5,005
Disposals	0	0
Net gains/losses from fair value adjustments	4,901	10,182
Transfers (to)/from Property, Plant and Equipment	0	110
Transfers (to)/from Assets held for Sale	(5,881)	0
Balance at end of the year	49,433	35,960

40. Debtors

	31 March 2017 £000	31 March 2016 £000
Central government bodies	348	2,088
Other local authorities	988	111
NHS bodies	1	2
Public corporations and trading funds	0	0
Other entities and individuals	4,993	12,433
Trade Debtors	24	0
Total (Gross)	6,354	14,634
Less Provision for Bad Debts	(2,205)	(1,926)
Total	4,149	12,708

41. Creditors

	31 March 2017 £000	31 March 2016 £000
Central government bodies	(273)	(1,750)
Other local authorities	(6,892)	(4,264)
Other entities and individuals	(4,417)	(3,334)
Trade Creditors	(267)	0
Other Taxes and Social Security	36	0
Accruals and Deferred income	(11)	0
Total	(11,824)	(9,348)

GROUP ACCOUNTS 2016/17

42. Cash & Cash Equivalents

	31 March 2017 £000	31 March 2016 £000
Cash held by the Council	3	3
Bank current accounts	23,838	8,576
Short-term deposits with banks and building societies	0	0
Total	23,841	8,579

43. Financing & Investment Income and Expenditure

	2016/17 £000	2015/16 £000
Interest payable and similar charges	0	0
Net interest on the defined benefit liability	1,978	2,237
Interest receivable and similar income	(527)	(471)
Icelandic impairments	0	0
Income and expenditure in relation to investment properties and changes in their fair value	(5,844)	(10,508)
Total	(4,393)	(8,742)

44. Joint Venture – Allocating Income and Expenditure Items

	Joint Venture – Horley LLP £ 000	RBBC Share at 50% £ 000
Share of the (Surplus) or Deficit on the Provisions of Services by Joint Venture	12	6
Tax Expenses of Joint Venture	0	0
Share of the other Comprehensive Income and Expenditure of Joint Venture	0	0
Total	12	6

Joint Venture - Net Assets – Council's Interest

	Joint Venture – Horley LLP	RBBC Share at 50%
Current Assets	438,555	219,277
Current Liability	(54,072)	(27,036)
Long Term Liability	(376,404)	(188,202)
Net Asset	8,079	4,039

GROUP ACCOUNTS 2016/17

Statement of Group Accounting Policies

1. 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.

2. Financial Year End

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

3. Accounting Convention

The accounts of Greensand Ltd have been prepared in accordance with IFRS (international financial reporting standards). Pathway 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.

4. Financial Instruments

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

GLOSSARY

Accrual

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

Business Rates

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

Capital Expenditure

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

Capital Receipts

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

Current Value

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

Carrying Value

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

Contingent Liability

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

Depreciation

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

Fair Value

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

Fixed Assets

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

General Fund

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

GLOSSARY

Impairment

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

International Accounting Standards (IAS)

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

International Financial Reporting Interpretations Committee (IFRIC)

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

International Financial Reporting Standards (IFRS)

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

Non-Distributed Costs

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

Precepts

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

Provisions

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

Revenue Expenditure

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

Revenue Support Grant

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