Overview and Scrutiny Committee Agenda

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8 October 2019

To the Members of the OVERVIEW AND SCRUTINY COMMITTEE

Councillors: N. D. Harrison (Chair),

S. Parnall	F. Kelly
R. Absalom	J. P. King
M. S. Blacker	C. M. Neame
G. Buttironi	J. E. Philpott
J. C. S. Essex	S. Sinden
R. J. Feeney	R. S. Turner
J. Hudson	S. T. Walsh

Substitutes

	Councillors:
Conservatives:	D. Allcard, R. Michalowski, N. C. Moses, K. Sachdeva and C. Stevens
Residents Group:	G. Adamson, J. S. Bray and C. T. H. Whinney
Green Party:	H. Brown, S. L. Fenton, S. McKenna and R. Ritter
Liberal Democrats	S. A. Kulka

For a meeting of the **OVERVIEW AND SCRUTINY COMMITTEE** to be held on **THURSDAY, 17 OCTOBER 2019** at **7.30 pm** in the New Council Chamber - Town Hall, Reigate.

John Jory
Chief Executive

1. MINUTES (Pages 5 - 18)

To confirm as a correct record the Minutes of the previous meeting.

2. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

To receive any apologies for absence and notification of any substitute Members in accordance with the Constitution.

3. DECLARATIONS OF INTEREST

To receive any Declarations of Interest (including the existence and nature of any Party Whip).

AUDIT REPORTS

4. REPORT FROM THE EXTERNAL AUDITORS ON THE 2018/19 FINANCIAL ACCOUNTS (ISA 260 REPORT) (Pages 19 - 144)

To note the final report from the external auditors (ISA 260) on the 2018/19 audit and the published version of the Statement of Accounts.

5. HALF YEARLY TREASURY MANAGEMENT REPORT FOR 2019/20 (Pages 145 - 166)

To consider the Half Yearly Treasury Management Report for 2019/20 and make any observations.

OVERVIEW AND SCRUTINY REPORTS

6. PORTFOLIO HOLDER BRIEFING - ORGANISATION PORTFOLIOS (Pages 167 - 174)

To receive a briefing from the Organisation Portfolio Holders regarding the Organisation business area and their portfolios.

7. HOUSING DELIVERY STRATEGY 2020-2025 (Pages 175 - 200)

To consider the draft Housing Delivery Strategy 2020-2025 and, where appropriate, provide feedback for the Executive on 5 December 2019.

8. COMPANIES PERFORMANCE UPDATE, 17 OCTOBER 2019 (Pages 201 - 262)

To receive an update on the performance of the companies currently owned, or part-owned, by the Council.

9. FUTURE WORK PROGRAMME - OCTOBER 2019 (Pages 263 - 284)

To consider any updates to the Work Programme for the Overview and Scrutiny Committee for 2019/20 and to consider the Action Tracker from the previous meeting.

10. EXECUTIVE

To consider any items arising from the Executive which might be subject to the 'call-in' procedure in accordance with the provisions of the Overview and Scrutiny Procedure Rules set out in the Constitution.

11. ANY OTHER URGENT BUSINESS

To consider any item(s) which, in the opinion of the Chairman, should be considered as a matter of urgency - Local Government Act 1972, Section 100B(4)(b).

(NOTE: Under the Committee and Sub-Committee Procedure Rules set out in the Constitution, items of urgent business must be submitted in writing but may be supplemented by an oral report.)

12. EXEMPT BUSINESS

RECOMMENDED that members of the Press and public be excluded from the meeting for the following item of business under Section 100A(4) of the Local Government Act 1972 on the grounds that:

(i) it involves the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act; and

(ii) the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

13. COMPANIES PERFORMANCE UPDATE, 17 OCTOBER 2019 (EXEMPT) (Pages 285 - 286)

To consider any exempt information in relation to the Companies Performance Update.

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BOROUGH OF REIGATE AND BANSTEAD

OVERVIEW AND SCRUTINY COMMITTEE

Minutes of a meeting of the Overview and Scrutiny Committee held at the New Council Chamber - Town Hall, Reigate on 12 September 2019 at 7.30 pm.

Present: Councillors N. D. Harrison (Chair), S. Parnall (Vice-Chair), R. Absalom, M. S. Blacker, G. Buttironi, J. C. S. Essex, R. J. Feeney, J. P. King, J. E. Philpott, S. Sinden, R. S. Turner, S. T. Walsh and D. Allcard (Substitute).

1. MINUTES

RESOLVED – the Minutes of the previous meeting on 11 July 2019 be approved as a correct record.

The Chair welcomed the Committee. He noted that the Report from the External Auditors on the 2018/19 Financial Accounts (ISA 260 Report) is now expected to be available to be discussed at the 17 October 2019 meeting of the Committee rather than this meeting.

The Interim Head of Finance and Assets explained that the draft report was presented to Executive on 18 July 2019. Subsequently it was identified that some fixed asset elements of the balance sheet required more work. This meant the External Auditors' were not able to complete their audit by the end of July as previously planned. The audit of the revised statement is now nearly complete and it is anticipated that the final audit report would come to the next meeting. This will include looking at general year-end lessons learned and put in place arrangements next year to make sure that the specific issues relating to fixed assets were not repeated.

2. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Committee Members: Councillors F. Kelly, C. Neame.

Councillor J. Hudson (substituted for by Councillor D. Allcard).

3. DECLARATIONS OF INTEREST

There were no declarations of interest.

4. INTERNAL AUDIT 2019/20 - Q1 PROGRESS REPORT

Members considered the Internal Audit 2019/20 Quarter 1 progress report. The Chair welcomed the two representatives (Natalie Jerams and Neil Pitman) from the Council's new Internal Auditors (Southern Internal Audit Partnership). He said he was pleased that they would be attending every meeting. Work had just started on this year's internal audit.

- **Key messages** – the Internal Auditors outlined the key messages in the report. The purposes of the report was to give the status of 'live' internal audit reports as well as an update on progress and to raise any significant issues that may have an impact on their annual opinion. A performance dashboard set out the delivery of the performance plan: six per cent were completed; one out of 17 audits was completed. All programmed audits were underway and delivery of the plan was therefore on schedule. There were no 'live' reports with management actions outstanding. The first report on Decision Making and Accountability was reported as 'Substantial' which meant there was a sound framework of internal control so there were no management actions. The customer feedback was based on an annual survey which the Council would be able to take part in next year.

- **Work programme** – Page 31 of the report onwards set out the rolling work programme for the year and the status of each review. The auditors reported that the programme was on track for year. It was noted that staff had co-operated very well and the auditors were happy with progress at the moment. It was noted that there had been some adjustments to the plan. It had brought forward the Main Accounting audit at the request of the Interim Head of Finance and Assets to provide earlier assurance on the operation of core financial systems and processes. Fraud and Irregularities and Information Security had been added this year at the request of the Committee. Supporting Families, IT Business Continuity, Payment Card Industry Data Security Standard and Housing Benefits had been deferred to 2020/21 as a result.

The Chief Executive said he was pleased a good start had been made and thanked the Internal Auditors for their work so far.

There were no further questions from Members.

RESOLVED – that the Internal Audit 2019/20 Quarter 1 progress report be noted.

5. CORPORATE PLAN 2020-2025

Councillor S. Sinden and Councillor S. Walsh arrived at the meeting.

Members considered the Draft Corporate Plan 2020-25 in accordance with the Council's constitution. The Executive Member for Housing and Benefits, Councillor G. Knight introduced the item. He thanked the work of both Members and Officers who had worked hard to develop the plan over a two-year journey so far. He also thanked the Head of Corporate Policy for her work on behalf of himself and the Leader. The plan is now in a period of consultation and as part of that the Committee were due to provide feedback on the draft plan.

Councillor Knight noted that it was an ambitious plan. It included new areas of focus on both housing and environmental sustainability. It set the direction of travel for the

Council. Over the coming weeks and months, Members would start to see more detail about items set out in the plan, such as the housing delivery strategy. The plan commits the Council to delivering high quality services. The Council needs to generate more income to do this, due to the cut in government funding. It had already established the Commercial Ventures Executive Sub-Committee, and the capital strategy explained how the Council will develop its commercial approach.

He also asked for the Committee's views on how the Plan had been developed, including Member engagement. Did it reflect the areas where the Council should be focusing its activity? The consultation started on 16 July 2019 and was due to close on Monday 16 September 2019.

Committee Members had a number of questions and comments in the discussion that followed:

- **Work of the Council** – Members praised the inclusive way that the Corporate Plan had been drawn together. The plan reflected the full width and breadth of the work and services of the Council which was of interest to residents in the Borough. The Executive Member was thanked for the two presentations that had been given to groups in the north of the Borough.

- **Partnership working** – it was identified that co-ordination with partners such as Surrey County Council was very important. Residents wanted a one stop shop so they could access services at a single point. Members welcomed what had been done so far.

- **Housing** – it was noted that Council is developing a detailed Housing Delivery Strategy to deliver the priority in the draft Plan. It has just re-confirmed its core planning strategy. It would be sensible to reflect this in the updated Corporate Plan as it set the scene. Members asked for more detail about the housing objective to deliver a minimum of 30 per cent affordable housing on all housing schemes on Council-owned land.

  The Executive Member for Housing and Benefits said that the housing delivery strategy would have more detail in the next three months or so. The Council was concerned that there were many young people and those who worked in the community such as teachers, health care workers, police officers and local government officers who found themselves priced out of the market. The strategy would look at different stages of the housing cycle from addressing homelessness to social housing, through discounted market rent and into shared equity and shared ownership, to the top step of full ownership housing.

  This was something new for this Council as previously it had concentrated on getting developers to develop social housing. It had seen through experience that developers had tried not to deliver that affordable housing, claiming these schemes were not economically viable. But if young people were forced to move out of the area to places that were more affordable, this then

led to a lack of coherence within our communities. It was possible to sell a two-bedroom flat in Clapham for £800,000 and move to buy a house for £500,000 in the Borough. But for those people working here, they were unable to afford to buy in the Borough. This was something the Council needed to address so it could have a strong local economy.

It was noted that the average earning was £34,000 in the Borough. Therefore the Council has to encourage developers to develop the right properties. The Council's Local Plan target for affordable housing in urban areas was 30 per cent and already a stretch target for the borough. Had the Council looked at what it was practical to deliver as opposed to what it would like to deliver? The test was in the results we delivered for our residents – not just an aspiration.

The Executive Member for Housing and Benefits said the current Local Plan target was building 100 affordable homes a year. He would like to see the Council exceed this number. It needed to bring in new partners and new investors in the discounted market rent housing. These were the people the Council needed to work with, from Homes England downwards, to be able to deliver these targets.

Members noted the Corporate Plan target was to deliver 30 per cent of affordable housing on Council-owned land. What did this mean and what about land that the Council did not own? The Plan (on page 50) set out that nearly 3,500 homes had been built since 2012 which was 500 per annum. Was 20 per cent probably a more realistic target than 30 per cent?

The Executive Member for Housing and Benefits said that 30 per cent was a realistic target that had been tested through the Local Plan process. There were local workers who deserved to be housed in this Borough. He would not be happy to see a target of 20 per cent. The Council needed to be ambitious and achieving the 30 per cent target on Council-owned land was in the Council's gift. It would be hard work but the Council could bring in partners who would make it their mission to provide additional social housing.

Members identified that as the Council knew it was not achieving the 30 per cent target on Council-owned land and developers could make the point that it was not viable to put in affordable housing, how could the Council combat that to have any chance of achieving this target?

The Executive Member noted that the National Planning Policy Framework (NPPF) this year effectively downgraded economic viability as a reason for not providing affordable housing. The Council needed to be more ambitious. It could not allow the community to turn into a dormitory community. It needed to have a vibrant economy. Members identified that they supported the Council's ambitions but the clause in the NPPF was very vague. It did not say how it would downgrade the economic viability reason and in this area of high land prices it was not evident how this could happen.

Members identified that in planning applications, it was tightening up on the analysis used on economic viability especially in large developments. It was aiming to improve on present performance to achieve results for the benefit

of our residents. It was identified that this was a welcome statement. The meeting noted the Committee's concern around affordable housing and said it would come back to this topic later in the year when it discussed the Council's housing delivery strategy.

- **Refugee families** – one of the successes of this Borough had been the help it had given in the resettlement of Syrian families. The original plan was to take up to ten families and Members asked for an update on this. The Director of People identified that the Council had just agreed with the Home Office to receive its tenth Syrian family who were due to arrive in the next few months. It was currently in discussions about potential opportunities and costs associated with receiving additional families. It was doing work behind the scenes to see what would be involved. The Council was aware of the resource commitment and that it would need to avoid taking resources from the current housing register.

- **Population figures** – it was noted that the facts and figures were very useful but a figure should be included about the number of households not population. It was important to recognise that the population could ebb and flow, for example, as students went to university.

- **Communities and community safety** – Members welcomed the aspiration to fund community development workers in target communities across the Borough. It was identified that these would be better supported if community hubs had more available back room space as charities such as Furnistore needed large community spaces. If the Council wanted to support flourishing communities it would be good to match the actions of neighbouring Councils and provide facilities at peppercorn rent for charities to help them.

- **Vulnerable residents** – Members noted the statistics presented on the number of vulnerable residents in the Borough. It was good to have the aspiration to do more to support vulnerable residents. It was identified that the primary responsibility for this group was Surrey County Council and this should be reflected more strongly in the plan.

- **Economic prosperity** – it was identified that Members had received complaints from small businesses and existing small shops about the high level of business rates. The rates were outside the Council's control but it was asked what it could do to help small shops and businesses which were part of a thriving community. The Executive Member for Housing and Benefits said that the strategy included looking at how to support smaller businesses. He noted Councillor E. Humphreys, Executive Member for Place and Economic Prosperity had been very proactive in encouraging inward investment and helping existing businesses and start-up businesses in the Borough. He had presented the Corporate Plan to the recent Banstead Business Guild and they had discussed a range of ways of how they could

help themselves. The Plan would underpin economic prosperity strategy and the Council would do what it could to ensure businesses survive and prosper in the Borough.

It was noted that infrastructure requirements had been discussed at the Reigate and Banstead Local Committee. It had identified that infrastructure projects needed to be identified early so that they were ready to go when funds were available. The Council should have this list brought forward at the appropriate time. The wording in the Plan should be strengthened on this subject. The Executive Member confirmed there were several projects in the pipeline. Also now the Leader was on the Board of Coast to Capital this would raise the profile of the Borough for infrastructure investment.

The Chief Executive said that the LEP funding had been secured for Horley Business Park, and two further bids had been submitted for the Marketfield Way scheme and Horley town centre.

The Chair noted that work on the level crossing in Reigate was important to all in the Borough. It would be useful to involve Members more widely in identifying other projects.

- **Shaping our places, Clean & Green Spaces and Environmental Sustainability** – Members noted that in 2010, the Government had required that every new home was going to be zero carbon but this was not a government requirement any longer. Councillor J. Essex said that he would put in writing some additional feedback, however he felt that if it wanted to be a green Council then Reigate & Banstead should have a zero carbon transport policy.

Members asked if the Committee could be given the opportunity to see the final amended Corporate Plan before it went to the Executive. It was identified that this evening's meeting was part of the statutory consultation and the Committee had been asked to provide feedback which had been achieved. The final Corporate Plan would go to full Council for adoption once updated.

RESOLUTION – that the Draft Corporate Plan 2020-2025 and Members observations on it be noted and reported to the Executive in accordance with the Council's constitution.

6. CAPITAL INVESTMENT STRATEGY

Members considered the Capital Investment Strategy for the 2019/20 financial period and provided feedback for consideration by the Executive.

The Executive Member for Finance, Councillor T. Schofield presented the latest Capital Investment Strategy. This forms a key part of the Council's governance arrangements. It provides a mechanism by which investment and financing plans can be prioritised, ensuring that capital decisions took account of stewardship,

value for money, prudence, sustainability and affordability. An Outline Capital Investment Strategy was approved by the Executive in March. This report reflects work carried out over recent months, overseen by the Commercial Ventures Executive Sub-Committee (CVESC) and Commercial Ventures Officer board. There will be further work to complete going forward. The Strategy will be used to support the 2020/21 Service and Financial Planning process when prioritising future capital investment plans and identification of new sources of income to address the forecast budget gap.

Members had a number of questions and comments on the report, relating to the following topics:

- **Work plan** – the Chair commented that this was still work in progress. The Strategy had started to develop the numbers required to help meet the Council's financial objectives. It was expected to develop further as priorities in the new Corporate Plan and Housing Strategy were finalised. This was set out in a logical sequence as the Council started to look at Budget gaps, set out its final plans and proposed commercial investments.

- **Feasibility studies** – Members asked about progress during recent months, including the allocation of £25m in the Capital Programme for investment in corporate priorities in 2019/20 onwards and the creation of an earmarked reserve of £250k that was available to fund feasibility studies. The report confirmed that the Commercial Ventures Executive Sub-Committee now has delegated authority to approve investment of these funds. It was commented that the feasibility studies were revenue expenditure as opposed to the £25 million which is capital investment. It was confirmed that the wording would be amended to clarify this.

- **Commercial Ventures Executive Sub-Committee (CVESC)** – the Chair made the point that there was on-going work to evaluate the risk profile and capital investment criteria which had been overseen by the CVESC. A lot of work had been undertaken by the CVESC at informal meetings but so far nothing had formally come to that Committee so far. He asked for assurances that a report would be formally put forward and that the Overview and Scrutiny Committee would be consulted. This was a very important area as it was looking at management information about investment performance as well as setting criteria for future investment. The Overview and Scrutiny Committee would also want to comment on proposals. The Executive Member for Finance gave those reassurances. CVESC, since its establishment in May, worked in both a formal and informal setting. These items would eventually come through to a formal meeting for discussion.

- **Social and environmental impacts** – Members asked if the Council reviewed any undue environmental impact of capital investment schemes while looking at both risk and economic appraisal. If there were two schemes to invest in and both had the same financial benefits but one might have more benefit than other in social or environmental terms, was there an appraisal process to maximise the opportunity in terms of wider social benefit and environmental benefit? The Executive Member for Finance said that the social side and community benefits formed a large part of CVESC discussions. Where there were two similar cases, if one had a lesser

community social benefit, it was likely to come second.

- **Influences on Investment** – Members asked for more information, when it was available, about how it would ensure that service delivery was supported by fit for purpose assets (page 74 of the report). It was asked what was meant by the proposal for the Council to adopt transformational approaches to the delivery of services with and by local communities. How would it improve business performance? It was noted that work was on-going to fully analyse what assets the Council had, which wards they sat in and the benefit from these – either social or financial.

  Members asked about progress on investments in property and capital scheme developments over the last five years. Results would come out of the current review of assets and returns. Progress over recent months was reported for major schemes including Marketfield Way, Cromwell Road, Lee Street and Pitwood Park developments. It was noted that it would be useful for local Members to understand the current timescales for these projects. These would be shared with Members outside the meeting.

- **Brexit** – Members asked what impact Brexit might have on planning for capital investments. Were there any factors that could benefit or detract from current or planned investments? It was identified that Brexit risks were a consideration when planning investments but this was not made explicit in the report. There was risk that the value of assets could go down but this was always a transient cycle and it was regularly reassessed.

- **Property team** – Members noted that there were gaps in permanent staff in the property team which was not at full strength and needed more people with the appropriate skills. This was a risk to the Council that needed highlighting. Projects like Marketfield Way needed people with the right skills. It was identified that the property review was now complete and the external consultant's report on the required staffing would be considered. Members were surprised that the absence of a full property team was not regarded as a "red risk" at this time (page 104 of the report). Officers commented that the Council had good interim staff on the team.

- **Purchase of shares/Provision of loans** – the report referred to the option of making loans to and buying shares in service providers and local businesses to promote economic growth. Members had concerns about this statement. The Council made small grants to local businesses but investing in shares in local businesses, while worthy, was concerning. It said the Council should be very cautious and proposals should be scrutinised if it does this.

  Members asked if the Council used the £25 million in the approved capital programme that is available for new investments, how much of this would be borrowed? It was confirmed that all of this sum will be funded through borrowing. It noted that capital growth requirements will be considered as part of the service and financial planning process, and would be subject to

review by this Committee. It drew attention to the Non-specified investments sentence in the report, concerning the purchase of shares, and asked how such purchases were being planned to work to the Council's benefit. It would require a significant amount of rigour and due diligence before purchases were contemplated. It was confirmed that the Council would start borrowing in this financial year. It was noted that the Council had not said it would buy any Non-specified investments.

RESOLVED – that the Capital Investment Strategy for the 2019/20 financial period was noted including the Committee's observations and comments for consideration by the Executive.

7. QUARTERLY PERFORMANCE REPORT (Q1 2019/20)

Members considered the key service performance for the first quarter of the year (2019/20).

The Executive Member for Corporate Direction and Governance, Councillor V. Lewanski, outlined the main findings from the quarterly report. In summary, 10 of the 14 Key Performance Indicators (KPIs) reported in this quarter were on target. Two of the KPIs were outside the agreed tolerance level: KPI 2 –Total number of residential completions and KPI 14 – Percentage of household waste that is recycled and composted.

One indicator (KPI 4) was contextual. This tracked the number of individuals/households that approached the Council for homelessness support and as this was a figure outside the direct control of the Council no target could be set. KPI 1 (Maintain levels of self-service transaction) could not be reported on due to a combination of factors, including a back office systems upgrade.

In the first quarter of 2019/20, KPI 2 (residential completions) showed that there were 66 completions out of a target of 115. The low completions this quarter reflected the phasing of some major developments which results in an uneven distribution of housing completions throughout the year. It also noted as a comparison that in 2018/19 as a whole, the target of 460 residential completions had been exceeded, 515 having been completed. It was further noted that KPI 3 – (Number of affordable homes) was ahead of target for this quarter out of a target of 25 affordable homes, the Council had completed 37 which was ahead of target.

On KPI 14, the percentage of household waste that had been recycled and composted was 51.6 per cent, in comparison with the new "stretch" target of 57 per cent. Performance had increased despite a reduction in garden waste resulting from dry growing conditions early in the year. Current indications showed that mixed recycling tonnages would increase due to an additional 1,900 flats now receiving enhanced kerbside recycling collections.

There were no new strategic risks identified in Quarter 1. A general risk management update is not provided in Quarter 1, however it was appropriate for an update to be provided on the strategic risk concerning Brexit. It was noted that as the 31 October exit date from Europe approached, the Council has appointed a

Brexit Lead Officer who is coordinating the Council's preparations and a Lead Member, Councillor T. Schofield.

There were a number of questions and comments on the report relating to the following areas:

- **Review of KPIs and residential completions –** Members asked for an update on the review of Key Performance Indicators. It was identified that a new set of indicators would be produced for the Committee in December/January. This would include reviewing indicators such as the number of residential completions which the Council could not significantly control or influence. While it was not felt to be a helpful measurement to show what the Borough itself was delivering, it was vital to monitor given the Core Strategy new homes target. In view of this, Members were surprised that permissions commenced but not yet completed were not tracked more closely, at least on an overall basis. However, it was noted that this was outside the control of the Council; developers set the timetable for their developments.

- **Corporate Plan 2020-25** – Members asked if the Corporate Plan 2020-25 was an opportunity to change the scope of KPIs as the current reporting system could not articulate all the work that the Council was doing. It was identified that performance measures were useful for communicating to residents the positive work the Council was doing as well as letting them know how it was doing and how money was being spent. Performance measures could cover a wide range of subjects that residents were interested in such as green spaces.

  The Chair confirmed that the Committee scrutinises an annual report on measures in the Corporate Plan which it would continue to do. Certain items should be added as they were very important to residents, such as road sweeping and verge cutting and Members were often asked about these issues by residents.

  The Executive Member for Corporate Direction and Governance confirmed that the new set of indicators would be mapped to the Corporate Plan.

- **Recycled and composted household waste**
  Members said the Council should be commended that the Council had nearly achieved the 57 per cent target which was up from 47 per cent the previous year.

  It was noted that the advent of the garden waste scheme had led to a reduction in bonfires. However, there had been reports of recent increases in bonfires as garden waste subscription charges had gone up. The Executive Member confirmed that the reduction in garden waste tonnage was mainly due to the exceptionally dry growing conditions early in the year when residents were not recycling what was expected. The number of subscribers to the garden waste scheme had not decreased. Members identified that garden waste scheme charges were thought to be high compared to other Surrey councils. The latest figures on how the charges compared across the county would be provided for the Committee.

Members suggested that the Council could look at the take up per household of the garden waste system rather than measure the waste tonnages and look at how to make improvements to the service. It was queried whether the target of 57 per cent was set before the expected roll-out to flats and, if so, was it too low and what were the projections on recycling waste following the flats rollout? It was suggested that other areas to look at to help achieve the target were: the impact of the garden waste service, contamination rates, and extension of the full recycling service to all properties.

Officers would review the target with relevant Heads of Service and give a written response to the Committee.

The Chief Executive encouraged Members to take an active part in the review of KPIs and set out what they wanted to see as updated performance indicators to measure the work of the Council. It was agreed that structured feedback to develop this work was important.

Revenue and Capital Budget monitoring

The Executive Member for Finance, Councillor T. Schofield, introduced the headline performance information for Quarter 1 (2019-20) on Revenue budget monitoring and Capital budget monitoring.

- The Revenue budget was currently forecast to have an underspend of £774.4k compared to budget. On the positive side Refuse and Recycling income was forecast to be £665k higher than budget due to paper recycling and a higher than expected take-up of garden waste subscriptions. Senior Management Team costs were £250k lower than budget due to vacant positions. On the negative side, the costs for running the Harlequin were £74k higher than budget due an income shortfall (partly due to the delay in the cinema refurbishment) and higher staff costs. The Finance team had a £177k forecast overspend due to increased use of agency staff and recruitment costs following the team restructure earlier this year.

- The Capital budget was broadly on track with a projected underspend of £74k. Following last year's building surveys, the Council needed to increase investment in its building stock. The highest priority schemes had been identified. Some of these could be covered within the existing budget but cost pressures may require allocation of an additional £340k later in the year. The Handy Person Scheme which was used as part of the Council's housing assistance programme would also require an additional £50k. Members asked that officers consider providing more supporting detail within the main body of the report in future to aid their interpretation of the summary position.

RESOLVED – that the Performance Report for Quarter 1 2019/20 financial year and the comments of the Committee be noted.

8. CONSTITUTION OF BUDGET SCRUTINY REVIEW PANEL 2019/20

Members received a report detailing the proposed membership, timetable and scope of the Budget Scrutiny Review Panel 2019/20.

The nominations for membership of the panel were confirmed at the meeting, and were as follows:

Conservative Group: Councillors S. Parnall and S. Walsh. Two more nominations would be confirmed at the next meeting.

Residents' Association Group: Councillor N. Harrison

Green Group: Councillor J. Essex

Liberal Democrats: Councillor J. Philpott

It was noted that all Councillors were welcome to attend the meeting of the panel, even if they were not a member of the panel.

RESOLVED – that:

(i) The membership of the Budget Scrutiny Review Panel and the timetable for the preparation of the Budget for 2019/20 be agreed as set out in the report and confirmed at the meeting.

(ii) The scope of the Budget Scrutiny Review Panel work during 2019/20 be agreed as set out in the report.

9. FUTURE WORK PROGRAMME - SEPTEMBER 2019

Members considered the Future Work Programme for the Overview and Scrutiny Committee for 2019/20 and the Action Tracker from the previous meeting.

It was noted that the Report from the External Auditors on 2018/19 Financial Accounts (ISA 260) would be discussed at the next Committee.

RESOLVED – that the Future Work Programme for 2019/20 be agreed and the Action Tracker from the previous meeting be noted.

10. EXECUTIVE

It was reported that there were no items arising from the Executive that might be subject to the ‘call-in’ procedure in accordance with the provisions of the Overview and Scrutiny Committee Procedure Rules.

11. ANY OTHER URGENT BUSINESS

There were no items of urgent business.

The Meeting closed at 9.15 pm

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Reigate & Banstead
BOROUGH COUNCIL
Banstead | Horley | Redhill | Reigate

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TO:	OVERVIEW & SCRUTINY
DATE:	17 OCTOBER 2019
EXECUTIVE MEMBER:	COUNCILLOR T. SCHOFIELD

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

SUBJECT:	**FINAL REPORT FROM THE EXTERNAL AUDITORS ON THE 2018/19 STATEMENT OF ACCOUNTS (ISA 260 REPORT) AND PUBLISHED STATEMENT OF ACCOUNTS**

RECOMMENDATIONS:

(i) That the final report from the external auditors (ISA 260) on the 2018/19 audit be noted (Annex 1).

(ii) That the published version of the Statement of Accounts be noted (Annex 2).

REASONS FOR RECOMMENDATIONS:

As in previous years Overview & Scrutiny Committee is asked to consider the external auditor's report on the 2018/19 statement of accounts. A copy of the published final version of the accounts is attached for information

EXECUTIVE SUMMARY:

The ISA 260 report from the Council's external auditors (Deloitte LLP) summarises the conclusions and significant issues arising from their audit of the 2018/19 Annual Financial Report.

A draft of the report was presented to Executive on 18 July 2019 and the final version was approved by the Leader under delegated authority on 30 September 2019. The Leader and the Chief Finance Officer also signed the final version of the statement of accounts 2018/19 on that day. The ISA260 is appended as Annex 1, and the audited Statement of Accounts as Annex 2.

The approved statement of accounts, including Deloitte's audit opinion, was published on the statutory publication deadline of 30 September 2019.

This report includes an explanation of the outcome of the audit, the lessons learnt and the action that is now in progress to prepare for 2019/20 closedown.

STATUTORY POWERS

1. The Council is required to produce an annual Statement of Accounts by the *Local Government and Housing Act 1989* and the *Accounts and Audit Regulations 2015*.

2. The *International Standard on Auditing 260 (ISA 260 - Communication of audit matters to those charged with governance)* provides standards and guidance on the communication of audit matters between the auditor and those charged with governance.

3. Under the Council's Constitution this function has been delegated to the Executive.

ISSUES

ISA260 Report 2018/19

4. The Council's External Auditors (Deloitte LLP) are required to issue their report to those charged with governance (ISA260) which sets out the conclusion of their audit work and their opinion on the financial statements for the year ended 31 March 2019.

5. As reported to Executive on 18 July, officers have worked closely with Deloitte since they commenced work on site on 10 June.

6. A draft version of the ISA 260 was tabled at the 18 July meeting by way of an addendum to the agenda previously published. Deloitte were in attendance to present their findings and respond to Members' questions.

7. The final version of the ISA260 was received from Deloitte following conclusion of their audit work. This version was approved by the Leader under delegated authority on 30 September 2019.

8. The approved statement of accounts, including Deloitte's audit opinion, was signed and published on 30 September 2019, being the statutory deadline.

9. Copies of the published ISA260 and Statement of Accounts for 2018/19 are attached at Annexes 1 and 2.

Audit Completion

10. The 2018/19 audit was the first undertaken within the contract with Deloitte. The Council's team therefore had to establish an effective working relationship with its new auditors. Challenges for Deloitte including working to the new audit specification a defined by Public Sector Audit Appointments (PSAA) at a time of nationwide shortfalls in appropriately skilled and experienced public sector auditors. This added significant challenges to the process for both parties. We understand that Reigate & Banstead's experience in this regard was very similar to that of authorities across Surrey and beyond.

11. The audit was challenging for a number of reasons ;

    - Like all public sector bodies, the Council's pension liability in the accounts was subject to very late reporting changes as a consequence of the McCloud legal case (relating to potential discrimination in the implementation of transitional protections following changes in public sector pension schemes) in July 2019.

    - Some information from third party suppliers, relating to asset valuations included errors that had to be rectified during the audit.

- Significant time was required to resolve changes to disclosures identified during the audit.

Closedown and Audit 2018/19 – Lessons Learnt

12. As this was Deloitte's first year as external auditors it invariably brought new perspectives on the Council's approach to preparing the accounts and the underlying control systems. Not unsurprisingly this highlighted new areas for development and improvement going forward.

13. Whilst Deloitte acknowledged the Council's Statement of Accounts were prepared with '*relatively more preparation than we have seen in a number of other local authorities*', some areas for development were identified. These are summarised below:

Area for Development	Lesson Learnt and Action Planned for 2019/20 Closedown
Valuation of Property Assets	Specialist accounting support has been commissioned and they are currently working with the Finance team to develop fixed asset processes and help develop their technical knowledge, to mitigate the risk of future valuation and posting errors.
Quality of draft Statement of Accounts	The Finance team is introducing additional control measures to help improve the quality of the Statement of Accounts: • documenting and reviewing use of CIPFA disclosure checklists • completion of the CIPFA 'pre-audit checks on draft year-end accounts' checklist • documenting and reviewing cross-referencing of the draft financial statements to supporting working papers

IT Internal Control and Risk Management

14. The Head of IT has been consulted on the points raised by Deloitte relating to IT internal control and risk management and will be following up their recommendations.

LEGAL IMPLICATIONS

15. There are no legal implications as the statutory audit completion and publication deadline of 30 September 2019 was met.

FINANCIAL IMPLICATIONS

16. Although not yet quantified, Deloitte have indicated that their audit fee is likely to be increased as a consequence of delay.

EQUALITIES IMPLICATIONS

17. There are no equalities implications arising from this report.

COMMUNICATION IMPLICATIONS

18. There are no communications implications arising from this report. The auditor's report and the 2018/19 statement of accounts have been published on the Council's website.

RISK MANAGEMENT CONSIDERATIONS

19. There are no risk management implications arising from this report.

CONSULTATION

20. The Executive Member for Finance established and chaired a Member advisory panel during the preparation of the Annual Financial Report. The Panel considered the draft statement of accounts and had an opportunity to raise questions with the officers responsible for preparing them.

POLICY FRAMEWORK

21. There are no policy implications arising from this report

Background Papers:

Executive 18 July 2019 *Report from the External Auditors on the 2018/19 Statement of Accounts (ISA 260 Report)*

Executive 18 July 2019 *Statement of Accounts 2018/19*

Annexes:

Annex 1 - Report on the 2018/19 Statement of Accounts (ISA 260 Report)

Annex 2 – Published Statement of Accounts 2018/19

Deloitte.

Reigate & Banstead
BOROUGH COUNCIL
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Reigate & Banstead Borough Council

Final report to the Overview and Scrutiny Committee on the audit for the year ended 31 March 2019

Issued on 7 October 2019

Deloitte Confidential: Government and Public Services

Contents

01 Our final report

02 Appendices

Introduction

The key messages in this report

Our audit work for the 2019 audit is complete and we have issued our audit opinion and certificate. The scope of our audit was set out within our planning report presented to the committee in April 2019.

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the financial statements.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

Status of the audit	Our audit is complete and we have issued our audit opinion and certificate and reporting to the National Audit Office for Whole of Government Accounts purposes. We have included a section in this report providing observations arising from the work we have carried out on the areas of significant risk and other areas of audit focus reported to you in our audit planning report. Our housing benefit subsidy assurance work is still ongoing.

Conclusions from our testing	• The key judgements in the audit process related to
	  • The assumptions made in completion of the land and buildings revaluation;
	  • The assumptions used in valuing the Council's defined benefit pension liability.
	• We have set out a summary of misstatements and disclosure deficiencies identified in an appendix to this report.
	  • Uncorrected misstatements decrease the surplus on the CIES by £0.7m, decrease net assets by £0.5m, and decrease prior year equity by £0.2m.
	  • Corrected misstatements identified reduced the surplus for the year and net assets by £6.4m, with a larger gross presentational impact (reducing gross income and gross expenditure by £12.4m).

Financial sustainability and Value for Money	• As discussed on page 15, we considered arrangements around the Council's investment in properties for rental income purposes. From our risk assessment, we did not identify any significant risks in respect of the Council's governance arrangements around the transactions. The Public Accounts Committee and National Audit Office have raised issues over the longer terms risks to council finances and services from commercial investments, which is likely to result in increased scrutiny in this area in future. • We have not reported any matters within our audit report in respect of the Council's arrangements for securing the economy, efficiency and effectiveness of the use of resources.
Narrative Report & Annual Governance Statement	• We have reviewed the Council's Annual Report & Annual Governance Statement to consider whether it is misleading or inconsistent with other information known to us from our audit work. • The Annual Governance Statement complies with the Delivering Good Governance guidance issued by CIPFA/SOLACE. • We have suggested a number of minor changes to management for consideration and these have been updated.
Duties as public auditor	• We did not receive any queries or objections from local electors this year. • We have not identified any matters that would require us to issue a public interest report. We have not had to exercise any other audit powers under the Local Audit and Accountability Act 2014.
Whole of Government Accounts	• The Council is not a sampled component for WGA reporting. • We have reported our overall audit opinion and key issues from our audit to the National Audit Office following completion of the audit.

Our audit explained

We tailor our audit to your organisation

Identify changes in your business and environment

In our planning report we identified key changes in your business and articulated how these impacted our audit approach.

Scoping We have performed our risk assessment in line with the Code of Audit Practice issued by the NAO.

We will not scope out any significant items or items that would have a material impact on the financial statements. The only significant component of the Group is the Council. We have considered the investment property balance in Greensand Holdings Limited as part of property valuation testing

Other findings

As well as our conclusions on the significant risks we are required to report to you our observations on the internal control environment as well as any other findings from the audit. These are set out on pages 11-14 of this report.

Determine materiality

When planning our audit we set our group materiality at £2.2m based on approximately 2% of prior year gross expenditure and council materiality at £2m. We updated our group materiality assessment based on year-end figures to £2m. This represents 2.1% of gross expenditure, 2.0% of gross income, 1.2% of net assets and 0.7% of total assets. We set council materiality at £1.98m. We report to you in this paper all misstatements above £99k.

Significant risk assessment

In our planning report we explained our risk assessment process and detailed the significant risks we have identified on this engagement. We report our findings and conclusions on these risks in this report. No additional risks have been identified since our Audit Plan.

Conclude on significant risk areas

We draw to the Committee's attention our conclusions on the significant audit risks. In particular the Committee must satisfy themselves that management's judgements in relation to going concern are appropriate.

Our audit report

We issued an unmodified audit report and unmodified value for money conclusion.

Significant risks

Completeness of Expenditure and Accruals

Risk identified

Under UK auditing standards, there is a presumed risk in respect of revenue recognition due to fraud. We have rebutted this risk, and instead believe that the fraud risk lies with the completeness of expenditure and completeness and valuation of accruals.

For 2018/19, the Council approved a budget with a net cost of service of £17.7m. As at the end of the year, the Council reported a net underspend of £1.6m. Given the pressures across the whole of the public sector, there is an inherent risk that the year-end position could be manipulated by omitting or misstating accruals and provisions.

Deloitte response

We have considered the overall sensitivity of judgements made in relation to year-end accrual, and:

- We obtained an understanding of and tested the design and implementation of the key controls in place in relation to recording completeness of expenditure and accruals;
- We performed focused testing in relation to the completeness of expenditure including a detailed review of expenditure and accruals;
- We have performed testing for unrecorded liabilities based on payments made after year end to till mid June and expenses recorded in the period after year end up to the end of June.
- As part of the above focused testing, we challenged the assumptions made in relation to year-end accruals; and
- In addition, we have reviewed significant movements in accruals year on year and evaluated for consistency with our understanding of the Council and, where considered appropriate, corroborated the reason for movement to supporting information.

Deloitte view

We are satisfied that the liabilities recognised by the Council at year end are materially correct

Significant risks (continued)

Management override of controls

Risk identified

In accordance with ISA 240 (UK) management override is a significant risk. This risk area includes the potential for management to use their judgement to influence the financial statements as well as the potential to override the Council's controls for specific transactions.

Deloitte response

We have considered the overall sensitivity of judgements made in preparation of the financial statements, and note that:

- The Council's results throughout the year were projecting underspends in operational areas. This was closely monitored and whilst projecting underspends, the underlying reasons were well understood; and
- Senior management's remuneration is not tied to particular financial results.

We have considered these factors and other potential sensitivities in evaluating the judgements made in the preparation of the financial statements.

Significant and unusual transactions

We have noted that the Council obtained a short term loan of £12m to support the working capital of the Council during the year. The loan balance has been fully paid off by the end of June.

We have also noted that the Council has purchased two properties, the Regent House and Redhill Distribution centre at a total cost of £32.2m for redevelopment and rental income generation. .

Journals

We have performed design and implementation testing of the controls in place for journal approval.

We have made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments

We have used Spotlight data analytics to risk assess journals and select items for detailed follow up testing. The journal entries were selected using computer-assisted profiling based on areas which we consider to be of increased interest.

We have tested the appropriateness of journal entries recorded in the general ledger, and other adjustments made in the preparation of financial reporting.

Our analysis covered 436,703 data records in the year. Investigation of items sampled using Spotlight did not identify indicators of management override.

Accounting estimates

We have performed design and implementation testing of the controls over key accounting estimates and judgements.

We reviewed accounting estimates for biases that could result in material misstatements due to fraud.

We note that overall the changes to estimates in the period were balanced and did not indicate a bias to achieve a particular result.

Property and pensions estimates are discussed on the following pages. Other significant estimates include:

- The NNDR appeals provision, of which the council's share is £717k (31 March 2018 £2.0m). The movement in the provision reflects a reduction in the RBBC share percentage from 40% in the prior year to 30% in the current year.
- The allowance for impairment of over payments/receivables: Housing benefit overpayments of £1.9m on a balance of £2.5m (2017-18 £1.8m on £2.5m); Council Tax £2.0m on £3.6m (2017-18 £2.0m on £3.7m); and NNDR of £0.2m on £0.5m (2017-18 £0.2m on £0.7m). These have been provided for based on historic experience and the change in the age of the balances and appear reasonable.

We tested accounting estimates and judgements, focusing on the areas of greatest judgement and value. Our procedures included comparing amounts recorded or inputs to estimates to relevant supporting information from third party sources.

Deloitte view

Our work has not identified any significant bias in the key judgements made by management.

Significant risks (continued)

Valuation of property assets

Risk identified

The Council is required to hold property assets within Property, Plant and Equipment and Investment Properties at valuation. The valuations are by nature significant estimates which are based on specialist and management assumptions and which can be subject to material changes in value.

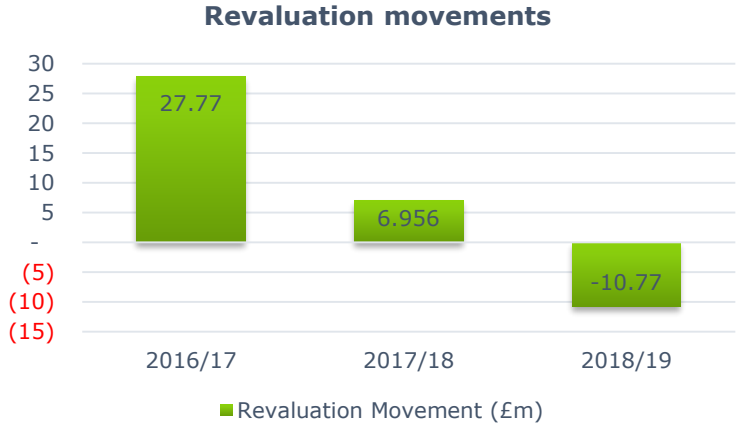
Key judgements and our challenge of them

Per the 31 March 2019 financial statements after all corrected adjustments, the Council held £107.3m of property assets, a decrease of £5.5m, including £0.2m revaluation gain and £3.6m of additions. The Council also held £95.0m of investment property assets, which included a net revaluation loss of £5.2m and £34.1m of additions. Assets are revalued on a regular basis to ensure that their carrying amount is not materially different from their fair value at the year end. The revaluation policy specifies that a full revaluation is carried out at a minimum every 5 years.

Desktop revaluations are performed annually as at 31st December, with a final review at year-end. There have been no significant changes to the valuation approach in year.

Due to prevailing market conditions, there was an overall revaluation loss in the year of £10.8m.

Below is an analysis of the revaluation movements over three years:



Deloitte response

- We tested the design and implementation of key controls in place around the property valuation, including how the Council assures itself that there are no material impairments or changes in value for the assets not covered by the annual valuation.
- We obtained an understanding of approach adopted to the valuation, including assessing the valuer's qualifications, objectivity and independence and reviewing the methodology used.
- We tested a sample of inputs to the detail and awaiting support on one sample.
- We used our valuation specialists, Deloitte Real Estate, to review and challenge the appropriateness of the assumptions used in the valuation of the Council's property assets including considering the assumptions made of movements between the valuation being performed in December 2018 and the year-end.
- We tested a sample of revalued assets and reperformed the calculation of the movement to be recorded in the financial statements to check correctly recorded.

Deloitte view

The work by the audit team and Deloitte Real Estate team identified a number of errors which were communicated to management. Management and the Council's valuers reviewed the affected valuations and postings, and updates were made to the fixed asset register and financial statements, with the significant items identified adjusted as noted in the Appendix on page 20.

Other matters

Defined benefits pension scheme

Background

The Council participates in the LPFA Local Government Pension Scheme, administered by Surrey Council.

The net pension liability has increased from £71.1m at 31 March 2018 to £79.2m at 31 March 2019 primarily as a result of slight increase in the discount rates, movements in asset values and the impact of McCloud judgements .

The Council's pension liability is affected by the McCloud legal cases in respect of potential discrimination in the implementation of transitional protections following changes in public sector pension schemes in 2015. Subsequent to year-end, the Government was denied leave to appeal the case, removing the uncertainty over recognition of the liability.

The Council's actuary has assessed the impact as £0.6m which has been adjusted in the financial statements.

Deloitte response

- We obtained a copy of the actuarial report produced by Hymans Robertson, the scheme actuary, and agreed in the disclosures to notes in the accounts.
- We assessed the independence and expertise of the actuary supporting the basis of reliance upon their work.
- We reviewed and challenged the assumptions made by Hymans Robertson, including benchmarking as shown in the opposite table.
- We reviewed the disclosures within the accounts against the Code.
- We have requested assurance from the auditor of the pension fund over the controls for providing accurate membership data to the actuary, including checking whether any significant changes in membership data were communicated to the actuary
- We have access the reasonableness of the Council's share of the total assets of the scheme with the Pension Fund financial statements as at 31 March 2018 and performed analytical procedures to test the asset value and movements for the year.
- We reviewed and challenged the calculation of the impact of the McCloud case on pension liabilities.

	Council	Benchmark	Comments
Discount rate (% p.a.)	2.40	2.36	Reasonable
Retail Price Index (RPI) Inflation rate (% p.a.)	3.40	3.05	Prudent
Consumer Price Index (CPI) Inflation rate (% p.a.)	2.50	2.25	Slightly Prudent
Salary increase (% p.a.) (over RPI inflation)	1.1	Council specific	Prudent
Pension increase in payment (% p.a.)	2.50	2.25	Reasonable, slightly prudent
Pension increase in deferment (% p.a.)	2.50	2.25	Reasonable, slightly prudent
Mortality - Life expectancy of a male pensioner from age 65 (currently aged 65)	22.50	22.50	Reasonable
Mortality - Life expectancy of a female pensioner from age 65 (currently aged 45)	24.60	24.60	Reasonable

Deloitte view

Our review of the assumptions and calculations showed that the CPI and pension increase in payments assumptions were at the prudent end of the reasonable range. No other significant issues were identified.

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Other matters (continued)
Implementation of IFRS 9 and IFRS 15

Matter identified

The Council is required to adopt the new accounting standards IFRS 9 *Financial Instruments* and IFRS 15 *Revenues from contracts with customers* in the year ended 31 March 2019. In both cases, the Council is using a modified retrospective approach to implementation where effectively the cumulative impact of transition to 1 April 2018 is posted as an adjustment to reserves.

The scope of IFRS 9 and IFRS 15 is limited to balances arising on "exchange" transactions. Non-exchange debtors, such as council tax and rates/levies etc. are outside of the scope of IFRS 9 and IFRS 15.

The Council has posted no retrospective adjustments with regard to IFRS 9 or IFRS 15 as there are no material impact on the financial statements.

Response

Management held discussions regarding the accounting impact of the new standards for the period and determined that the impact is immaterial.

The key element impacted by IFRS 9 is the accounting for the bad debt provision for debtors, which must move to a methodology of expected credit losses. The majority of the Council's debtors are non-exchange debtors and not affected by this. Whilst the provision as a whole is not material, we have reviewed the revised calculation methodology and considered the assumptions in light of past experience. We have concluded that IFRS 9 has been applied appropriately and no further material adjustment is needed.

Another key elements impacted by IFRS 9 is the credit risk associated with the fixed deposits and trading company investments (loans), which resulted in an expected credit loss of adjustment of £185k in 2018/19. All other expected credit loss were considered immaterial and was not adjusted. We have reviewed the revised calculation methodology and consider this to be reasonable. No historic adjustment has been made as management consider the provision to arise on movements in year. While this is a matter of judgement, this is not material and we have not proposed any adjustments.

In addition, the presentation and classification of the Council's financial instruments is affected, in particular investments in trading company.

Regarding IFRS 15, officers were satisfied that no transitional adjustments would be required as the Council's larger sources of income including grant income, rents and taxation are outside of the scope of the standard and in other income streams which fall within the scope of IFRS 15, there are no material performance obligations which span the year end. This is consistent with a general expectation for local authorities which have not entered into material unusual transactions. Again, the statement of accounting policies was not updated to bring the description of the Council's policy for the recognition of income into line with the requirements of IFRS 15.

IFRS 15 introduces new disclosures around the amount of income, deferred income and receivables which are accounted for under the standard. The Council's accounts template was not updated to fully include these new disclosures and as a result the financial statements do not fully comply with the Code in this respect. We had requested disclosures be added in the final financial statements and managements have updated the latest stats.

We have reviewed and challenged the disclosures made in the financial statements which have resulted in changes to the financial instrument disclosures to align to IFRS 9 categories.

Deloitte view

Managements conclusion that the new accounting standards do not have a material impact for the Council is consistent with the conclusion of other local authorities and the absence of unusual transactions or income streams which may require a different accounting treatment.

Conclusion on arrangements to secure economy, efficiency and effectiveness from the Council's use of resources

Background

Under the National Audit Office's Code of Audit Practice, we are required to report whether, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

The Code and supporting Auditor Guidance Notes require us to perform a risk assessment to identify any risks that have the potential to cause us to reach an inappropriate conclusion on the audited body's arrangements. We are required to carry out further work where we identify a significant risk - if we do not identify any significant risks, there is no requirement to carry out further work.

Our risk assessment

We set out the risk assessment procedures we had performed and our further planned procedures in our audit planning report. We also set out in our audit planning report the two areas of significant risk identified by our risk assessment procedures performed at that point. We did not identify any further significant risks from our remaining risk assessment procedures.

As part of our risk assessment, we have considered information from a combination of:

- we considered the appropriateness of the governance arrangements and due diligence performed and external advice taken around large investments in year;
- we discussed the Council's arrangements with Pat Main (interim section 151 officer) and Helen Stocker (Deputy Section 1 Officer)
- We have reviewed the internal audit reports;
- we reviewed the Council's draft Narrative Report, Annual Governance Statement and relevant Council papers and minutes;
- we considered the Council's financial results for the year and the assumptions in the budget for future years;
- we considered matters identified by the National Audit Office as potential value for money risks for Councils for 2018/19, in particular decisions around commercialisation;
- review of the Council's Brexit preparations;
- consideration of issues identified through our other audit; and
- consideration of the Council's results, including benchmarking of actual performance.

Based upon the work performed in our risk assessment, we did not identify any significant audit risks and is consistent with our Planning Report.

Deloitte view

No significant risk in respect of VFM was identified during our initial risk assessment. We updated our initial risk assessment in June 2019 for outturn information, review of internal audit reports, review of draft annual governance statement and review of the budget and MTFS. No significant risk was identified based on this assessments and we have issued an unmodified opinion.

Other significant findings

Internal control and risk management

During the course of our audit we have identified a number of internal control and risk management findings, which we have included below for information.

Area	Observation	Priority
Quality of draft financial statements	While management have taken actions to update the financial statements for accounting and disclosure changes required this year for IFRS 9 and IFRS 15, with relatively more preparation than we have seen in a number of other local authorities, nonetheless the initial draft financial statements which were published for public inspection and presented for audit were not of the expected standard. Issues noted included: • Accounts disclosures not updated for 2018/19 changes in the Code; • Inconsistencies between notes and primary statements; • "Negative" balances due to inclusion of £2.1m of debtors within creditors; • Accounts disclosures and accounting policies only partly updated for the adoption of IFRS 9 and IFRS 15; and • Other issues requiring adjustment to financial statements; Together these indicate scope for improvement in the financial reporting and close process. We recommend the Council review the year-end reporting and close process, including, including whether there are opportunities for improvement in how the council undertakes; • preparation of a skeleton draft of the financial statements ahead of year-end, reviewed against the Code for any changes in the year and for the disclosure requirements for any new or changed activities of the Council; • documented and reviewed use of CIPFA disclosure checklists; • documented and reviewed internal checks of arithmetic accuracy and internal consistency; • completion of the CIPFA "pre-audit checks on draft year-end accounts" checklist; and • documented and reviewed internal tie back and referencing of the draft financial statements to supporting working papers. This had been included in our draft report	
New accounting standards – IFRS 9 and 15	While managements has taken greater steps to prepare for IFRS 9 and 15 than many other bodies, including the preparation of papers and performing provisioning assessment, we highlight that this has been done as a year-end exercise to assess and calculate the impact of GAAP differences, without embedding into the Council's underlying systems, processes and controls. This presents a risk that new contracts or transaction may give rise to unanticipated impacts in future, or not be detected. We recommend the Council review how to update its day to day accounting processes, including any necessary system and control changes, to reflect the requirements of IFRS 9 in particular in respect of investments in Trading companies, and the process to be followed in assessing new and unusual transactions. This had been included in our draft report	

The purpose of the audit was for us to express an opinion on the financial statements. The audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters being reported are limited to those deficiencies that we have identified during the audit and that we have concluded are of sufficient importance to merit being reported to you.

Low Priority

Medium Priority

High Priority

Other significant findings (continued)

Internal control and risk management

During the course of our audit we have identified a number of internal control and risk management findings, which we have included below for information.

Area	Observation	Priority
Preparation for IFRS 16	The implementation of IFRS 16, Leases, for 2020/21 is expected to have a greater and more complex impact upon most Councils than the adoption of IFRS 9 and 15. The scope and potential complexity of work required, which may require system or process changes to underpin correct accounting under the standard, will require work to be completed at a significantly earlier stage to allow for financial reporting timetables to be met. Managements have completed preparation work and we recommend early consideration following the impact analysis of actions required to embed in the Council's underlying accounting systems. We recommend the Council targets completion of its IFRS 16 impact analysis during 2019/20, and to calculate an adjusted opening balance sheet position for audit following the 31 March 2020 audit.	
Wrong posting to the fixed asset register	During our work on the Council's properties, we noted that as at year end 31 March 17, the revaluation adjustments of assets of the Victoria Road Car Park was wrongly posted to another assets by an account officer thereby understating the value of one assets and overstating another. This has remained in the fixed asset register without being detected over a period of 2 years. This is an evidence of lack of appropriate controls over the review of journals before posting into the system. This represent a risk that the source information used in preparing the financial statements may maybe materially misstated due to posting errors. We recommend for managements to put in place controls, to ensure a second review of all valuation entries, including allocation by asset, before they are posted into system.	
Grant Income register	We have identified as part of our testing that the Council does not maintain grant register that holds the details of all grants. This made it difficult to access the completeness and accuracy of the grant information. We recommend that managements prepares and maintains a grant register and put in place procedures to ensure its accuracy and completeness	
Processing of valuation of property, plant and equipment	Our review of the valuation identified differences in processing of adjustments including through to posting in the fixed asset register. Management's investigation of these differences required adjustments to the financial statements. In addition, we identified that that the Council's Valuer had noted potential adjustments being required for the Cromwell Road and Pitwood Park properties which had not been included in the draft accounts as an open matter in the valuation report was not appropriately actioned. We recommend management review the controls in place both over checks on the valuation and over the posting of the asset values to include additional control checks in the process prior to final posting of values.	

Other significant findings-(continued)

Internal control and risk management

During the course of our audit we have identified a number of internal control and risk management findings, which we have included below for information.

Area	Observation	Priority
Segregation of duties between developers and change promoters is not in place	During our review of key financial applications, we noted that segregation of duties between developers and change promoters is not enforced. The IT Team perform the changes on the respective application, where possible, and promotes the change into the production environment or the vendor performs the change and promotion of the change. There is a risk that users make inappropriate changes to application source code, and migrate the change, thereby going undetected. We recommend management ensure there is appropriate segregation of duties between developers and change promoters. Alternatively, management should perform a retrospective review to ensure that no changes were developed and deployed by the same user.	
Segregation of Duties between System Administrators and Business Users is not in place	During our review of key financial applications, we noted that segregation of duties between system administrators and business users is not enforced. The following applications have business users allocated administrator rights, due to the small numbers within the respective teams: • Agresso: System Administrator access allocated to the Accountants • Civica: System Administrators access allocated to the Transaction Manager, Finance Officers and Accountant • Northgate: System Administrators access allocated to the Revenue Administrator, Service Support Manager, Council Tax Manager and Support Worker. There is a risk that business users who have administrator access on the respective applications may alter configuration or create ghost users to remove accountability for inappropriate activity We recommend managements put in place measures to ensure segregation of duties between system administrators and business users	
User access reviews are not in place for key financial applications	During our review of the IT Environment we noted that there are no formalized user access reviews in place for any of the in-scope applications. There is not a documented and consistent approach to Joiners, Movers and Leavers for the following applications: • Busneiss World On • Civica iCon • Northgate Housing Management System • iTrent • Agresso There is a risk that users retain inappropriate access or gain inappropriate access, which is not identified in a timely manner. We recommend formalising the approach to access changes for Joiners, Movers and Leavers.	

Other significant findings- (continued)

Internal control and risk management

During the course of our audit we have identified a number of internal control and risk management findings, which we have included below for information.

Area	Observation	Priority
Capital and investment strategies and borrowing for investment	CIPFA's updated Prudential Code for Capital Finance in Local Authorities and Treasury Management Code, and the Ministry of Housing, Communities and Local Government's Investment Code apply for 2018/19. These require a formally reported capital strategy, including a view of the authority's approach to borrowing, investment and treasury management, with a focus on risk management. MHCLG's Statutory Investment Guidance applies from 1 April 2018 and requires an annual investment strategy (which can be incorporated into the capital strategy) and prohibits borrowing "in advance of need" to profit from investment of sums borrowed, including from solely commercial investment in investment properties. The strategy must set out the reasons for non-compliance and associated risk management arrangements if there is borrowing in advance of need. •We recognise the Council has undertaken a commercial governance review in year and has been putting in place enhanced governance around these areas •The Council did not publish a capital and investment strategy for 2018/19. The 2019/20 strategy was reported to the Overview and Scrutiny Committee in February2019 and Executive in March 2019. •Although property investment is covered in the capital and investment strategy, there is currently limited discussion of risk management arrangements(albeit with a plan for developing these elements of the strategy). Is planned to be covered in an upcoming Commercial Investment Strategy). We recommend expanding the discussion of risk management in the strategy. •Should the Council borrow for investment, then it will be necessary to consider whether this is purely commercial and require disclosure in the capital and investment strategy together with details of the planned risk management strategy.	●

Your annual report

We are required to report by exception on any issues identified in respect of the Annual Governance Statement..

	Requirement	Deloitte response
Narrative Report	The Narrative Report is expected to address (as relevant to the Council): - Organisational overview and external environment; - Governance; - Operational Model; - Risks and opportunities; - Strategy and resource allocation; - Performance; - Outlook; and - Basis of preparation	We have assessed whether the Narrative Report has been prepared in accordance with CIPFA guidance. We note that there is scope for additional discussion of: • The Council's operational model, in particular in respect of increased investment; • Risks and opportunities; and • Outlook. We have also read the Narrative Report for consistency with the annual accounts and our knowledge acquired during the course of performing the audit, and is not otherwise misleading.
Annual Governance Statement	The Annual Governance Statement reports that governance arrangements provide assurance, are adequate and are operating effectively.	We have assessed whether the information given in the Annual Governance Statement meets the disclosure requirements set out in CIPFA/SOLACE guidance, is misleading, or is inconsistent with other information from our audit. No issues were noted from our review

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to help the Committee and the Council discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA 260 (UK) to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements and our observations on the quality of your Annual Report.
- Our internal control observations.
- Other insights we have identified from our audit.

What we don't report

As you will be aware, our audit was not designed to identify all matters that may be relevant to the Council.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

The scope of our work

Our observations are developed in the context of our audit of the financial statements. We described the scope of our work in our audit plan and again in this report.

This report has been prepared for the Audit Committee and Council, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.

We welcome the opportunity to discuss our report with you and receive your feedback.

Deloitte LLP

Ben Sheriff

for and on behalf of Deloitte LLP

St Albans

7 October 2019

Appendices

Audit adjustments

Unadjusted misstatements

The following uncorrected misstatements have been identified and we request that you ask management to correct them as required by ISAs (UK). Uncorrected misstatements decrease the surplus on the CIES by £0.7m, decrease net assets by £0.5m, and decrease prior year equity by £0.2m.

		Debit/ (credit) CIES £m	Debit/ (credit) in net assets £m	Debit/ (credit) prior year reserves £m	*Memo: Debit/ (credit) usable reserves £m*	If applicable, control deficiency identified
Misstatements identified in current year						
Credit balances included in Debtors	[1]		0.2 (0.2)			
Impairments charge on Plot 1 Pitwood Park Industrial Estate	[2]	0.5	(0.5)			
Prior year gain recognised in the current year	[3]	0.2		(0.2)		
Total		**0.7**	**(0.5)**	**(0.2)**		

(1) The Debtor sub ledger balance included credit balances of £165k that should have been presented in debtors
(2) Impairments charge on Pitwood Park properties of £481k, due to the demolishing of the building
(3) Included in the gains on disposal of assets is a prior year Clawback gain of £230k that was previously disclosed under the S106 account.

Audit adjustments

Disclosures

Disclosure misstatements

The following uncorrected disclosure misstatements have been identified, which we request that you ask management to correct as required by ISAs (UK).

Disclosure
1. Consistency of the investment properties revaluation movements – there are immaterial inconsistencies between disclosure notes due to differences in presentation i. the FV of investment properties of £5,128k is different to the £5,154k in note 12 or the £5,319k in note 3; ii. net income/expenditure on investment properties figure of £3,065k differs to the net income figure in Note 12 of 2,874k; and iii. the net income/expenditure and fair value movements are split out in current year in Note 3, but comparative is presented with all movements shown together as a single figure. 2. Community Infrastructure Levy outstanding at year end of £315k that are short term in nature have been disclosed as long term debtor in the financial statements.

Audit adjustments

Corrected misstatements

The following corrected misstatements have been identified and corrected by management as required by ISAs (UK). Corrected misstatements increase/(decrease) the surplus on the CIES by £6.4m, increase/(decrease) net assets by £6.4m, and increase/(decrease) usable reserves by £nil.

		Debit/ (credit) CIES £m	Debit/ (credit) in net assets £m	Debit/ (credit) prior year reserves £m	If applicable, control deficiency identified
Overstatements of Investment property	[1]	1.6	(1.6)		Yes
Presentation of Comprehensive Income and Expenditure Statement	[2]	10.6 (10.6)			
Debit balances included in creditors	[3]		2.1 (2.1)		
Presentation of non domestic rates income and expenditure	[4]	1.8 (1.8)			
Impairments charge of Cromwell and Pitwood properties	[5]	0.8	(0.8)		Yes
Revaluation adjustments to the fixed asset register to correct errors in posting	[6]	4.0	(4.0)		Yes
Classification error of creditors in bank	[7]		0.3 (0.3)		
Reclassification of long term investments balance from long term debtor	[8]		0.1 (0.1)		
Reclassification of impairment loss on investments from bad debt provision	[9]		0.2 (0.2)		
Reclassification of accrued income from short term debtors	10]		0.5 (0.5)		
Total		**6.4**	**(6.4)**		

Audit adjustments

Corrected misstatements - Continued

(1) The revaluation adjustments of Victoria Road Car Park was wrongly posted to the Horley Street scene. The 2016/17 revaluation was incorrectly posted, which resulted in a double-count on posting of this year's revaluation against the correct asset.

(2) Historically, some local authorities have presented the Comprehensive Income and Expenditure Statement on a "gross" basis, including internal recharges. The 2018/19 CIPFA Code explicitly states that this is not permitted, and the Expenditure and Funding Analysis is intended to provide segmental analysis rather than the Comprehensive Income and Expenditure Statement, which should be presented on a net basis. The current year and comparative financial statements

(3) The creditor note in the draft financial statements included £2.1m of debit balances that should have been presented in debtors.

(4) The non domestic rates income and expenditure figures were incorrectly netted down by £1.8m.

(5) The buildings on Cromwell Road and Pitwood park properties were demolished in year without this being adjusted for the in the valuation. The valuation has been adjusted to write off the value of buildings leaving only the cost of the land.

(6) We noted various errors in the valuation report which affected the adjustments to the fixed assets register (FAR) we audited. A new valuation report was issued and the fixed asset register and final financial statements.. These resulted in a number of adjustments on affected properties.

(7) Subtractive reconciling items on the bank reconciliation which should have been presented as creditors balances at year end

(8) Investment in Horley LLP of £122k was initially recognised as a debtor balance

(9) impairment loss on long term investments of £185k was initially recorded to bad debt and as per the requirements of IFRS 9, this has been reclassified to reduce the cost of the long term investments.

(10) The accrued interest on investments of £475k which was initially recognised in short term debtors has been reclassified as per the requirements of IFRS 9 to the cost of investments.

In addition, due to additional information available post year-end, management have adjusted the valuation of pensions by £0.7m for the impact of the McCloud judgement.

Fraud responsibilities and representations

Responsibilities explained

Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.

Required representations:

We have asked the Council to confirm in writing that you have disclosed to us the results of your own assessment of the risk that the financial statements may be materially misstated as a result of fraud and that you are not aware of any fraud or suspected fraud that affects the Council or group.

We have also asked the Council to confirm in writing their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

Audit work performed:

In our planning we identified completeness of expenditure and accruals, valuation of property and management override of controls as key audit risks for your organisation.

During course of our audit, we have had discussions with management and those charged with governance.

In addition, we have reviewed management's own documented procedures regarding fraud and error in the financial statements.

We have reviewed the paper prepared by management for the Overview and Scrutiny Committee on the process for identifying, evaluating and managing the system of internal financial control.

Concerns:

No concerns have been raised in relation to fraud or whistleblowing during our procedures.

Independence and fees

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

Independence confirmation	We confirm that we comply with FRC's Ethical Standards for Auditors and that, in our professional judgement, we and, where applicable, all Deloitte network firms are independent and our objectivity is not compromised.
Fees	Details of our scale fee for the audit have been set out on the next slide. We have incurred additional costs in respect of the issues identified during the audit, and on completion of the audit we will propose a fee variation at the agreed rates set out in the PSAA rate card shown on the next page. We have been appointed to perform the 2018/19 Housing Benefit testing, which is currently ongoing. The fee for this work (assuming no extended testing required) is shown on the next page.
Non-audit services	In our opinion there are no inconsistencies between the FRC's Ethical Standards for Auditors and the Council's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.
Relationships	We are required to provide written details of all relationships (including the provision of non-audit services) between us and the organisation, its board and senior management and its affiliates, including all services provided by us and the DTTL network to the Council, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our objectivity and independence. We have no other relationships with the Council, its directors, senior managers and affiliates, and have not supplied any services to other known connected parties

Independence and fees

	Planned £ (excl. VAT)
Code audit fee (prior to fee variation for additional costs)	37,585
Total audit	37,585
Fees for reporting on the housing benefit subsidy claim	14,000
Total assurance services	14,000
Total fees	**51,585**

As explained in our fee letter, our audit fee is based on assumptions about the scope of our work.

We have incurred additional costs compared to those assumed in the scale fee in addressing a number of issues including additional iterations of the financial statements and adjustments in respect of valuations.

We will calculate the additional costs incurred following completion of the audit for agreement with the Council and Public Sector Audit Appointments Limited. Additional time is charged using the following rate card:

	Rate per hour (£)
Partner/director	132
Senior manager/manager	73
Senior auditor	47
Other staff	36

Deloitte.

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Annual Financial Report

for the year ended 31 March 2019

Reigate & Banstead
BOROUGH COUNCIL
Banstead | Horley | Redhill | Reigate

ANNUAL FINANCIAL REPORT

(INCORPORATING THE STATEMENT OF ACCOUNTS)

for the year ended 31 March 2019

Contents

NARRATIVE REPORT

The purpose of this Statement of Accounts (the Accounts) is to summarise the Council's financial performance for the year 2018/19 and the overall financial position at 31st March 2019. This report aims to provide a general guide to the main features of the information within the rest of the Accounts.

Revenue budget and outturn

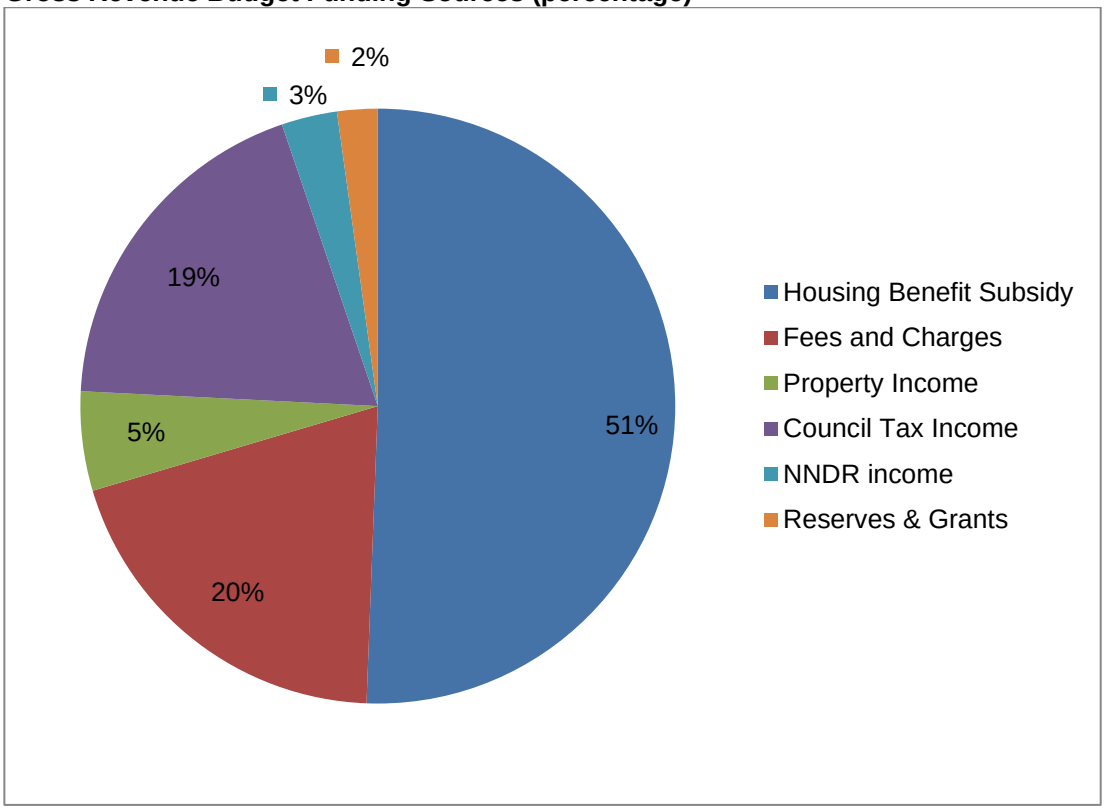
Despite continued challenging economic and market conditions in 2018/19 financial performance has been well-managed to give a net underspend of £1,618,200 (9.1%). The final outturn position for the year against the revised budget is set out in the table below.

	2018/19		
Category	**Budget**	**Outturn**	**Variance**
	£000	**£000**	**£000**
Economic Prosperity	288.4	249.1	(39.3)
Organisational Development	654.7	653.1	(1.6)
Revenue, Benefits & Fraud	(25.6)	261.2	286.8
Housing	998.4	975.5	(22.9)
Projects and Performance	2,090.4	1,765.7	(324.7)
Community Partnerships	1,400.7	1,428.9	28.2
Place Delivery	209.0	44.3	(164.7)
Neighbourhood Operations	2,681.5	2,073.7	(607.8)
Wellbeing & Intervention	238.8	232.2	(6.6)
Planning	844.9	598.0	(246.9)
Communications & Customer Contact	818.7	685.1	(133.6)
ICT	1,563.5	1,546.7	(16.8)
Legal and Governance	1,674.8	1,781.0	106.2
Finance & Assets	4,332.1	3,857.6	(474.5)
Net Total	17,770.3	16,152.1	(1,618.2)
Depreciation		3,125.0	
Accounting Adjustments		6,024.9	
Total Net Cost of Services		**25,302.0**	

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

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

Gross Revenue Budget Funding Sources (percentage)



Capital budget and outturn

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

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

Financed by

Government grants and other contributions	3,966.0
Capital Receipts	20,133.1
Short term cash flow borrowing	12,000.0
Internal Borrowing	3,045.9
Earmarked Reserves	89.7
Total	**39,234.7**

The Council made property investments in year, however there was a borrowing requirement at the end of the financial year which was not used to finance investments. The £12 million short term borrowing was part of the treasury cash management strategy, and was fully repaid in early 2019/20.

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

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

Financial Statements

The Statement of Accounts for 2018/19 is prepared using International Financial Reporting Standards (IFRS) and the framework within which these Accounts are prepared and published is regulated by the Chartered Institute of Public Finance and Accountancy (CIPFA).

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

Further information

Further information on the Accounts may be obtained from the Interim Head of Finance & Assets at the Town Hall, Castlefield Road, Reigate, RH2 0SH.
On completion of the audit, copies of the Statement of Accounts will be published on the Council's website at www.reigate-banstead.gov.uk.

Pat Main
Interim Head of Finance & Assets

1. Scope of Responsibility

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

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

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

Our Code of Corporate Governance outlines our governance principles:

i. Focusing on the Council's purpose and community needs;

ii. Having clear responsibilities and arrangements for accountability;

iii. Requiring good conduct and behaviour;

iv. Taking informed and transparent decisions which are subject to effective scrutiny and risk management;

v. Developing the capacity and capability of members and officers to be effective;

vi. Engaging with local people and other stakeholders.

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

Corporate Governance webpage

Councillor Code of Conduct webpage

Risk Management webpage

2. The Purpose of the Governance Framework

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

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

3. The Governance Framework

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

These are summarised below:

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

The Executive, Committees and Panels we have established to ensure democratic engagement and accountability is central to our key and other important decisions, as well as stronger governance to support our commercial activities.

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

A review of our governance arrangements in 2018 in relation to our changing commercial plans.

The delegation and authorisation arrangements which document the roles and responsibilities of Executive and non-Executive councillors and our statutory (and other senior) officer functions.

Our risk, performance and accountability arrangements that measure the quality of services - ensuring they are delivered in accordance with our objectives and that they represent the best use of resources. Our commercial decisions are subject to due diligence process and risk analysis.

Our business plans and associated resource plans, , role profiles, organisation vision, values and behaviours and codes of conduct which underpin how Members and employees work.

Our arrangements for consultation and engagement with the community.

Our independent internal audit service arrangements which provide risk-based assurance as well as supporting wider audit requirements.

The independent oversight and challenge provided by our external auditors, the Information Commissioner, Freedom of Information (Act 2000) requests for information, General Data Protection Regulations and the Local Government Ombudsman;

Our procedure rules and internal management processes for:

- Financial management
- Procurement
- Project management
- Risk management
- Information governance & data security
- Health & safety
- Decision making
- Whistleblowing
- Complaints handling
- Anti-fraud & corruption

4. Review of Effectiveness

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

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

A self-assessment of our effectiveness

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

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

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

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

Effective financial planning and management

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

The Chief Finance Officer has ensured that effective budget monitoring and reporting arrangements, involving the Management Team, Executive and Overview & Scrutiny Committee and Corporate Governance Group have remained in place. Given the scale of the financial challenges, the Overview & Scrutiny Committee (and Budget Scrutiny Panel) also reviewed the proposed savings as part of the budget preparation process in Autumn 2018 noting that the proposals were clear, focused, achievable, realistic and based on sound financial practices.

Effective arrangements for accountability

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

The Overview & Scrutiny Committee has agreed the Audit Plan and received an end of year report from Internal Audit.

Effective Conduct Arrangements

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

The Council has a locally adopted Code of Conduct and all Councillors are given training regarding the conduct requirements. A review of the Member and Officer Code of Conduct is proposed for 2019/2020 to ensure it remains it remains fit for purpose.

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

Registers of Interest for Elected Members and senior Employees have been maintained and arrangements are in place for the declaration of appropriate interests when decisions are taken. We have also appointed a pool of Independent Persons, (shared with 6 other local authorities in Surrey) for four years up to 2023 to provide stronger options to meet this statutory responsibility.

Effective decision making arrangements

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

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

Effectively developing skills and capacity

The Council is developing an Organisational Development Strategy which will set out the approach needed to help ensure officers are engaged and committed to deliver the Council's priorities and services. Personal development plans and investment in "talent management" helps to ensure we have in place effective succession planning and that our workforce has the skills, capability and capacity to meet the challenges facing the Council.

We undertake regular staff engagement, including surveys, and action plans are put in place to address any themes emerging from staff engagement activities.

An induction and Member Learning and Development programme is in place for new and returning Councillors and skills training for regulatory functions takes place annually before Members take up places on the Planning and, Licensing and Regulatory Committees. In addition, all Members are briefed on the requirements of the Member Code of Conduct. A variety of learning events take place during the year to ensure that, where needed, Councillors are briefed on new initiatives or legislative changes. The bespoke training and development undertaken in 2018/19 focused on media training for the Executive and broader communications skills training for all Members, specifically in the areas of use of social media and presentation skills. Training in 2019/20 will include Local Government Finance Training as well as updated social media and presentation skills training.

Effective Engagement

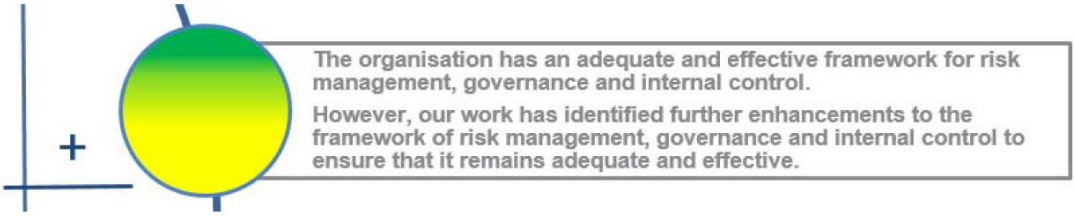
Consultation and engagement had taken place with local people and other stakeholders on a range of issues during the year to inform the plans and decisions taken by the Council. We have reviewed our approach to engagement and continue to improve our use of digital channels to reach audiences with an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

Independent Opinions on Effectiveness

The Chief Internal Auditor provides independent assurance on the adequacy and effectiveness of the system of internal financial control. The Internal Audit Annual Report for 2018/19 included the following:

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

Head of internal audit opinion 2018/19



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

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

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

- *We issued an unqualified opinion on the Authority's financial statements on 30 July 2018. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year. The financial statements include the consolidated financial statements for Authority's Group, which consists of the Authority itself, Pathways for Care and Greensand Holdings Limited.*

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

5. Significant Governance Issues

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

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

Councillor Mark Brunt	**John Jory**
Leader of the Council	**Chief Executive**
Date 20 June 2019	**Date** 20 June 2019

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

AUTHORITY'S RESPONSIBILITIES

The Authority is required to:

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

THE CHIEF FINANCE OFFICER'S RESPONSIBILITIES

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

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

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

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Authority at 31 March 2019 and of its income and expenditure for the year then ended.

Pat Main

Interim Head of Finance & Assets

30th September 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF REIGATE AND BANSTEAD BOROUGH COUNCIL
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion
In our opinion the financial statements of Reigate and Banstead Borough Council ('the Authority') and its subsidiaries ('the group'):

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2019 and of the group's and the Authority's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

We have audited the financial statements which comprise:

- the Authority and group Movement in Reserves Statements;
- the Authority and group Comprehensive Income and Expenditure Statements;
- the Authority and group Balance Sheets;
- the Authority and group Cash Flow Statements;
- the related notes 1 to 49;
- the accounting policies and group accounting policies;
- the Collection Fund; and
- the related notes to the Collection Fund 1 to 2.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting 2018/19).

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
We are required by ISAs (UK) to report in respect of the following matters where:

- the Chief Financial Officer's use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information
The Chief Financial Officer is responsible for the other information. The other information comprises the information included in the statement of accounts, other than the financial statements and our auditor's report thereon, and the Annual Governance Statement published with the statement of accounts. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Chief Financial Officer's responsibilities
As explained more fully in the Chief Financial Officer's responsibilities statement, the Chief Financial Officer is responsible for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the group's and the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting on the assumption that the functions of the group and the Authority will continue in operational existence for the foreseeable future.

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY MATTERS
Report on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion
On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, Reigate and Banstead Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether Reigate and Banstead Borough Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Reigate and Banstead Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Matters on which we are required to report by exception
The Code of Audit Practice requires us to report to you if:

- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit;
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014;
- an application has been made to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- an advisory notice has been issued under Section 29 of the Local Audit and Accountability Act 2014; or
- an application for judicial review has been made under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF REIGATE AND BANSTEAD BOROUGH COUNCIL
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

CERTIFICATE OF COMPLETION OF THE AUDIT

We certify that we have completed the audit of the accounts of Reigate and Banstead Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

USE OF OUR REPORT

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

Ben Sheriff (Appointed auditor)
For and on behalf of Deloitte LLP
St Albans, United Kingdom
30 September 2019

The financial statements consist of:

1. **Movement in Reserves Statement**

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

2. **Comprehensive Income and Expenditure Statement**

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

3. **Balance Sheet**

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

4. **Cash Flow Statement**

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

5. **Accounting Policies**

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

6. **Collection Fund**

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

7. **Group Accounts**

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

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 2017	**5,912**	**19,075**	**29,509**	**10,424**	**64,920**	**92,123**	**157,043**
Movement in reserves during 2017/18							
Surplus (deficit) on provision of services	8,109	0	0	0	**8,109**	**0**	**8,109**
Other comprehensive income and expenditure	0	0	0	0	**0**	**5,149**	**5,149**
Adjustments between accounting and funding basis under regulations (Note 17)	1,153	0	(13,699)	2,884	**(9,662)**	**9,662**	**0**
Transfers to/from Usable Reserves (Note 10)	(2,628)	2,628	0	0	**0**	**0**	**0**
Other adjustments	1	0	0	0	**1**	**(1)**	**0**
Increase/Decrease in 2017/18	**6,635**	**2,628**	**(13,699)**	**2,884**	**(1,552)**	**14,810**	**13,258**
Balance at 31 March 2018	**12,547**	**21,703**	**15,810**	**13,308**	**63,368**	**106,933**	**170,301**
Movement in reserves during 2018/19							
Surplus (deficit) on provision of services	3,494	0	0	0	**3,494**	**0**	**3,494**
Other comprehensive income and expenditure	0	0	0	0	**0**	**(7,453)**	**(7,453)**
Adjustments between accounting and funding basis under regulations (Note 17)	(65)	0	(15,323)	2,870	**(12,518)**	**12,518**	**0**
Transfers to/from Usable Reserves (Note 10)	(3,429)	3,429	0	0	**0**	**0**	**0**
Other adjustments	0	(90)	140	(140)	**(90)**	**90**	**0**
Increase/Decrease in 2018/19	**0**	**3,339**	**(15,183)**	**2,730**	**(9,114)**	**5,155**	**(3,959)**
Balance at 31 March 2019	**12,547**	**25,042**	**627**	**16,038**	**54,254**	**112,088**	**166,342**

Comprehensive Income and Expenditure Statement

2017/18 Gross Exp £000	Gross Inc £000	Net Exp £000		2018/19 Gross Exp £000	Gross Inc £000	Net Exp £000
290	0	290	Economic Prosperity	297	(12)	285
788	(50)	738	Organisational Development	822	(47)	775
39,235	(38,749)	486	Revenues Benefits & Fraud	39,146	(38,432)	714
1,617	(431)	1,186	Housing	1,972	(448)	1,524
2,112	(42)	2,070	Projects & Performance	2,152	(31)	2,121
2,204	(128)	2,076	Community Partnerships	2,493	(16)	2,477
94	(39)	55	Place Delivery	104	(39)	65
12,801	(9,453)	3,348	Neighbourhood Operations	12,990	(8,609)	4,381
1,867	(1,517)	350	Wellbeing & Intervention	1,799	(1,368)	431
2,062	(926)	1,136	Planning	1,868	(1,001)	867
833	(1)	832	Communications & Customer Contact	823	(1)	822
1,833	(1)	1,832	ICT	2,034	(1)	2,033
2,450	(909)	1,541	Legal & Governance	2,411	(409)	2,002
7,892	(2,059)	5,833	Finance & Assets	7,749	(944)	6,805
76,078	**(54,305)**	**21,773**	Cost of Services	**76,660**	**(51,358)**	**25,302**
364	(965)	(601)	Other Operating Expenditure (Note 2)	382	(5,127)	(4,745)
1,776	(5,003)	(3,227)	Financing and Investment Income and Expenditure (Note 3)	7,422	(3,886)	3,536
22,126	(48,180)	(26,054)	Taxation and Non-specific Grant Income and Expenditure (Note 4)	14,434	(42,021)	(27,587)
100,344	**(108,453)**	**(8,109)**	**(Surplus) or Deficit on Provision of Services**	**98,898**	**(102,392)**	**(3,494)**
		(2,830)	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment assets			3,130
		(2,319)	Actuarial remeasurements			4,323
		(5,149)	**Other Comprehensive Income and Expenditure**			**7,453**
		(13,258)	**Total Comprehensive Income and Expenditure**			**3,959**

Balance Sheet

31 March 2018 £000		Note	31 March 2019 £000
113,217	Property, Plant and Equipment	11.1	110,668
477	Heritage Assets	11.2	469
66,055	Investment Property	12	95,013
211	Long Term Debtors	37	482
7,822	Long Term Investments	27	17,099
187,782	**Long Term Assets**		**223,731**
52,104	Short Term Investments	27	35,298
0	Assets Held for Sale	13	1
54	Inventories		49
6,832	Short Term Debtors	14	9,863
7,031	Cash and Cash Equivalents	15	3,818
66,021	**Current Assets**		**49,029**
0	Short Term Borrowing	27	(12,009)
(7,536)	Short Term Creditors	16	(11,764)
(7,536)	**Current Liabilities**		**(23,773)**
(1,702)	Long Term Creditors	35	(1,703)
(1,965)	Business Rates Appeals Provision		(717)
(71,124)	Pension Liability	28	(79,211)
(1,023)	Capital Grants in Advance	5	(834)
(152)	Other Long Term Liabilities		(180)
(75,966)	**Long Term Liabilities**		**(82,645)**
170,301	**Net Assets**		**166,342**
(12,547)	General Fund Reserve		(12,547)
(21,703)	Earmarked Reserves	10	(25,042)
(15,810)	Capital Receipts Reserve	17	(627)
(13,308)	Capital Grants Unapplied	17	(16,038)
(63,368)	**Usable Reserves**		**(54,254)**
(56,770)	Revaluation Reserve	18	(52,684)
(122,991)	Capital Adjustment Account	19	(138,434)
(302)	Deferred Capital Receipts Reserve		(560)
71,124	Pensions Reserve	20	79,211
1,607	Collection Fund Adjustment Account	21	(106)
399	Accumulated Absences Account	22	485
(106,933)	**Unusable Reserves**		**(112,088)**
(170,301)	**Total Reserves**		**(166,342)**

Cash Flow Statement

2017/18 £000		2018/19 £000
(8,109)	Net (surplus) or deficit on the provision of services (Note 36.1)	**(3,494)**
(1,603)	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 36.1)	(13,162)
10,224	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 36.1)	11,646
512	**Net cash flows from Operating Activities**	**(5,010)**
16,921	Purchase of Property Plant and Equipment (PPE) & Investment Property (Note 36.2)	39,542
8,986	Purchase of short-term and long-term investments (Note 36.2)	(7,853)
(4,451)	Proceeds from the sale of PPE & Investment Property (Note 36.2)	(4,810)
(5,619)	Capital grants received (Note 36.2)	(6,647)
15,837	**Net cash flows from Investment Activities**	**20,232**
0	**Net cash flows from Financing Activities (Note 36.3 & 36.4)**	**(12,009)**
16,349	**Net (increase)/decrease in cash and cash equivalents**	**3,213**
23,380	**Cash and cash equivalents at the beginning of the reporting period**	**7,031**
7,031	**Cash and cash equivalents at the end of the reporting period (Note 15)**	**3,818**

1. Analysis of Comprehensive Income and Expenditure

1.1 Expenditure and Funding Analysis

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation [or rents]. Authorities raise taxation [and rents] to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2018/19	Provisional Outturn	Recharges and Adjustments Affecting the General Fund	Net Expenditure Chargeable to the General Fund	Adjustments Between Accounting Basis and Funding Basis	Comprehensive Income and Expenditure Statement
	£000	£000	£000	£000	£000
Economic Prosperity	249	0	249	36	285
Organisational Development	653	0	653	122	775
Revenues, Benefits & Fraud	261	86	347	367	714
Housing	976	8	984	541	1,525
Projects and Performance	1,766	0	1,766	355	2,121
Community Partnerships	1,429	(14)	1,415	1,062	2,477
Place Delivery	44	0	44	21	65
Neighbourhood Operations	2,074	0	2,074	2,308	4,382
Wellbeing & Intervention	232	0	232	199	431
Planning	598	(1)	597	268	865
Communications & Customer Contact	685	0	685	137	822
ICT	1,546	0	1,547	486	2,033
Legal & Governance	1,781	21	1,802	200	2,002
Finance & Assets	3,858	2,440	6,297	509	6,806
Net Cost of Services	**16,152**	**2,540**	**18,692**	**6,610**	**25,302**
Other Income and Expenditure			**(22,121)**	**(6,675)**	**(28,796)**
Surplus or Deficit			**(3,429)**	**(65)**	**(3,494)**

SUPPORTING NOTES

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

SUPPORTING NOTES

2017/18	Provisional Outturn	Recharges and Adjustments Affecting the General Fund	Net Expenditure Chargeable to the General Fund	Adjustments Between Accounting Basis and Funding Basis	Comprehensive Income and Expenditure Statement
	£000	£000	£000	£000	£000
Economic Prosperity	254	0	254	36	**290**
Organisational Development	651	0	651	87	**738**
Revenues, Benefits & Fraud	54	182	236	250	**486**
Housing	733	25	758	428	**1,186**
Projects and Performance	1,759	(2)	1,757	313	**2,070**
Community Partnerships	1,242	0	1,242	834	**2,076**
Place Delivery	49	0	49	6	**55**
Neighbourhood Operations	1,922	(6)	1,916	1,432	**3,348**
Wellbeing & Intervention	190	(11)	179	171	**350**
Planning	865	77	942	194	**1,136**
Communications & Customer Contact	703	0	703	129	**832**
ICT	1,414	0	1,414	418	**1,832**
Legal & Governance	1,401	(6)	1,395	146	**1,541**
Finance & Assets	4,132	(106)	4,026	1,807	**5,833**
Net Cost of Services	**15,369**	**153**	**15,522**	**6,251**	**21,773**
Other Income and Expenditure			**(24,785)**	**(5,097)**	**(29,882)**
Surplus or Deficit			**(9,263)**	**1,154**	**(8,109)**
Opening General Fund Balance			**(24,987)**		
Add Surplus/Less Deficit			**(9,263)**		
Closing General Fund Balance			**(34,250)**		

1.2 Note to the EFA

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

	2018/19			
	Adjustments for Capital Purposes	**Net Change for Pensions Adjustments**	**Other Differences**	**Total Funding Adjustments**
	£000	**£000**	**£000**	**£000**
Economic Prosperity	0	37	(1)	**36**
Organisational Development	0	120	2	**122**
Revenues Benefits & Fraud	0	369	(2)	**367**
Housing	380	152	9	**541**
Projects & Performance	0	354	1	**355**
Community Partnerships	953	105	4	**1,062**
Place Delivery	0	20	1	**21**
Neighbourhood Operations	677	1,520	110	**2,307**
Wellbeing & Intervention	9	205	(15)	**199**
Planning	0	272	(3)	**269**
Communications & Customer Contact	0	145	(8)	**137**
ICT	278	211	(3)	**486**
Legal & Governance	0	209	(9)	**200**
Finance & Assets	2,336	(1,827)	(1)	**508**
Cost of Services	**4,633**	**1,892**	**85**	**6,610**
Other Income and Expenditure	(6,835)	1,872	(1,712)	**(6,675)**
Financing and Difference between GF Surplus or Deficit and CIES Surplus or Deficit				**(65)**

	2017/18			
	Adjustments for Capital Purposes	**Net Change for Pensions Adjustments**	**Other Differences**	**Total Funding Adjustments**
	£000	**£000**	**£000**	**£000**
Economic Prosperity	0	31	5	**36**
Organisational Development	8	95	(16)	**87**
Revenues Benefits & Fraud	0	260	(10)	**250**
Housing	329	112	(14)	**427**
Projects & Performance	0	315	(1)	**314**
Community Partnerships	769	67	(1)	**835**
Place Delivery	0	18	(11)	**7**
Neighbourhood Operations	315	1,275	(158)	**1,432**
Wellbeing & Intervention	9	176	(15)	**170**
Planning	0	231	(37)	**194**
Communications & Customer Contact	6	130	(7)	**129**
ICT	253	173	(8)	**418**
Legal & Governance	0	157	(11)	**146**
Finance & Assets	3,714	(1,890)	(18)	**1,806**
Cost of Services	**5,403**	**1,150**	**(302)**	**6,251**
Other Income and Expenditure	(10,231)	1,776	3,358	**(5,097)**
Financing and Difference between GF Surplus or Deficit and CIES Surplus or Deficit				**1,154**

SUPPORTING NOTES

1.3 Subjective Note to the Accounts

	2018/19 £000	2017/18 £000
Employee Benefits Expense	23,513	20,909
Depreciation and Impairments	3,364	4,346
Other Service Expenses	49,783	52,429
Investment Property Revaluation	7,422	1,776
Fees and Charges	(8,105)	(7,750)
Other Income	(43,253)	(48,161)
Gain/(Loss)on the disposal of Assets	(5,127)	(965)
Interest and Investment Income	(3,886)	(5,003)
Income from Council Tax & Business Rates	(16,264)	(15,109)
Other Grants and Contributions	(10,941)	(10,581)
Surplus or Deficit on the Provision of Services	**(3,494)**	**(8,109)**

2. Other Operating Expenditure

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

3. Financing & Investment Income and Expenditure

	2018/19 £000	2017/18 £000
Interest payable and similar charges	46	0
Net interest on the defined benefit liability	1,872	1,776
Interest receivable and similar income	(821)	(602)
Financial Instrument Impairment Loss Provision	185	0
Fair value changes in relation to investment properties	5,319	0
Net income and expenditure in relation to investment properties (note 12)	(3,065)	(4,401)
Total	**3,536**	**(3,227)**

4. Taxation and Non Specific Grant Income and Expenditure

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

5. Grant Income

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

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

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

Capital Grants Receipts in Advance

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

6. Officers' Remuneration

Detailed remuneration information for statutory officers 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 - John Jory	18/19	179	18	5	0	0	202
Director of Finance & Organisation (S. 151 Officer)	18/19	117	9	0	0	19	145
Director of People Services	18/19	96	8	1	0	16	121
Director of Place Services	18/19	96	9	1	0	16	122
Head of Legal and Governance	18/19	16	0	0	0	2	18
		504	**44**	**7**	**0**	**53**	**608**

Significant changes to the management structure took place during the year 18/19, so there is no direct comparison between the Senior Employees in 17/18 and 18/19. The new structure was effective as of 1 September 2018.
For more details on the management team structure please refer to the Council's website.

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

Leisure & Regulation Manager	17/18	61	0	1	0	9	71
		924	**50**	**22**	**0**	**116**	**1,112**

* During 2017/18 two individuals held the post of Head of Finance. The instance listed here started as of the 22nd June 2017 and was in post as at 31st March 2018.
** During 2017/18 two individuals held the post of Head of Finance. The instance listed here was in post as at 31st March 2017 and retired from the Council on 30th April 2017

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

Remuneration Band	2018/19 No. of Employees	2017/18 No. of Employees
£50,000 to £54,999	14	10
£55,000 to £59,999	8	9
£60,000 to £64,999	8	4
£65,000 to £69,999	6	1
£70,000 to £74,999	1	0
£75,000 to £79,999	0	0
£80,000 to £84,999	0	5
£85,000 to £89,999	1	0
£90,000 to £94,999	0	1
£95,000 to £99,999	0	1
£100,000 to £104,999	1	1
£105,000 to £109,999	1	0
£110,000 to £114,999	0	0
£115,000 to £119,999	0	0
£120,000 to £124,999	0	0
£125,000 to £129,999	1	0
£130,000 to £134,999	0	0
£135,000 to £139,999	0	0
£140,000 to £144,999	0	0
£145,000 to £149,999	0	0
£150,000 to £154,999	0	0
£155,000 to £159,999	0	0
£160,000 to £164,999	0	0
£165,000 to £169,999	0	0
£170,000 to £174,999	0	0
£175,000 to £179,999	0	0
£180,000 to £184,999	0	0
£185,000 to £189,999	0	0
£190,000 to £194,999	0	0
£195,000 to £199,999	0	0

£200,000 to £204,999	1	1
	42	33

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

Exit package cost band (including Special Payments)	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages	Total cost of exit packages
2018/19	**No.**	**No.**	**No.**	**£000**
£0-£20,000	1	2	3	35
£20,000-£40,000	0	5	5	130
£40,000-£60,000	0	0	0	0
£60,000-£80,000	0	2	2	154
£80,000-£100,000	0	1	1	83
2017/18	**No.**	**No.**	**No.**	**£000**
£0-£20,000	0	6	6	47
£20,000-£40,000	0	2	2	50
£40,000-£60,000	0	0	0	0
£60,000-£80,000	0	0	0	0
£80,000-£100,000	0	0	0	0

7. External Audit Costs

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

	2018/19 £000	2017/18 £000
Fees payable for external audit services	38	49
Fees payable for statutory inspections	0	0
Fees payable for the certification of grant claims	14	10
Fees payable for other services provided by the auditor	0	7
Total	**52**	**66**

8. Members' Allowances

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

9. Related Parties

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

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

Members
Members of the Council have direct control over the Council's financial and operating policies. The total of Members' Allowances paid in 2018/19 is shown in Note 8. Details of all returned interests are recorded in the Register of Members' Interest, open to public inspection at the Town Hall during office hours. Four Members declared an interest in organisations which shared transactions with the Council. These included YMCA (£240,965), Banstead Commons Conservators (£85,500) and Reigate & Banstead District Citizens Advice Bureau (£106,000). The relevant Members did not take part in any discussion or decision relating to the core funding grants received by any of the listed entities.

Officers
The Chief Executive is a director of Pathway for Care Ltd, an associate of the authority.
The Chief Executive is a director of Horley Business Park Development LLP, a joint venture of the authority.
The Chief Executive is a director of Greensand Property Holdings Limited, a subsidiary of the authority.
The Chief Executive is a director of RBBC Ltd, a subsidiary of the authority.

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

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

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

Horley Business Park Development LLP
The Council owns a 50% shareholding in the LLP. The other partners of the joint venture are Berwick Hill Properties Ltd (BHP) and Millhill Properties (Horley) Ltd. The purpose is to promote the borough as a place to do business, securing resources to maintain and improve business related infrastructure and to create new jobs for our residents. The Council has lent the company £50,000 during the financial year 2018/19 and the cumulative interest charged for all loans to date was £59,895. The council has lent the company a total of £602,000 as at 31/03/2019.

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

10. Transfers to/from Usable Reserves

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

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

11. Property, Plant and Equipment & Heritage Assets

11.1 Property, Plant and Equipment

Movements in 2018/19

	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 2018	**109,803**	**19,531**	**0**	**129,334**
Additions	3,600	288	0	**3,888**
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(5,269)	0	0	**(5,269)**
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(214)	0	0	**(214)**
Derecognition – disposals	0	(281)	0	**(281)**
Asset reclassifications	0	0	0	**0**
At 31 March 2019	**107,919**	**19,538**	**0**	**127,457**
Gross Accumulated Depreciation and Impairment				
At 1 April 2018	**650**	**15,467**	**0**	**16,117**
Adjustments to brought forward balance	222	(222)	0	**0**
Depreciation charge	1,894	1,219	0	**3,113**
Depreciation written out to the Revaluation Reserve	(2,154)	0	0	**(2,154)**
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	**0**
Derecognition – disposals	0	(286)	0	**(286)**
Other movements in depreciation and impairment	0	0	0	**0**
At 31 March 2019	**612**	**16,178**	**0**	**16,790**
Net Book value:				
At 31 March 2019	**107,308**	**3,360**	**0**	**110,668**
At 31 March 2018	**109,153**	**4,064**	**0**	**113,217**

Movements in 2017/18

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

11.2 Heritage Assets

Movements in 2018/19

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

Movements in 2017/18

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

12. Investment Properties

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

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

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

All Investment Property assets are valued at a price at which the property would have been sold on the valuation date, for its best use, after a period of suitable marketing to a buyer with no special interest where both parties have had sufficient advice or knowledge and are not under any duress to agree the sale/purchase. The valuer assessed this value by maximising the use of evidence of sales of similar properties around the valuation date, i.e. level 2 observable inputs. There were no transfers between levels of observable inputs during the year.

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

	31 March 2019 £000	31 March 2018 £000
Balance at start of the year	**66,055**	**47,122**
In year adjustments	(0)	0
Additions	34,069	17,634
Recognition	0	624
Disposals	54	(1,725)
Net gains/losses from fair value adjustments	(5,154)	2,999
Depreciation	(11)	0
Transfers (to)/from Property, Plant and Equipment	0	1,033
Transfers (to)/from Assets Held for Sale	0	(1,632)
Balance at end of the year	**95,013**	**66,055**

13. Assets Held for Sale

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

14. Short Term Debtors

	31 March 2019 £000	31 March 2018 £000
Central government bodies	2,339	1,575
Other local authorities	870	77
NHS bodies	35	0
Public corporations and trading funds	0	0
Other entities and individuals	9,079	7,509
Total (Gross)	**12,323**	**9,161**
Less Impairment allowance	(2,460)	(2,329)
Total	**9,863**	**6,832**

£3,060,000 of receivables from contract revenue are included in the total debtors balance of £9,863,000.

15. Cash and Cash Equivalents

	31 March 2019 £000	31 March 2018 £000
Cash held by the Council	2	2
Bank current accounts	3,816	7,029
Short-term deposits with banks and building societies	0	0
Total	**3,818**	**7,031**

16. Short Term Creditors

	31 March 2019 £000	31 March 2018 £000
Central government bodies	(696)	(350)
Other local authorities	(5,318)	(3,063)
Other entities and individuals	(5,750)	(4,123)
Total	**(11,764)**	**(7,536)**

£4,288,000 of liabilities from contracts are included in the total creditors balance of £11,764,000.

Payment of invoices within 30 days:

For the year ending 31 March 2019 97.2% of undisputed purchase invoices were paid within 30 days of the invoice date. £0.83 was paid in late payment interest.

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

17. Adjustments between accounting basis and funding basis under regulations

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

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

General Fund Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

2018/19	General Fund Reserve	Earmarked Revenue Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Reserves Usable	Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:							
Charges for depreciation and impairment of non-current assets	(3,125)	0	0	0	**(3,125)**	**3,125**	**0**
Revaluation gains on Property, Plant and Equipment	(240)	0	0	0	**(240)**	**240**	**0**
Movement in the fair values of Investment Properties	(5,128)	0	0	0	**(5,128)**	**5,128**	**0**
Revenue funded from capital under statute	(1,269)	0	0	0	**(1,269)**	**1,269**	**0**
Amount of non-current assets written off on disposal or sale as part of the gain/loss on disposal	60	0	0	0	**60**	**(60)**	**0**
Capital expenditure funded from revenue	0	0	0	0	**0**	**0**	**0**
Adjustments primarily involving the Capital Grants Unapplied Account							
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	6,836	0	0	(6,836)	**0**	**0**	**0**
Application of capital financing transferred to the Capital Adjustment Account	0	0	0	3,966	**3,966**	**(3,966)**	**0**
Adjustments primarily involving the Capital Receipts Reserve							
Transfer of cash proceeds credited as part of the gain/loss on disposal	5,068	0	15,323	0	**20,391**	**(20,391)**	**0**

Continued

2018/19	General Fund Reserve	Earmarked Revenue Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Reserves Usable	Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Pensions Reserve							
Reversal of items relating to retirement benefits debited or credited to the CIES	(7,782)	0	0	0	**(7,782)**	**7,782**	**0**
Employer's pension contributions and direct payments to pensioners payable in year	4,018	0	0	0	**4,018**	**(4,018)**	**0**
Adjustments primarily involving the Collection Fund Adjustment Account							
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax and business rates income calculated for the year in accordance with statutory requirements	1,712	0	0	0	**1,712**	**(1,712)**	**0**
Adjustments primarily involving the Accumulated Absences Account							
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(85)	0	0	0	**(85)**	**85**	**0**
Total adjustments	**65**	**0**	**15,323**	**(2,870)**	**12,518**	**(12,518)**	**0**

Continued

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

Continued

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

18. Revaluation Reserve

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

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

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

	31 March 2019 £000	31 March 2018 £000
Balance at 1 April	**(56,770)**	**(54,900)**
Other movements	0	0
Upward revaluation of assets	(3,379)	(13,997)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	6,509	11,167
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	**3,130**	**(2,830)**
Difference between fair value depreciation and historical cost depreciation	956	960
Accumulated gains on assets sold or scrapped	0	0
Amounts written off to the Capital Adjustment Account	**956**	**960**
Balance at 31 March	**(52,684)**	**(56,770)**

19. Capital Adjustment Account

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

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

	31 March 2019 £000	31 March 2018 £000
Balance at 1 April	**(122,991)**	**(106,267)**
Prior Year Adjustment	(6)	0
Reversal of items relating to capital expenditure:		
Charges for depreciation and impairment of non-current assets	3,125	3,205
Revaluation (gains) losses on Property, Plant and Equipment	240	1,141
Revenue expenditure funded from capital under statute	1,269	1,057
Amounts written off on disposal or sale of non-current assets	(54)	3,363
Adjusting amounts written out of the Revaluation Reserve	(956)	(960)
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(20,133)	(18,150)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	0	(317)
Application of grants to capital financing from the Capital Grants Unapplied Account	(3,966)	(2,570)
Capital expenditure charged against the General Fund and Earmarked Reserves	(90)	0
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	5,128	(3,493)
Balance at 31 March	**(138,434)**	**(122,991)**

20. Pensions Reserve

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

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

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

	31 March 2019 £000	31 March 2018 £000
Balance at 1 April	**71,124**	**70,518**
Remeasurements of the net defined liability	4,323	(2,319)
Reversal of items in the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	7,782	6,838
Employer's pensions contributions and direct payments to pensioners payable in the year	(4,018)	(3,913)
Balance at 31 March	**79,211**	**71,124**

21. Collection Fund Adjustment Account

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

	31 March 2019 £000	31 March 2018 £000
Balance at 1 April	**1,607**	**(1,751)**
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(1,713)	3,358
Balance at 31 March	**(106)**	**1,607**

22. Accumulated Absences Account

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

	31 March 2019 £000	31 March 2018 £000
Balance at 1 April	**400**	**701**
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	85	(302)
Balance at 31 March	**485**	**399**

23. Capital Expenditure and Capital Financing

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

	2018/19 £000	2017/18 £000
Capital investment		
Property, Plant and Equipment	3,888	2,206
Investment Properties	34,069	17,766
Heritage Assets	8	9
Revenue Expenditure Funded from Capital under Statute	1,269	1,057
	39,234	**21,038**
Sources of finance		
Capital receipts received and applied	(20,133)	(18,150)
Capital receipts reserve applied	0	0
Government grants and other contributions	(3,966)	(2,888)
Short term cash flow borrowing	(12,000)	0
Internal Borrowing	(3,045)	0
Earmarked Reserves	(90)	0
	(39,234)	**(21,038)**

The Council made property investments in year, however there was a borrowing requirement at the end of the financial year which was not used to finance investments. The £12 million short term borrowing was part of the treasury cash management strategy, and was fully repaid in early 2019/20.

24. Capital Commitments

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

25. Construction Contracts

As at 31 March 2019 the Council had no material construction contracts in place. As at 31 March 2018 the Council had no material construction contracts in place.

26. Leases

Council as Lessee

26.1 Finance leases

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

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

The authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the authority and finance costs that will be payable by the authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts.

Finance lease liabilities (net present value of minimum lease payments):

	2018/19 £000	2017/18 £000
Current	0	0
Non-Current	130	130
Total	**130**	**130**

Minimum Lease Payments

	2018/19 £000	2017/18 £000
Not later than one year	121	131
Later than one year and not later than five years	600	520
Later than five years	9,270	10,490
	9,991	**11,141**

Finance Lease Liabilities

	2018/19 £000	2017/18 £000
Not later than one year	121	131
Later than one year and not later than five years	600	520
Later than five years	9,270	10,490
	9,991	**11,141**

26.2 Operating Leases

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

Council as Lessor

26.3 Operating Leases

In order to achieve operational objectives the Council has leased out land and property, providing £393,000 of income in 2018/19 (£194,000 in 2017/18). Similarly other assets leased out for investment purposes provided rent of £3,065,000 in 2018/19 (£1,199,000 in 2017/18).

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

	31 March 2019 £000	31 March 2018 £000
Not later than one year	4,271	2,943
Later than one year and not later than five years	10,026	7,194
Later than five years	180,664	131,666
	194,961	**141,803**

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.

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 2019 £000	31 March 2018 £000	**31 March 2019 £000**	31 March 2018 £000
Financial liabilities at amortised cost				
Borrowings	**0**	0	**(12,009)**	0
Creditors	**0**	0	**(4,288)**	(7,536)
Total Liabilities	**0**	0	**(16,297)**	(7,536)
Financial assets at amortised Cost				
Fixed term deposits	**13,142**	5,000	**35,298**	51,004
Loans to Trading companies	**3,957**	2,822	**0**	1,100
Debtors	**0**	211	**3,060**	6,832
Cash & cash equivalents	**0**	0	**3,818**	7,031
Total Assets	**17,099**	8,033	**42,176**	65,967

This forms part of our total investment portfolio and is treated as resources controlled by the Council and is included in the Council's Balance Sheet.

27.2 Gains and Losses

The gains and losses recognised in the Income and Expenditure Account and the Movement in Reserves Statement for 2018/19 - in relation to financial instruments – are shown in the table below.

	Financial Liabilities (at amortised cost) £000	**Financial Assets (loans and receivables) £000**
Interest expenses	(13)	**0**
Expected credit loss provision – loans to trading companies	0	**(211)**
Total expenses in Surplus/Deficit on the provision of Services	(13)	**(211)**
Interest income	0	**788**
Total income in Surplus/Deficit on the provision of Services	0	**788**
Net Gain/(Loss) for the years	**(13)**	**577**

27.3 IFRS 9 – Classification & Measurement

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

IFRS 9 - Financial Instruments – Expected Credit Loss Provision

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

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

27.4 Fair Value of Assets and Liabilities

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

- For loans receivable, prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognized;
- Where an instrument has a maturity of less than 12 months, the fair value is taken to be the principal outstanding or the billed amount;

- 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 2019**		31 March 2018	
Financial Liabilities at amortised cost	**Carrying Amount £000**	**Fair Value £000**	Carrying Amount £000	Fair Value £000
Short term borrowings	**12,009**	**12,012**	0	0
Trade creditors	**4,288**	**4,288**	4,123	4,123
Total Financial Liabilities	**16,297**	**16,300**	4,123	4,123

Financial Assets	**31 March 2019**		31 March 2018	
Financial assets at amortised cost	**Carrying Amount £000**	**Fair Value £000**	Carrying Amount £000	Fair Value £000
Fixed term deposits	**48,440**	**48,566**	56,340	56,741
Loans to trading companies (subsidiaries,joint venture and associates)	**3,957**	**3,957**	3,922	3,922
Money Deposited in Escrow Account	**0**	**0**	4	4
Long Term Debtors	**0**	**0**	211	211
Trade Debtors	**3,060**	**3,060**	6,832	6,832
Total Financial Assets	**55,457**	**55,583**	67,309	67,710

‘Fair value’, is defined in the Code of Practice as ‘’the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date’’.
Under the Code (IFRS 13 Fair Value Measurement), all financial instruments are initially measured at fair value, with subsequent measurement depending on the nature of the asset or liability concerned.
The Code states that fair value disclosures are not required for short term trade payables and receivables since the carrying amount is a reasonable approximation of fair value.
Trading company loans have been assessed through IFRS 09 (financial instruments) in arriving at the fair value and the long term debtors balances are reasonable approximation of their fair value.

27.5 Key Risks

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

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

27.6 Credit Risk

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

This risk is minimised through the Annual Treasury Investment Strategy, contained within the Annual Treasury Management Strategy, which requires that deposits are not made with institutions unless they meet identified minimum credit criteria, in accordance with Fitch, Moody's and Standard and Poor's Credit Ratings Services. The Annual Treasury Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category. The credit risk associated with the trading company investments (loans) is mitigated by managing all the other risks incorporated in an investment. In 2018/19 as per IFRS 09 requirement there is an expected credit loss provision of £211,000 has been created.

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

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

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

27.7 Liquidity Risk

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

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

27.8 Refinancing and Maturity Risk

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

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

The maturity analysis of financial assets is shown below.	**2018/19**	2017/18
	£000	£000
Less than 1 year	**35,298**	52,104
More than 1 year, less than 2 years	**0**	5,000
More than 2 years, less 3 years	**13,142**	0
More than 3 years	**3,957**	2,822
Total	**52,397**	59,926

Trade debtors of £3,060,000 are not shown in the table above. The Council has no long-term financial liabilities. All trade and other payables are due to be paid in less than one year.

27.9 Market Risk

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

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

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

28. Defined Benefits Pension Schemes

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

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

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

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

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

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

28.1 Transactions Relating to Retirement Benefits

Comprehensive Income and Expenditure Statement	**2018/19**	**2017/18**
	£000	**£000**
Cost of Services:		
Current service cost	5,136	5,026
Administration costs	38	36
Past service cost	736	0
Financing and Investment Income and Expenditure:		
Net interest expense	1,872	1,776
Remeasurement of the net defined benefit liability:		
Return on plan assets	(7,247)	1,239
Changes in financial assumptions	11,364	(3,540)
Changes in demographic assumptions	0	0
Other	206	(18)
Total post employment benefit charged to the Comprehensive Income and Expenditure Statement	**12,105**	**4,519**

Movement in Reserves Statement		
Reversal of net charges made to the Surplus of Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(7,782)	(6,838)
Actual amount charged against the General Fund Balance for pensions in the year	4,018	3,913

28.2 Assets and Liabilities in Relation to Post-Employment Benefits

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

	2018/19 £000	2017/18 £000
Total Assets as at 1 April	159,512	161,135
Interest income	4,086	3,972
Return on plan assets	7,247	(1,239)
Employer contributions	4,018	3,913
Participant's contributions	886	831
Benefits paid	(9,454)	(9,100)
Total Assets as at 31 March	**166,295**	**159,512**

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

	2018/19 £000	2017/18 £000
Total Liabilities as at 1 April	230,672	231,653
Adjustments to Brought forward Balance	(36)	0
Current service cost	5,136	5,062
Administration Costs	38	36
Past service cost (including curtailments)	736	0
Interest cost on defined benefit obligations	5,958	5,748
Participant contributions	886	831
Benefits paid	(9,454)	(9,100)
Remeasurements:		
Changes in financial assumptions	11,364	(3,540)
Changes in demographic assumptions	0	0
Other experience	206	(18)
Total Liabilities as at 31 March	**245,506**	**230,672**

	2018/19 £000
Total Assets as at 31 March	166,295
Total Liabilities as at 31 March	(245,506)
Net Assets & Liabilities	**(79,211)**

The fund's assets comprise the following:

	2018/19		2017/18	
	£000	%	£000	%
Equity Securities:				
Consumer	4,503	3%	12,941	8%
Manufacturing	2,889	2%	11,731	7%
Energy and Utilities	2,563	1%	6,431	4%
Financial Institutions	2,580	1%	11,284	7%
Health and Care	2,203	1%	4,262	3%
Information Technology	4,924	3%	8,984	6%
Other	439	0%	325	0%
Debt Securities:				
Corporate Bonds (investment grade)	0	0%	5,538	3%
Corporate Bonds (non-investment grade)	0	0%	350	0%
UK Government	0	0%	325	0%
Other	0	0%	731	1%
Private Equity:				
All	9,857	6%	6,695	4%
Property:				
UK	7,887	5%	9,070	6%
Overseas	2,885	2%	59	0%
Investment Funds and Unit Trusts:				
Equities	91,153	55%	44,233	28%
Bonds	27,778	17%	17,436	11%
Other	0	0%	0	0%
Derivatives:				
Interest Rate	0	0%	(5)	0%
Foreign Exchange	971	1%	226	0%
Cash and cash equivalents:				
All	5,663	3%	18,896	12%
	166,295	**100%**	**159,512**	**100%**

28.3 Basis for Estimating Assets and Liabilities

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

	2018/19	2017/18
Longevity at 65		
Average future life expectancy at age 65:		
Current pensioners – Men	**22.5 yrs**	**22.5 yrs**
Current pensioners – Women	**24.6 yrs**	**24.6 yrs**
Future pensioners – Men	**24.1 yrs**	**24.1 yrs**
Future pensioners – Women	**26.4 yrs**	**26.4 yrs**
Other Assumptions		
Expected return on assets	**7.20%**	**1.7%**
Rate of Increase in Salaries	**2.80%**	**2.7%**
Rate of Increase in Pensions	**2.50%**	**2.4%**
Rate for Discounting Scheme Liabilities	**2.40%**	**2.6%**
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 most recent triennial valuation was completed on 31 March 2016.

29. Critical Judgements in applying accounting policies

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

The critical judgements made in the Statement of Accounts are:

There is a high degree of uncertainty about future levels of funding for local government and the impact of the decision for Britain to leave the European Union remains unclear. The Council has determined that these uncertainties are not yet sufficient to provide an indication that the assets of the Council or service provision might be impaired. The judgement is that there is no need to adjust for or create contingent liabilities for changes to future funding levels or Brexit.

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

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

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

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

31. Events after the Reporting Date

The Statement of Accounts was authorised for issue by the Interim Head of Finance & Assets and the Deputy Section 151 Officer on 31 May 2019. Events taking place after the balance sheet date are not reflected in the financial position or notes.

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

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

32. Contingent Liabilities

National Non Domestic Rates (NNDR) and NHS Foundation Trusts: The Council has a possible future reduction in NNDR income of approximately £1,289,000 if the NHS Foundation Trust's application for mandatory rate relief, based upon being classed as a charity, is granted.

33. Agency Services

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

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

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

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

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

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

35. Long Term Creditors

Balances on Trust Funds

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

Notes	Trust Fund	31 March 2018 £000	Receipts in Year £000	Payments in Year £000	31 March 2019 £000
i.	Commons Trust	(779)	(8)	8	(779)
ii.	Reigate Baths Trust	(773)	(8)	8	(773)
iii.	Environmental Traffic Trust	(77)	(1)	0	(78)
iv.	Reigate Priory & Park Hill Trust	(48)	0	0	(48)
v.	Redhill Memorial Sports Ground Trust	(13)	0	0	(13)
vi.	Other Trusts	(12)	0	0	(12)
	Total	**(1,702)**	**(17)**	**16**	**(1,703)**

Notes

i. Established in 1922 to ensure the continuing provision of public open spaces.

ii. Established in 1906 to ensure the continued provision of swimming facilities.

iii. Established in 2000 to facilitate traffic surveys, traffic management and other environmental improvements in and around Walton on the Hill.

iv. Established in 1921 to ensure the continuing provision of public open spaces.

v. Established in 1922 to ensure the continuing provision of sports and recreation grounds.

vi. Miscellaneous sums to support the provision of parks and open spaces.

36. Cash Flow Supporting Notes

36.1 Cash Flow Statement – Operating activities

The cash flows for operating activities include the following items:

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

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

	2018/19 £000	2017/18 £000
Depreciation	(3,125)	(3,205)
Impairment and downward valuations	(5,368)	2,351
(Increase)/decrease in creditors	(2,933)	3,406
Increase/(decrease) in debtors	3,328	2,880
Increase/(decrease) in inventories	(5)	9
Movement in pension liability	(3,764)	(2,925)
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	59	(3,363)
Other non-cash items charged to the net Surplus or Deficit on the Provision of Services	(1,354)	(756)
	(13,162)	**(1,603)**

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

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

36.2 Cash Flow Statement – Investing Activities

	2018/19 £000	2017/18 £000
Purchase of property, plant and equipment, investment property and intangible assets	39,542	16,921
Purchase of short-term and long-term investments**	(7,853)	8,986
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(4,810)	(4,451)
Other receipts from investing activities	(6,647)	(5,619)
Net cash flows from investing activities	20,232	15,837

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

	Purchases £000	Disposals £000	Total £000
Short Term Investments	38,000	(16,026)	21,974
Long Term Investments	22,050	(51,877)	(29,827)
Subtotal	60,050	(67,903)	(7,853)

36.3 Cash Flow Statement – Financing Activities

	2018/19 £000	2017/18 £000
Cash receipts of short-term and long-term borrowing	(12,009)	0
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts	0	0
Repayments of short-term and long-term borrowing	0	0
Other payments for financing activities	0	0
Net cash flows from financing activities	(12,009)	0

36.4 Reconciliation of Liabilities Arising From Financing Activities

	2018/19 1 April	Financing cash flows	2018/19 31 March
	£000	£000	£000
Long-term borrowings	0	0	0
Short-term borrowings	0	(12,009)	(12,009)
Lease liabilities	0	0	0
On balance sheet PFI liabilities	0	0	0
Total liabilities from financing activities	0	(12,009)	(12,009)

37. Long Term Debtors

	2018/19	2017/18
	£000	£000
Community Infrastructure Levy	472	149
Other receivables	10	62
Total long term Debtors	482	211

ACCOUNTING POLICIES

General Principles

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

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

Accruals of Income and Expenditure

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

- Revenue from contracts with service recipients is recognised when the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract. An estimated creditor is created when the payment is received from the customers before the performance obligations are performed by the council.
- Supplies are recorded as expenditure when they are consumed. Where there is a gap between receipt and consumption they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received, including those provided by employees, are recorded as expenditure when the services are received rather than when payments are made.
- Interest payable on borrowings and receivable on investments is accounted for, at the effective rate of interest, for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Cash and Cash Equivalents

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

Exceptional Items

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

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

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

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting

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

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

Council Tax and Non-domestic Rates (England)

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

Accounting for Council Tax and NDR

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

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

Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. Redundancy costs are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council can no longer withdraw the termination of the employment or make an offer to encourage voluntary redundancy. Other staff settlements are charged to the service once agreement has been reached by both parties.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant

accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-Employment Benefits

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

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

Liabilities are discounted to their value at current prices, using the rate for discounting scheme liabilities shown in note 28.3 Basis for Estimating Assets and Liabilities.

The assets of Surrey County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities – current bid price.
- unquoted securities – professional estimate.
- unitised securities – current bid price.
- property – market value.

The change in the net pensions liability is analysed into several components:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- administration cost – calculated as a percentage of current service cost, as provided within the annual actuarial report.
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- net interest on the net defined benefit liability/(asset), i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) arises from the passage of time charged to the Finance and Investment Income and Expenditure line on Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability/(asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments

Remeasurements comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the

actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

- contributions paid to the Surrey County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Events after the Reporting Period

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

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

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

Asset and Liability Measurement

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

Level 1:

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

Level 2:

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

Level 3:

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

Carrying Value Measurement Transfer Policy

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

Financial Instruments

Financial Liabilities

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

Financial Assets

Financial assets are classified into one of three types:

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

Impairment – Expected Credit Losses Provision

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

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

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

Simplified approach for trade receivables

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

Collective and individual assessment basis

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

Government Grants and Contributions

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

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

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

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

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

Community Infrastructure Levy

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

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

Group Accounts

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

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

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

Heritage Assets

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

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

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

Intangible Assets

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

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

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

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

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

Interests in Companies and Other Entities

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

Investment Property

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

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

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

Leases

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

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

The Council as Lessor

Operating Leases

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

Overheads and Support Services

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

Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

- infrastructure, community assets and assets under construction – depreciated historical cost

- operational assets – Depreciated replacement cost (DRC) Existing Use Value (EUV) or Fair Value basis, determined by the characteristics of the asset
- all other assets – fair value, determined as the highest and best use amount that would be paid for the asset in an orderly transaction between market participants.

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

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

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

Valuations are undertaken on 31 December and an impairment review carried out on 31 March. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

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

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

Impairment

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

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

- 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).

Deprecation is calculated on the following bases:

- Buildings – straight-line allocation over the useful life of the property as set determined by the valuer;
- vehicles, plant, and equipment – straight-line allocation over the useful life of the asset as set out below:
    - Vehicles and plant – 7 years
    - Equipment– 5 years

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

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

Disposals and Non-current Assets Held for Sale

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

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

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

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

Provisions

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

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

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Reserves

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

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

Revenue Expenditure Funded from Capital under Statute

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

Value Added Tax (VAT)

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

COLLECTION FUND

Introduction

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

Collection Fund for the Year Ended 31 March

2017/18 Council Tax £000	2017/18 Business Rates £000	2017/18 Total £000		2018/19 Council Tax £000	2018/19 Business Rates £000	2018/19 Total £000
			INCOME			
(106,536)	0	(106,536)	Council Tax receivable	(113,344)	0	(113,344)
0	(53,640)	(53,640)	Business Rates receivable	0	(53,460)	(53,460)
(106,536)	**(53,640)**	**(160,176)**	**Total Income**	**(113,344)**	**(53,460)**	**(166,804)**
			EXPENDITURE			
			Precepts and Demands:			
0	28,137	28,137	Central Government	0	0	0
13,032	22,510	35,542	Reigate & Banstead Borough Council	13,585	16,442	30,027
78,663	5,627	84,290	Surrey County Council	84,368	38,366	122,734
13,267	0	13,267	Surrey Police and Crime Commissioner	14,142	0	14,142
			Distribution of Prior Years' Surplus:			
0	2,321	2,321	Central Government	0	(1,895)	(1,895)
199	1,857	2,056	Reigate & Banstead Borough Council	213	(1,516)	(1,303)
1,173	464	1,637	Surrey County Council	1,284	(379)	905
204	0	204	Surrey Police and Crime Commissioner	217	0	217
			Charges to the Collection Fund:			
155	114	269	Increase/decrease in bad debt provision	108	117	225
0	736	736	Increase/decrease in appeals provision	0	(2,523)	(2,523)
0	174	174	Cost of collection	0	172	172
106,693	**61,940**	**168,633**	**Total Expenditure**	**113,917**	**48,784**	**162,701**
157	**8,300**	**8,457**	**Deficit/(Surplus) for the Year**	**573**	**(4,676)**	**(4,103)**
(2,543)	(3,561)	(6,104)	Add Opening Balance as at 1 April	(2,386)	4,740	2,354
(2,386)	**4,739**	**2,353**	**Closing Balance as at 31 March**	**(1,813)**	**64**	**(1,749)**

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 eight valuation bands. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund in the forthcoming year by the Council and its preceptors (that is, authorities we collect council tax for).

The Council's preceptors are:

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

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

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

The calculation of the council tax base for 2018/19 (with comparative figures for 2017/18) is set out below.

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

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

2. Business Rates

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

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

Group Accounts

1. Introduction

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

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

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

Group Company and Joint Venture/Associate Information

Company Name	Shareholding	Council's Nature of Interest	In year activity 2018/19	Purpose
Horley Business Park Development LLP (Joint Venture)	Council 50%, Millhill Properties (Horley) Ltd 49.99%, Berwick Hill Properties Ltd 0.01%	Ownership structure has not changed during the financial year 2018/19. The Council does not have any significant restrictions on its ability to access or use the assets and settle the liabilities of the group.	The Council has lent the LLP £50,000 during the financial year 2018/19 and the interest charged for the loans to date was £59,895.	The purpose is to promote the borough as a place to do business, securing resources to maintain and improve business related infrastructure and to create new jobs for our residents.
Pathway for Care Limited (Associate, previously a subsidiary)	Council 10% (B Shares) and 1,100,000 Preference Shares, Fairhome Care Plc 70% (A Shares) & 10% (B Shares), Ian Hutchinson 10% (B Shares)	Pathway for Care Ltd split into two separate businesses during the financial year 2018/19.The supported living business remained with Pathway for Care Ltd (see the shareholding) and the digital business was transferred to RBBC Ltd (see below) After the split Pathway for Care Ltd became an associate of the Council over which it has significant influence.	£1,100,000 Preference Shares (previously £1,100,000 loan). Of the £1,045,000 retained earnings loss of Pathway for Care Limited, a retained earnings loss of £988,000 has been derecognised in the balance sheet and the MIRS in 2018/19. A retained earnings loss balance of £57,000 has been transferred over to RBBC Ltd, which includes accrued interest of £70,000 which will be considered in determing the next steps for	Pathway is a home health care company that supports people across the borough and beyond to live as independently as possible in their own homes.

			the company.	
RBBC Ltd (Subsidiary)	Council 100%	Fully owned subsidiary company.	The Council has invested £93,000 in the company during 2018/19.	Company was incorporated in 2018/19.This company is the holding vehicle of remaining digital business of Pathway for Care Ltd.
Greensand Holdings Ltd (Subsidiary)	Council 100%	Ownership structure has not changed during the financial year 2018/19. The Council does not have any significant restrictions on its ability to access or use assets, and settle liabilities of the group. The Council does not have any contractual obligations towards Greensand Holdings Ltd and therefore no risk associated with its interest in the group.	The Council has lent the company £2,269,538 (all during 2016/17) and the interest charged for the loan was £102,325 for the financial year 2018/19	Greensand is a property company

Group Movement in Reserves Statement

	General Fund Reserve	Earmarked Revenue Reserves	Capital Receipts Reserve	Capital Grants Unapplied	**Usable Reserves**	**Unusable Reserves**	**Total Authority Reserves**	The Council's share of Reserves of subsidiary, Joint Venture & Associate	**Total Reserves attributable to the Council**	Minority Interest	**Group Reserve Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
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**
Movement in reserves during 2017/18											
Surplus or (deficit) on provision of services	**8,007**	0	0	0	**8,007**	**0**	**8,007**	(334)	**7,673**	(155)	**7,518**
Other comprehensive income and expenditure	0	0	0	0	**0**	**5,149**	**5,149**	0	**5,149**	0	**5,149**
Adjustment between group and authority accounts	102	0	0	0	**102**	**0**	**102**	(102)	**0**	0	**0**
Adjustments between accounting and funding basis under regulations (Note 17)	1,153	0	(13,699)	2,884	**(9,662)**	**9,662**	**0**	0	**0**	0	0
Transfers to/from Usable Reserves (Note 10)	(2,628)	2,628	0	0	**0**	**0**	**0**	0	**0**	0	**0**
Other adjustments	1	0	0	0	**1**	**(1)**	**0**	0	**0**	0	**0**
Increase/Decrease in 2017/18	**6,635**	**2,628**	**(13,699)**	**2,884**	**(1,552)**	**14,810**	**13,258**	**(436)**	**12,822**	**(155)**	**12,667**
Balance at 31 March 2018	**12,547**	**21,703**	**15,810**	**13,308**	**63,368**	**106,933**	**170,301**	**(635)**	**169,666**	**(207)**	**169,459**

	General Fund Reserve	Earmarked Revenue Reserves	Capital Receipts Reserve	Capital Grants Unapplied	**Usable Reserves**	**Unusable Reserves**	**Total Council's Reserves**	Council's share of Reserves of subsidiary & Joint Venture	**Total Reserves attributable to the Council**	Minority Interest	**Group Reserve Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 31 March 2018	**12,547**	**21,703**	**15,810**	**13,308**	**63,368**	**106,933**	**170,301**	**(635)**	**169,666**	**(207)**	**169,459**
Movement in reserves during 2018/19											
Adjustment to opening balance	**0**	0	0	0	**0**	**0**	**0**	780	**780**	207	**987**
Surplus (deficit) on provision of services	**3,450**	0	0	0	**3,450**	**0**	**3,450**	(35)	**3,415**	0	**3,415**
Other comprehensive income and expenditure	0	0	0	0	**0**	**(7,453)**	**(7,453)**	0	**(7,453)**	0	**(7,453)**
Adjustment between group and authority accounts	44	0	0	0	**44**	**0**	**44**	(44)	**0**	0	**0**
Adjustments between accounting and funding basis under regulations (Note 17)	(65)	0	(15,323)	2,870	**(12,518)**	**12,518**	**0**	0	**0**	0	0
Transfers to/from Usable Reserves (Note 10)	(3,429)	3,429	0	0	**0**	**0**	**0**	0	**0**	0	**0**
Other Adjustments	0	(90)	140	(140)	**(90)**	**90**	**0**	0	**0**	0	**0**
Increase/Decrease in 2018/19	**0**	**3,339**	**(15,183)**	**2,730**	**(9,114)**	**5,155**	**(3,959)**	**701**	**(3,258)**	**207**	**(3,051)**
Balance at 31 March 2019	**12,547**	**25,042**	**627**	**16,038**	**54,254**	**112,088**	**166,342**	**66**	**166,408**	**0**	**166,408**

Group Comprehensive Income and Expenditure Statement

2017/18				2018/19		
Gross Exp £000	Gross Inc £000	Net Exp £000		Gross Exp £000	Gross Inc £000	Net Exp £000
290	0	290	Economic Prosperity	297	(12)	285
788	(50)	738	Organisational Development	822	(47)	775
39,235	(38,749)	486	Revenues Benefits & Fraud	39,146	(38,432)	714
1,617	(431)	1,186	Housing	1,972	(448)	1,524
2,112	(42)	2,070	Projects & Performance	2,152	(31)	2,121
2,204	(128)	2,076	Community Partnerships	2,493	(16)	2,477
94	(39)	55	Place Delivery	104	(39)	65
12,801	(9,453)	3,348	Neighbourhood Operations	12,990	(8,609)	4,381
2,640	(1,517)	1,123	Wellbeing & Intervention	1,842	(1,368)	474
2,062	(926)	1,136	Planning	1,868	(1,001)	867
833	(1)	832	Communications & Customer Contact	823	(1)	822
1,833	(1)	1,832	ICT	2,034	(1)	2,033
2,450	(909)	1,541	Legal & Governance	2,446	(409)	2,037
7,892	(2,059)	5,833	Finance & Assets	7,656	(944)	6,712
76,851	**(54,305)**	**22,546**	**Cost of Services**	**76,645**	**(51,358)**	**25,287**
364	(965)	(601)	Other Operating Expenditure (Note 2)	382	(5,127)	(4,745)
1,776	(5,230)	(3,454)	Financing and Investment Income and Expenditure (Note 45)	7,422	(3,946)	3,476
22,126	(48,180)	(26,054)	Taxation and Non-specific Grant Income and Expenditure (Note 4)	14,434	(42,021)	(27,587)
101,117	**(108,680)**	**(7,563)**	**(Surplus) or Deficit on Provision of Services**	**98,883**	**(102,452)**	**(3,569)**
		4	Joint venture & Associate accounted for on an equity basis (Note 46 & 47)			**155**
		41	Tax expenses of subsidiaries			**(1)**
		0	Tax expenses of Joint venture			**0**
		(7,518)	**Group surplus or deficit**			**(3,415)**
		(2,830)	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment assets			3,130
		(2,319)	Actuarial remeasurements			4,323
		0	Share of other comprehensive income and expenditure of Joint venture			0
		(5,149)	**Other Comprehensive Income and Expenditure**			**7,453**
		(12,667)	**Total Comprehensive Income and Expenditure**			**4,038**

Group Balance Sheet

31 March 2018 £000		Note	31 March 2019 £000
113,326	Property, Plant and Equipment	40	110,668
68,599	Investment Property	41	97,605
477	Heritage Assets		469
0	Investment in Joint venture & Associate	46,47	0
211	Long Term Debtors		482
0	Deferred Tax Asset		0
5,552	Long term Investment	49	14,663
188,165	**Long Term Assets**		**223,887**
50,994	Short Term Investments		35,298
0	Assets Held for Sale		1
54	Inventories		49
6,801	Short Term Debtors	42	9,804
7,057	Cash and Cash Equivalents	44	3,861
0	Current Tax Asset		0
64,906	**Current Assets**		**49,013**
	Short Term Borrowings		(12,009)
(7,605)	Short Term Creditors	43	(11,792)
0	Current Tax liability		(10)
(7,605)	**Current Liabilities**		**(23,811)**
(1,702)	Long Term Creditors		(1,703)
(1,965)	Business Rates Appeals Provision		(717)
(71,124)	Pension Liability		(79,211)
(1,023)	Capital Grants in Advance		(834)
(152)	Other Long Term Liabilities		(180)
(41)	Deferred Tax liability		(36)
(76,007)	**Long Term Liabilities**		**(82,681)**
169,459	**Net Assets**		**166,408**
(12,547)	General Fund Reserve		(12,640)
(21,703)	Earmarked Reserves		(25,042)
(15,810)	Capital Receipts Reserve		(627)
(13,308)	Capital Grants Unapplied		(16,038)
0	Pension Reserve – Private		0
838	Profit and Loss Reserve		284
(62,530)	**Usable Reserves**		**(54,063)**
(56,973)	Revaluation Reserve		(52,941)
(122,991)	Capital Adjustment Account		(138,434)
(302)	Deferred Capital Receipts Reserve		(560)
71,124	Pensions Reserve – Local Government		79,211
1,607	Collection Fund Adjustment Account		(106)
399	Accumulated Absences Account		485
207	Minority Interest		0
(106,929)	**Unusable Reserves**		**(112,345)**
(169,459)	**Total Reserves**		**(166,408)**

Group Cash Flow Statement

2017/18 £000		2018/19 £000
(7,526)	Net (surplus) or deficit on the provision of services (Note 48.1)	**(3,415)**
(1,239)	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 48.1)	(13,061)
10,037	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 48.1)	11,491
0	Deferred Tax (Note 48.1)	1
1,272	**Net cash flows from Operating Activities**	**(4,984)**
17,067	Purchase of Property Plant and Equipment (PPE) & Investment Property (Note 36.2)	39,542
8,350	Purchase of short-term and long-term investments (Note 36.2)	(7,853)
(4,451)	Proceeds from the sale of PPE & Investment Property (Note 36.2)	(4,810)
(5,619)	Capital grants received (Note 36.2)	(6,647)
15,347	**Net cash flows from Investment Activities**	**20,232**
165	**Net cash flows from financing Activities (Note 36.3 & 36.4)**	**(12,009)**
16,784	**Net (increase)/decrease in cash and cash equivalents**	**3,239**
23,841	**Cash and cash equivalents at the beginning of the reporting period**	**7,100**
7,057	**Cash and cash equivalents at the end of the reporting period (Note 42)**	**3,861**

Notes to the Group Accounts

38. General

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

39. Subsidiary & Joint venture/Associate Companies

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

40. Fixed Asset

Movements in 2018/19

	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 2018	**109,803**	**19,676**	**0**	**129,479**
Additions	3,600	288	0	**3,888**
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(5,269)	0	0	**(5,269)**
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(214)	0	0	**(214)**
Derecognition – disposals	0	(390)	0	**(390)**
Assets reclassifications	0	0	0	**0**
At 31 March 2019	**107,920**	**19,574**	**0**	**127,494**
Gross Accumulated Depreciation and Impairment				
At 1 April 2018	**650**	**15,503**	**0**	**16,153**
Adjustment to b/f balance	222	(222)	0	**0**
Depreciation charge	1,894	1,219	0	**3,113**
Depreciation written out to the Revaluation Reserve	(2,154)	0	0	**(2,154)**
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	**0**
Derecognition – disposals	0	(286)	0	**(286)**
Other movements in depreciation and impairment	0	0	0	**0**
At 31 March 2019	**612**	**16,214**	**0**	**16,826**
Net Value at 31 March 2019	**107,308**	**3,360**	**0**	**110,668**

Movements in 2017/18

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

41. Investment Property

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

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

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

	31 March 2019 £000	31 March 2018 £000
Balance at start of the year	68,599	49,433
In year adjustment	0	0
Additions	34,117	17,867
Recognition	0	624
Disposals	54	(1,725)
Net gains/losses from fair value adjustments	(5,154)	2,999
Depreciation	(11)	
Transfers (to)/from Property, Plant and Equipment	0	1,033
Transfers (to)/from Assets held for Sale	0	(1,632)
Balance at end of the year	**97,605**	**68,599**

42. Short Term Debtors

	31 March 2019 £000	31 March 2018 £000
Central government bodies	2,339	1,575
Other local authorities	870	77
NHS bodies	35	0
Public corporations and trading funds	0	0
Other entities and individuals	9,020	7,478
Total (Gross)	**12,264**	**9,130**
Less Impairment allowance	(2,460)	(2,329)
Total	**9,804**	**6,801**

£3,001,000 of receivables from contract revenue are included in the total debtors balance of £9,804,000.

43. Short Term Creditors

	31 March 2019 £000	31 March 2018 £000
Central government bodies	(696)	(350)
Other local authorities	(5,318)	(3,063)
Other entities and individuals	(5,778)	(4,192)
Total	**(11,792)**	**(7,605)**

£4,316,000 of liabilities from contracts are included in the total creditors balance of £11,792,000.

44. Cash & Cash Equivalents

	31 March 2019 £000	31 March 2018 £000
Cash held by the Council	2	2
Bank current accounts	3,859	7,055
Short-term deposits with banks and building societies	0	0
Total	**3,861**	**7,057**

45. Financing & Investment Income and Expenditure

	2018/19 £000	2017/18 £000
Interest payable and similar charges	46	0
Net interest on the defined benefit liability	1,872	1,776
Interest receivable and similar income	(983)	(727)
Financial instruments impairment loss provision	185	0
Fair value changes in relation to investment properties	5,421	(4,503)
Net income & expenditure in relation to investmentproperties	(3,065)	
Total	**3,476**	**(3,454)**

46. 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	8	4
Tax Expenses of Joint Venture	0	0
Share of the other Comprehensive Income and Expenditure of Joint Venture	0	0
Total	8	4

Joint Venture - Net Assets – Council's Interest

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

47. Associate – Allocating Income and Expenditure Items

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

Associate - Net Assets – Council's Interest

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

48. Cash Flow Supporting Notes

48.1 Cash Flow Satement – Operating activities

The cash flows for operating activities include the following items:

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

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

	2018/19 £000	2017/18 £000
Depreciation	(3,125)	(3,205)
Impairment and downward valuations	(5,368)	2,351
Increase/decrease in creditors	(2,868)	3,406
Increase/decrease in debtors	3,328	2,880
Increase/decrease in inventories	(5)	9
Movement in pension liability	(3,764)	(2,925)
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	59	(3,363)
Other non-cash items charged to the net Surplus or Deficit on the Provision of Services	(1,318)	(392)
	(13,061)	**(1,239)**

49. Long Term Investments

	31 March 2019 £000	31 March 2018 £000
Financial assets at amortised Cost		
Fixed term deposits	13,142	5,087
Loans to Trading companies	1,687	1,652
Joint Venture net asset adjustment on equity basis	(15)	(10)
Associate net asset adjustment on equity basis	(151)	0
Total Long Term Investment	**14,663**	**6,729**

2017/18 long term investments (of £5,552) have been restated at amortised cost as £6,729.

Statement of Group Accounting Policies

General

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

Financial Year End

Reigate and Banstead Borough Council's accounts are based on a financial year ending on 31 March. Greensand Holdings Ltd and Horley Business Park Development LLP prepare their accounts to 31 December each year. Pathway for Care Ltd prepare their accounts to 31 July each year. RBBC Ltd prepare their accounts to 30 October each year. For the purpose of preparing the group accounting statements, the accounts have been consolidated using differing accounting year ends, adjusted as necessary to reflect any material transactions taking place.

Accounting Convention

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

Financial Instruments

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

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.

Associate

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

Business Rates

Occupiers of non-domestic properties (such as shops, factories and warehouses) do not pay council tax but instead pay business rates – also known as national non-domestic rates (NNDR).

Capital Expenditure

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

Capital Receipts

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

Current Value

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

Carrying Value

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

Contingent Liability

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

Depreciation

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

Fair Value

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

Fixed Assets

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

General Fund

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

Impairment

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

International Accounting Standards (IAS)

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

International Financial Reporting Interpretations Committee (IFRIC)

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

International Financial Reporting Standards (IFRS)

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

Joint Venture

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

Non-Distributed Costs

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

Precepts

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

Provisions

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

Revenue Expenditure

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

Subsidiary

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

Reigate & Banstead
BOROUGH COUNCIL
Banstead I Horley I Redhill I Reigate

SIGNED OFF BY	Interim Head of Finance and Assets
AUTHOR	Helen Stocker, Finance Manager
TELEPHONE	Tel: 01737 276568
EMAIL	Helen.Stocker@reigate-banstead.gov.uk
TO	Overview and Scrutiny Committee
DATE	Thursday, 17 October 2019
EXECUTIVE MEMBER	Deputy Leader and Portfolio Holder for Finance

KEY DECISION REQUIRED	No
WARDS AFFECTED	(All Wards);

SUBJECT	Half Year Treasury Management Report for 2019/20

RECOMMENDATIONS

Note the Treasury Management Performance for the year to date and to note the updated prudential indicators.

REASONS FOR RECOMMENDATIONS

To comply with the requirements of the regulatory framework for treasury management and meet the Council's reporting requirements.

The Council is currently required to receive and approve, as a minimum, three treasury reports each year, which incorporate a key policies, estimates and actuals. These are:

(i) **Treasury Management Strategy Statement, including the Prudential and Treasury Indicators**. This forward-looking statement for 2019/20 was reported to the Executive on 18 March 2019 and full Council on 11 April 2019.

(ii) **Half Year Treasury Management Report** (this report).This is primarily a progress report and updates Members on the capital position and any updates to prudential indicators and policies as necessary.

(iii) **Annual Treasury Report** – This is a backward-looking review document. The 2018/19 report was reported to the Executive on 20 June 2019 as Annex 3 of the Provisional Outturn report.

EXECUTIVE SUMMARY

2019/20 treasury management performance is currently forecast as better than budget. This is primarily as a result of the borrowing facility not being utilised to date.

Short-term borrowing of £12m was undertaken in February and March 2019, for cash flow purposes, and was fully repaid in May and June 2019.

There has been no further borrowing for the period 1 April to 30 September 2019. It is anticipated that borrowing of up to £41.5 million will be undertaken during second half of 2019/20 to fund delivery of the approved Capital Programme.

As the Capital Programme delivery timing and expenditure plans become more certain for the period October 2019 to March 2020, the borrowing and investment forecasts have been refreshed. Consequently, the treasury forecasts in this report now reflect the £25m that has been delegated to the Commercial Ventures Executive Sub Committee (CVESC) for commercial investment and £100k for delivery of Merstham Recreation Ground project in 2019/20.

STATUTORY POWERS

1. The Council operates its Treasury Management activity as an integral part of its statutory obligation to effectively manage its finances under the Local Government Act 2003 and associated regulations.

2. Treasury Management activities are undertaken in accordance with Chartered Institute of Public Finance and Accountancy's (CIPFA's) Code of Practice on Treasury Management and the Prudential Code for Capital Finance in Local Authorities and the Government's Investment Regulations.

3. This report meets these statutory requirements and incorporates the needs of the Prudential Code to ensure adequate monitoring of Capital Expenditure Plans and the Council's Prudential Indicators

BACKGROUND

4. The Treasury Management Strategy and Performance Indicators for 2019/20 were previously reported to the Executive on 18 March 2019 and full Council on 11 April 2019.

KEY INFORMATION

Issues

Investments

5. The underlying economic environment continues to remain challenging for the Council due to market uncertainties driven by Brexit and tariff tensions between USA and China. The approach of maintaining short-term investments with high quality counterparties has continued, which allows the Council to be responsive when allocating funding to approved projects.

6. To manage the associated risks, investments are limited to a small group of banks and some building societies where they meet the Council's Treasury Management Strategy. The returns on investment continue to be low, albeit with a marginal improvement.

7. The Council is seeking to reduce its investment counterparty risk (i.e. those institutions it is 'safe' to invest with) by further diversifying its investment portfolio.

8. Borrowing options are currently being considered in preparation for meeting the forecast cash funding requirements of the Capital Programme. The chief objective when borrowing is to strike an appropriate risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the authority's long-term plans change.

Treasury Management Strategy

9. The Treasury Management Strategy Statement, (TMSS), for 2019/20 was approved by Executive on 18 March 2019 and full Council on 11 April 2019. There are no policy changes to the TMSS in this report which focusses on updating the in-year position in the light of the updated economic position and budgetary allocations previously approved.

The Council's Capital Position (Prudential Indicators)

10. This part of the report is structured to update:
    - The Council's capital expenditure plans
    - How these plans are being financed
    - The impact of changes in capital expenditure plans on the prudential indicators and the underlying need to borrow; and
    - Compliance with the limits in place for borrowing activity.

Prudential Indicator for Capital Expenditure

11. Table 1 below sets out the latest estimates for capital expenditure and any changes since the Capital Programme original budget was approved earlier this year.

12. The Capital Programme forecast has been updated to take account of 2018/19 carry-forwards, re-profiling of projects, the £25 million that has been delegated to the Commercial Ventures Executive Sub Committee (CVESC) for commercial investment and the £0.100 million allocated for delivery of Merstham Recreation Ground project in 2019/20.

Table 1 : Capital Expenditure & Financing

	2018/19	2019/20	2019/20	2019/20	2019/20
	Actual at 31/3/2019	Budget at 1/4/2019	Budget including approved growth at 30/09/2019	Actual at 30/09/2019	Forecast including approved growth 31/03/2020
	£'000	£'000	£'000	£'000	£'000
Capital expenditure	**39,235**	**20,827**	**45,927**	**1,704**	**47,699**
Financed By:					
Capital Grants	3,966	4,065	4,065	1,704	3,578
Capital Receipts	20,133	362	362	0	627
Revenue Contribution	90	0	0	0	0
Total Finance	**24,189**	**4,427**	**4,427**	**1,704**	**4,205**
Unfinanced Capital Expenditure = Borrowing Need (Excluding MRP)	**15,046**	**16,400**	**41,500**	**0**	**43,494**

13. The borrowing element of the table increases underlying indebtedness by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue budget charges for the repayment of debt (the Minimum Revenue Provision - MRP).

Prudential Indicator: Capital Financing Requirement (CFR)

14. Table 2 below sets out the Capital Financing Requirement (CFR), which is the underlying external need to incur borrowing for a capital purpose.

Table 2: Prudential Indicator – CFR

	2018/19	2019/20	2019/20	2019/20
	Actual at 31/3/2019	Budget at 1/4/2019	Budget including approved growth at 30/09/2019	Forecast including approved growth 31/03/2020
	£'000	£'000	£'000	£'000
Opening balance - CFR	0	20,000	15,046	15,046
Add unfinanced capital expenditure (as above)	15,046	16,400	41,500	43,494
Less MRP	0	(131)	(188)	(188)
Less PFI & finance lease repayments	0	0	0	0
Net movement in CFR	**15,046**	**16,269**	**41,312**	**43,306**
Closing balance - CFR	**15,046**	**36,269**	**56,358**	**58,352**

15. The borrowing need in 2018/19 resulted in a Capital Financing Requirement (CFR) of

£15.046m, comprising £12m of short term external borrowing, and £3.046m of internal borrowing.

16. Internal borrowing is a '…*treasury management practice whereby an authority delays the need to borrow externally by temporarily using cash held for other purposes, such as insurance funds held in earmarked reserves*…' (source: National Audit Office) This borrowing will be repaid over time by way of the Minimum Revenue Provision.

17. The minimum revenue provision (MRP) charge is the means by which capital expenditure, which is financed by borrowing (internal & external) or credit arrangements, is paid for by council tax payers. Local authorities are required each year to set aside some of their revenue budget as provision for this debt. There will be a requirement to make a minimum revenue provision (MRP) toward the repayment of borrowing in 2019/20 of £188k.

Table 3: Comparison of borrowing parameters to actual external borrowing

	2018/19 Actual	**2019/20 Projected**	**2020/21 Projected**	**2021/22 Projected**	**2022/23 Projected**	**2023/24 Projected**
	£'000	£'000	£'000	£'000	£'000	£'000
Opening - CFR	0	15,046	56,358	63,148	70,586	69,652
In Year - CFR	15,046	41,312	6,790	7,438	(935)	(951)
Total CFR	**15,046**	**56,358**	**63,148**	**70,586**	**69,652**	**68,700**
External Borrowing	**12,000**	**41,312**	**48,102**	**55,540**	**54,605**	**53,654**
Authorised Limit	80,000	80,000	80,000	80,000	80,000	80,000
Operational Boundary	70,000	70,000	70,000	70,000	70,000	70,000

Prudential Indicator : Limits to Borrowing Activity

18. The Operational Boundary is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

19. A key prudential indicator is to ensure that over the medium term, net borrowing, (borrowing less investments) will only be for a capital purpose. Gross external borrowing should therefore not, except in the short term, exceed the total of the CFR in the preceding year plus the estimate of any additional CFR for 2019/20 and next two financial years. This allows some flexibility for limited early borrowing for future years. Table 3 sets out gross borrowing not exceeding the total of the CFR over the 5-year period. The Council complies with this requirement, as shown in Table 3.

Prudential Indicator- Authorised Limit

20. The Council sets limits on borrowing activity. The Authorised Limit represents the limit beyond which borrowing is prohibited, unless further approval is obtained from Council. The Authorised Limit is unchanged and is set out in table 3 above.

Investment Portfolio 2019/20

21. A detailed commentary on the economy and interest rates, as provided by the Council's treasury advisor, Link Asset Services, can be found in Annex 1 to this report.

22. In summary, the investment market remains difficult in comparatively low interest rates and the continuing potential for a re-emergence of a Eurozone sovereign debt crisis, and its consequent impact on banks, prompts a low risk and short term strategy. Given this risk environment and the fact that increases in Bank Rate are likely to be gradual and unlikely to return to the levels seen in previous decades, investment returns are likely to remain low.

23. Table 4 sets out the net treasury investment position as at 30 September 2019 and the projected position at 31 March 2020.

Table 4: Treasury Investments

INVESTMENT PORTFOLIO	Actual 31 March 2019		Actual 30 Sept 2019		Forecast 31 March 2020	
	£'000	%	£'000	%	£'000	%
Treasury investments						
Banks	0	0%	10,000	28%	10,000	28%
Building Societies	40,000	83%	23,000	64%	23,000	64%
Goldman Sachs International	8,000	17%	3,000	8%	3,000	8%
Local authorities	0	0%	0	0%	0	0%
Bond funds	-	-	-	-	-	-
Property funds	-	-	-	-	-	-
TOTAL TREASURY INVESTMENTS	**48,000**	**100%**	**36,000**	**100%**	**36,000**	**100%**

24. Following repayment of the £12m short term borrowings from 2018/19, treasury investments were £36 million at 30th Sept 2019. Cash requirements will be closely monitored to assess any borrowing necessary by the end of the financial year to meet the requirements of the capital programme.

25. Table 5 sets out total investments, including non-treasury investments such as investment in property and council companies.

Table 5: Total Investments including Non-Treasury Investment Portfolio

INVESTMENT PORTFOLIO	Actual 31 March 2019		Current Position 30 Sept 2019		Forecast 31 March 2020	
	£'000	%	£'000	%	£'000	%
NON TREASURY INVESTMENTS						
Third party loans	-	-	-	-	-	-
Subsidiaries – Greensand Property Holdings Ltd	2,270	2%	2,270	2%	2,270	2%
Companies – Horley Business Park Development LLP	602	1%	602	1%	652	1%
Associate – Pathway for Care Ltd	1,100	1%	1,100	1%	1,100	1%
Investment Property	95,013	96%	95,493	96%	95,543	96%
TOTAL NON-TREASURY INVESTMENTS	**98,985**	**100%**	**99,465**	**100%**	**99,565**	**100%**
Treasury investments (Details at Table 4 above)	48,000	33%	36,000	27%	36,000	27%
Non Treasury investments (Details above)	98,985	67%	99,465	73%	99,565	73%
TOTAL INVESTMENTS	**146,985**	**100%**	**135,465**	**100%**	**135,565**	**100%**

26. The treasury investment portfolio yield for the first 6 months of the year was 1.28% which compares favourably to the benchmark of the London Interbank Bid Rate (LIBID) of 0.83%.

27. The budgeted investment return for 2019/20 is £0.480 million. Performance of £0.244 million for the half year is in line with budget.

Table 6: Investment performance at 30 September 2019

Benchmark	Benchmark Return	Investment Performance	Investment Interest Earned
12 month LIBID	0.83	1.28%	£244,385

Approval Limits

28. The Chief Financial Officer confirms that the approved limits within the Investment Strategy were not breached during the first 6 months of 2019/20.

Borrowing Strategy

29. The Borrowing Strategy has been updated to reflect the Capital Financing Requirement as set out in Table 3 above. It is anticipated that borrowing of up to £41.5 million will be undertaken during second half of 2019/20 to deliver the Capital Programme.

OPTIONS

30. The Executive has two options :

Option 1 – accept and note the contents of the report.

Option 2 – accept the report, but ask Officers to provide more detail on specific issues.

The Executive is asked to approve Option 1.

LEGAL IMPLICATIONS

31. There are no direct legal implications arising from this report.

FINANCIAL IMPLICATIONS

32. The financial impacts of this proposed strategy have already been reflected within the Council's 2019/20 Budget proposals. There are no additional direct financial implications that arise from this report or from the changes to the CIPFA Treasury Code.

EQUALITIES IMPLICATIONS

33. This report does not have any equalities implications.

COMMUNICATION IMPLICATIONS

34. The purpose of this report is to communicate the treasury performance internally. No external communication is required at present.

HUMAN RESOURCES IMPLICATIONS (if applicable)
35. There are no human resources implications relating to this report.
RISK MANAGEMENT CONSIDERATIONS
36. Key risks are managed in accordance with the Prudential code indicators and the consideration of Security, Liquidity and Yield (SLY) for investments.
OTHER IMPLICATIONS
37. There are no other implications relating to this report.
CONSULTATION
38. There is no consultation required for this report. However this report will act as a starting point for discussions, later in the year, with the Treasury Member Panel regarding the Treasury Strategy 2020/21 39. This report will be presented to the Executive Committee on the 7 November 2019, and will include feedback from the Overview and Scrutiny Committee.
POLICY FRAMEWORK
40. This report is submitted in accordance with the Council's Treasury Management Policy.
BACKGROUND PAPERS
41. Treasury Management Strategy 2019/20.

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Half Year Treasury Management Report for 2019/20

Annex 1

INDEX

1. Economics and interest rates *[Provided by Link Asset Services]*

1.1 Economics update

UK. This first half year has been a time of upheaval on the political front as Theresa May resigned as Prime Minister to be replaced by Boris Johnson on a platform of the UK leaving the EU on or 31 October, with or without a deal. However, so far, there has been no majority of MPs for any one option to move forward on enabling Brexit to be implemented. At the time of writing, (first week in September), the whole political situation in the UK over **Brexit** is highly fluid and could change radically by the day. The vote in the Commons on 3 September looks likely to lead to a delay in the date for Brexit to 31 January 2020, but there is also likelihood that there will be an imminent general election. In such circumstances, any interest rate forecasts are subject to material change as the situation evolves. At present, if the UK does soon achieve an agreed deal on Brexit, including some additional clarification wording on the Irish border backstop, then it is possible that growth could recover quickly. The MPC could then need to address the issue of whether to raise Bank Rate when there is very little slack left in the labour market; this could cause wage inflation to accelerate which would then feed through into general inflation. On the other hand, if there was a no deal Brexit and there was a significant level of disruption to the economy, then growth could falter and the MPC would be likely to cut Bank Rate in order to support growth. However, with Bank Rate still only at 0.75%, it has relatively little room to make a big impact and the MPC would probably suggest that it would be up to the Chancellor to provide help to support growth by way of a fiscal boost by way of tax cuts and / or expenditure on infrastructure projects, to boost the economy. However, infrastructure projects generally take a long time to plan and to start up, and so to feed through into impacting the economy; tax cuts would be much quicker in impacting the level of consumption in the economy.

The first half of 2019/20 has seen UK **economic growth** fall as Brexit uncertainty took a toll. In its Inflation Report of 1 August, the Bank of England was notably downbeat about the outlook for both the UK and major world economies. This mirrored investor confidence around the world which is now expecting a significant downturn or possibly even a recession in some developed economies. It was therefore no surprise that the Monetary Policy Committee (MPC) left Bank Rate unchanged at 0.75% throughout 2019, so far, and is expected to hold off on changes until there is some clarity on what is going to happen over Brexit.

As for **inflation** itself, CPI has been hovering around the Bank of England's target of 2% during 2019, (July 2.1%), and is likely to shift only a little upwards over the rest of 2019/20. It does not therefore pose any immediate concern to the MPC at the current time.

With regard to the **labour market,** despite the contraction in quarterly GDP growth of -0.2%q/q, (+1.2% y/y), in quarter 2, employment rose by 115,000 in the same quarter: this suggests that firms are preparing to expand output and suggests there could be a return to positive growth in quarter 3. Unemployment has continued near to a 44 year low, edging up from 3.8% to 3.9% on the Independent Labour Organisation measure in June; however, that was caused by a rise in the participation rate to an all-time high. Job vacancies fell for a sixth consecutive month, hitting record levels, and indicating that employers are having major difficulties filling job vacancies with suitable staff. It was therefore unsurprising that wage inflation picked up to a high point of 3.9%, (3 month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates higher than CPI inflation), earnings grew by about 1.8%. As the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. This could mean that the MPC will need to take action to raise Bank Rate if there

is an agreed Brexit deal as it views wage inflation in excess of 3% as increasing inflationary pressures within the UK economy.

In the **political arena**, if there is a general election soon, this could result in a potential loosening of monetary policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up although, conversely, a weak international backdrop could provide further support for low yielding government bonds and gilts.

USA. President Trump's massive easing of fiscal policy in 2018 fuelled a temporary boost in consumption in that year which generated an upturn in the rate of strong growth to 2.9% y/y. Growth in 2019 has been falling back after a strong start in quarter 1 at 3.1%, (annualised rate), to 2.0% in quarter 2. Quarter 3 is expected to fall further. The Fed finished its series of increases in rates to 2.25 – 2.50% in December 2018. In July 2019, it cut rates by 0.25% as a 'midterm adjustment' but flagged up that this was not to be seen as the start of a series of cuts to ward off a downturn in growth. Financial markets are, however, expecting another cut in September. Investor confidence has been badly rattled by the progressive ramping up of increases in tariffs President Trump has made on Chinese imports and China has responded with increases in tariffs on American imports. This trade war is seen as depressing US, Chinese and world growth. In the EU, it is also particularly impacting Germany as exports of goods and services are equivalent to 46% of total GDP. It will also impact developing countries dependent on exporting commodities to China.

BOND YIELDS. It is this souring of investor confidence that has largely contributed to the sharp fall in bond yields on government debt in mid-2019 in the major western economies as investors have switched out of risky assets - equities, fearing an impending recession, and buying into bonds, so pushing their prices up and correspondingly, pushing yields down. Investors have little confidence that the US China trade war will have a satisfactory outcome in the near future and both sides look as if they are digging in to entrenched positions. However, most domestic US economic indicators are not currently pointing to a recession in the US, only to a slowing of growth. Provided the major world economies do avoid recession, then it is likely that there will be some reversal of this flow from equities into bonds and, therefore, that bond yields will recover to a limited extent from recent truly exceptional lows. However, the near-term reality is that we have seen 10 year bond yields fall below 2 year yields in the US; this has historically been a prime indicator of impending recession in the US, though this correlation has been much weaker in the UK. All German bond yields between 2 and 30 years are actually negative while many other EZ countries have bond yields which are also negative, at least in some maturity years.

EUROZONE. Growth has been slowing from +1.9% during 2018 to +0.4% q/q (+1.2% y/y) in quarter 1 and then to +0.2% q/q (+1.0% y/y) in quarter 2; there appears to be little upside potential to the growth rate in the rest of 2019. German GDP growth fell to -0.1% in quarter 2; industrial production was down 5.2% y/y in June with car production especially being hit. Germany would be particularly vulnerable to a no deal Brexit depressing exports further and if President Trump imposes tariffs on EU produced cars. The ECB meeting in July expressed concern as to the weak outlook for growth and how low inflation was despite all the monetary stimulus the bank still has in place. The ECB is therefore expected to take action to cut its main rate of -0.4% further, but only marginally, and to look at the potential for more quantitative easing and/or other instruments of monetary policy to provide further stimulus to economic growth. On the political front, Spain and Italy are in the throes of trying to form coalition governments while the very recent results of two German state elections will put further pressure on the frail German CDU/SDP coalition government.

CHINA. Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems. The trade war with the US does not appear to have had a significant effect on GDP growth as yet as some of the impact of tariffs has been offset by falls in the exchange rate and by transhipping exports through other countries, rather than directly to the US.

JAPAN - has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

1.2 Interest rate forecasts

Link Asset Services Interest Rate View	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.25
3 Month LIBID	0.70	0.70	0.70	0.70	0.80	0.90	1.00	1.00	1.00	1.10	1.20
6 Month LIBID	0.80	0.80	0.80	0.80	0.90	1.00	1.10	1.10	1.20	1.30	1.40
12 Month LIBID	1.00	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.40	1.50	1.60
5yr PWLB Rate	1.20	1.30	1.50	1.60	1.70	1.70	1.80	1.90	2.00	2.00	2.10
10yr PWLB Rate	1.50	1.60	1.80	1.90	2.00	2.00	2.10	2.20	2.30	2.30	2.40
25yr PWLB Rate	2.10	2.30	2.40	2.50	2.60	2.70	2.70	2.80	2.90	3.00	3.00
50yr PWLB Rate	2.00	2.20	2.30	2.40	2.50	2.60	2.60	2.70	2.80	2.90	2.90

It has been little surprise that the Monetary Policy Committee (MPC) has left Bank Rate unchanged at 0.75% so far in 2019 due to the ongoing uncertainty over Brexit. In its last meeting on 1 August, the MPC became more dovish as it was more concerned about the outlook for both the global and domestic economies. That's shown in the policy statement, based on an assumption that there is an agreed deal on Brexit, where the suggestion that rates would need to rise at a "gradual pace and to a limited extent" is now also conditional on "some recovery in global growth". Brexit uncertainty has had a dampening effect on UK GDP growth in 2019, especially around mid-year. If there were a no deal Brexit, then it is likely that there will be a cut or cuts in Bank Rate to help support economic growth.
The above forecasts have been based on an assumption that there is some sort of muddle through to an agreed deal on Brexit. Given the current level of uncertainties, this is a huge assumption and so forecasts may need to be materially reassessed in the light of events over the next few weeks or months.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably to the downside due to the weight of all the uncertainties over Brexit, as well as a softening global economic picture.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates are currently a little below those to the downside.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- **Brexit** – if it were to cause significant economic disruption and a major downturn in the rate of growth.
- **Bank of England** takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.

- A resurgence of the **Eurozone sovereign debt crisis**, possibly **Italy**, due to its high level of government debt, low rate of economic growth and vulnerable banking system, and due to the election in March 2018 of a government which has made a lot of anti-austerity noise. The EU has had sharp disagreements in successive years with Italy over setting a budget within the limits of EU rules. (Early September – a new coalition government may be formed which would be less anti-EU.) The rating agencies have already downgraded Italian debt to one notch above junk level. If Italian debt were to fall below investment grade, many investors would be unable to hold Italian debt. Unsurprisingly, investors are becoming increasingly concerned by the actions of the Italian government and consequently, Italian bond yields have risen – at a time when the government faces having to refinance over €200bn of debt maturing in 2019. However, the biggest concern is the major holdings of Italian government debt held by Italian banks and insurers. Any downgrading of such debt would cause Italian bond prices to fall, causing losses on their portfolios, so reducing their capital and forcing them to sell bonds – which, in turn, would cause further falls in their prices etc. This is the so called **'doom loop'**. Due to the Italian government's already high level of debt, it would not be able to afford to bail out the banking system. **Portugal** faces the same problem as its debt is also only one notch above junk level.
- Weak capitalisation of some **European banks**, particularly Italian banks.
- **German minority government.** In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. Then in October 2018, the results of the Bavarian and Hesse state elections radically undermined the SPD party and showed a sharp fall in support for the CDU. As a result, the SPD had a major internal debate as to whether it could continue to support a coalition that is so damaging to its electoral popularity. After the result of the Hesse state election, Angela Merkel announced that she would not stand for re-election as CDU party leader at her party's convention in December 2018. However, this makes little practical difference as she has continued as Chancellor, though more recently concerns have arisen over her health. Early September 2019 – the results of the Saxony and Brandenburg regional elections were again very disappointing for the CDU and SPD; this will rejuvenate the tensions of October 2018 between these two parties that form the current coalition government.
- **Other minority EU governments.** Sweden, Spain, Portugal, Netherlands and Belgium all have vulnerable minority governments dependent on coalitions which could prove fragile.
- **Italy, Austria, the Czech Republic and Hungary** now form a strongly anti-immigration bloc within the EU. There has also been rising anti-immigration sentiment in Germany and France.
- The increases in interest rates in the US during 2018, combined with a trade war between the USA and China, sparked major volatility in equity markets during the final quarter of 2018 and into 2019. In mid-2019, investor fears of a looming recession have again sparked moves by investors out of riskier assets i.e. equities, into safe havens of government bonds of major western countries. Some **emerging market countries** which have borrowed heavily in dollar denominated debt could be particularly exposed to investor flight from equities to safe havens, typically US treasuries, German bunds and UK gilts.
- There are concerns around the level of **US corporate debt** which has swollen massively during the period of low borrowing rates in order to finance mergers and acquisitions. This has resulted in the debt of many large corporations being downgraded to a BBB credit rating, close to junk status. Indeed, 48% of total investment grade corporate debt is rated at BBB. If such corporations fail to generate profits and cash flow to reduce their debt levels as expected, this could

tip their debt into junk ratings which will increase their cost of financing and further negatively impact profits and cash flow.

- **Geopolitical risks,** for example in North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates

- **Brexit** – if agreement was reached all round that removed all threats of economic and political disruption between the EU and the UK.
- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- **UK inflation,** whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields

2. APPENDICES

2.1 Capital Expenditure & Financing and Capital Financing Requirement (CFR)

Table 1: Capital Expenditure Programme

APPROVED CAPITAL EXPENDITURE PROGRAMME	2018/19	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	Budget £'000	Actual £'000	Budget £'000	Projected £'000	Projected £'000	Projected £'000	Projected £'000
TMSS Capital Budget 2019/20	45,715	39,235	20,827	29,410	27,902	18,074	2,974
Approved Capital Growth	0	0	25,100	700	700	0	0
Total Capital Expenditure	**45,715**	**39,235**	**45,927**	**30,110**	**28,602**	**18,074**	**2,974**

Table 2: Capital Expenditure Financing

CAPITAL EXPENDITURE FINANCING	2018/2019	2018/2019	2019/20	2020/21	2021/22	2022/23	2023/2024
	Budget	Actual	Budget	Projected	Projected	Projected	Projected
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Capital Reserves	21,825	-	1,017	153	6,123	-	-
Capital Receipts	290	20,133	362	19,681	11,570	15,576	476
Capital Grants & Contributions	3,599	3,966	3,048	2,776	2,654	2,498	2,498
Revenue Contribution	-	90	-	-	-	-	-
Total Financing	**25,715**	**24,189**	**4,427**	**22,610**	**20,346**	**18,074**	**2,974**
Borrowing Need	20,000	15,046	41,500	7,500	8,255	0	0
Total Expenditure	**45,715**	**39,235**	**45,927**	**30,110**	**28,602**	**18,074**	**2,974**

Table 3: Projected Capital Financing Requirement

CAPITAL FINANCING REQUIREMENT	2018/19 Budget	2018/19 Actual	2019/20 Budget	2020/21 Projected	2021/22 Projected	2022/23 Projected	2023/24 Projected
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Opening Balance	0	0	15,046	56,358	63,148	70,586	69,652
CFR – General Fund	20,000	15,046	41,312	6,790	7,438	(935)	(951)
Total CFR	**20,000**	**15,046**	**56,358**	**63,148**	**70,586**	**69,652**	**68,700**
Movement in CFR	**20,000**	**15,046**	**41,312**	**6,790**	**7,438**	**(935)**	**(951)**

Movement in CFR represented by:							
Borrowing need for the year Details at Annex 1 table 2	20,000	15,046	41,500	7,500	8,255	0	0
Less MRP/VRP and other financing movements Basis: 1.8% PWLB Annuity rate	0	0	(188)	(710)	(817)	(935)	(951)
Movement in CFR	**20,000**	**15,046**	**41,312**	**6,790**	**7,438**	**(935)**	**(951)**

2.2 Prudential Indicators at 30 September 2019

Treasury Indicators	2019/20 Budget £'000	2019/20 Forecast £'000
Authorised limit for external debt	80,000	80,000
Operational boundary for external debt	70,000	70,000
Capital Financing Requirement	56,358	58,352
Gross External Debt (excl MRP)	41,500	43,494
Investments (Note 1)	143,280	143,380
Net Borrowing (Note 2)	**101,780**	**99,886**

Note 1 : Investments

	2019/20 Current Position £'000	2019/20 Forecast £'000
Loans to Subsidiary/Joint Venture Companies	3,972	4,022
Impairments	(185)	(185)
Investment Properties	95,493	95,543
Short Term Investments - Treasury	23,000	23,000
Long Term Investments - Treasury	13,000	13,000
Cash & Cash Equivalents	8,000	8,000
Total Investments	**143,280**	**143,380**

Note 2: Net Borrowing (defined as : External Debt less Investments)

Prudential Indicators	2019/20 Budget £'000	2019/20 Forecast £'000
Capital expenditure	45,927	47,699
Capital Financing Requirement (CFR)	56,358	58,352
Annual change in CFR	41,312	43,306
In year borrowing requirement	41,500	43,494
Ratio of financing costs to net revenue stream	2.63%	1.45%

2.3 Approved countries for investments at 30 September 2019

Link Asset Services: This list is based on those countries which have sovereign ratings of AA- or higher (lowest rating from Fitch, Moody's and S&P) and also have banks operating in sterling markets which have credit ratings of 'green or above' in the Link Asset Services credit worthiness service.

Based on lowest available rating

AAA

Australia

Canada

Denmark

Germany

Luxembourg

Netherlands

Norway

Singapore

Sweden

Switzerland

AA+

Finland

U.S.A.

AA

Abu Dhabi (UAE)

Hong Kong

France

U.K.

AA-

Belgium

Qatar

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Reigate & Banstead
BOROUGH COUNCIL
Banstead I Horley I Redhill I Reigate

SIGNED OFF BY	Chief Executive
AUTHOR	Tom Borer, Policy Officer
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TO	Overview and Scrutiny Committee
DATE	Thursday, 17 October 2019
EXECUTIVE MEMBER	Deputy Leader and Portfolio Holder for Finance, Portfolio Holder for Corporate Direction and Governance, Portfolio Holder for Investment and Companies

KEY DECISION REQUIRED	N
WARDS AFFECTED	(All Wards);

SUBJECT	Portfolio Holder Briefing - Organisation Portfolios

RECOMMENDATIONS

To note the Portfolio Holder Briefing on the Organisation Portfolios, as set out in this report, and to provide any observations for consideration by Executive Members.

REASONS FOR RECOMMENDATIONS

To consider the progress of work against Organisation Portfolio objectives, as of October 2019.

EXECUTIVE SUMMARY

1. This report provides an overview of the activities undertaken within the Organisation Portfolio areas in the municipal year to date.
2. The three Organisation Portfolios are Finance, Corporate Direction & Governance, and Investment and Companies.

KEY INFORMATION

Executive Portfolios

3. Following the Annual Council meeting on 29 May 2019, the Leader of the Council appointed the members of the Executive for the municipal year 2019/20 on 30 May 2019. Each member of the Executive undertook an area of responsibility, known as a portfolio.
4. For operational purposes, these portfolios are aligned with the three themes of the Council's current and emerging Corporate Plans, these being People, Place and Organisation.
5. The three portfolios aligned with the Organisation theme are Finance, Corporate Direction & Governance, and Investment & Companies.
6. The areas of responsibility of these portfolios are as follows:
    - **Finance**: Finance and budgets oversight, service and financial planning, legal services and procurement.
    - **Corporate Direction & Governance**: Corporate policy, performance and risk management, governance.
    - **Investment & Companies**: Commercial agenda, investment acquisitions.

Portfolio Objectives

7. Following their appointment, Executive Members agreed objectives for their portfolio areas for the municipal year.
8. Progress against these objectives has been assessed for the year to date, and these information is provided for the consideration of this Committee.
9. The objectives and progress to date are set out in Annex 1 to this report.

Overview and Scrutiny

10. As part of the Overview and Scrutiny Committee's role of holding the Executive to account, members of the Executive provide regular briefings to the Committee on their portfolios and key items of business within these areas.
11. To reflect the coordinated approach of Portfolio Holders within the Corporate Plan themes, these briefings are presented by theme.
12. The members of the Overview and Scrutiny Committee are invited to consider the briefing provided, and to offer any observations to the Portfolio Holders. These observations will then be considered to help inform future activities within these portfolios.

Autumn 2019

Reigate & Banstead BOROUGH COUNCIL
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Organisation Portfolio Objectives

Finance – Cllr. Schofield	
Finance and Budgets Oversight; Service & Financial planning, Legal Support.	
Objective	**Progress**
Adopt Capital Investment Strategy and Action Plan.	The new Capital Investment strategy was supported by the Executive on 19 September and Council on 26 September.
Service and Financial Planning 2020/21	The draft budget proposals will be considered by the Executive on 7 November, and will be reviewed by the Budget Scrutiny Panel on 21 November, before reporting back to this committee.
Medium Term Financial Plan 2020-25	The update to the Medium Term Financial plan was approved by the Executive in July, following consultation with the Overview and Scrutiny Committee.
Update procurement and contract management and clarify processes and controls.	A review of these processes is forthcoming. It is intended to recruit for an additional related post to ensure effective management and compliance.
Develop Asset Management strategy including maintenance and assessment considerations.	The asset management strategy is being developed and will be considered for approval by the Commercial Ventures Executive Sub-Committee once complete. We will be recruiting a Property Management Lead to support this strategy and effective management of our assets.
Establishing effective working groups/panels to review/guide key elements of Service and Financial Planning, such as Budget Advisory Working Group and Treasury Management/ Investment Panels.	These panels are currently operating and will continue to work with Portfolio Holders to help shape the developing budget.

Ensure effective legal support for the organisation.	The new legal support arrangements have now been established, which are providing improved delivery of legal support. The service is expected to be on-budget from 2020/21.

Corporate Direction and Governance – Cllr. Lewanski	
Corporate Policy, Performance and Risk Management, Governance	
Objective	**Progress**
Performance and project reporting – update Key Performance Indicators (KPIs) and identify new success measures to align with the new Corporate Plan. Introduce consistent approach to project reporting to the new Portfolio Panel meetings.	Corporate Plan success measures are being developed in consultation with Heads of Service, taking account of the recent public consultation on the Corporate Plan. Updated KPIs are also being developed, in consultation with Heads of Service, Executive Members, and members of the Overview and Scrutiny Committee. The approach to project reporting is currently being determined.
Improved Employment and Standards Committees – supported by end of year review.	The Employment Committee is now operating in line with its updated terms of reference, and has been engaged with the recruitment process for both a new Head of Finance and a Director of Organisation. The Standards Committee update is underway, and will be supported by discussions with Group Leaders and the wider Membership. The update aims to enhance the role of the Standards Committee in monitoring and promoting good conduct by Members. An initial draft report is currently being considered by the Monitoring Officer.
Organisation improvement and development activities including workspace, Organisational Development Strategy and progress on the great people work, to be measured by an end of year review.	In July the Employment Committee supported the proposed Organisational Development approach, with Employee Engagement being the key outcome. Work is being undertaken to develop the Great People Programme priorities, which will accompany and support delivery of the new Corporate Plan.
Review and update the Customer Contact Strategy, utilising data and customer insight and minimising the potential for digital isolation.	Updates to the Council's Customer Contact Strategy and the channel shift process have delivered significant efficiencies and savings to the Council. Work is now in progress to make sure that it remains practical and convenient for

	residents to contact the Council using methods other than the website and email, including ensuring accessibility for vulnerable residents.
Support Member training including potential Local Government Association course, etc. – i.e. Leadership Academy.	The training programme for Members has been greatly expanded, with information on additional options and LGA support made available. The expanded programme will continue in future years, and will be developed to accommodate rolling elections.
Deliver and maintain secure and reliable IT and digital systems that enable the delivery of the Corporate Plan.	Rollout of new devices, Windows 10 and Office 365 is progressing well. Additional work to support underlying digital infrastructure, including wi-fi provision and potential integration of community centres, continues to be important to deliver. Keeping systems and technology up to date is a continual requirement and is an essential part of enabling our service delivery.

Investment and Companies – Cllr. Archer	
Commercial Agenda, Investment Acquisitions.	
Objective	**Progress**
Ongoing oversight of existing companies and revenue maximisation.	The Commercial Ventures Executive Sub-Committee is now operational and conducting business. It has been considering shareholder actions and investment opportunities for the Council. As noted, work is being undertaken to maximise effective asset management returns from Council properties.
Determine Horley Business Park investment approach.	Once agreement has been reached with Surrey County Council on working arrangements, the model for delivering the potential development can be fully considered. This will include consideration of funding models and how to ensure the best outcome for the Council and the borough.
Consider investment opportunities as they arise.	The Commercial Ventures Executive Sub-Committee is now available to consider opportunities as they arise. Work is being undertaken to examine models for commercial decision making in other Council and to develop an approach which best suits this Council.
Assess business case and determine direction of potential Revenues and Benefits business.	As identified under the related Housing & Benefits objective, an initial assessment of the work being undertaken in this area, and the future options for it, has been developed for consideration. The Portfolio Holder for Housing & Benefits, Head of Legal & Governance and Head of Finance agreed in September to seek external expertise to further develop our financial modelling, governance and potential operating model options for this area of work (and other Council commercial activities). This is targeted to be completed and ready for consideration in January 2020

Ensure effective monitoring and reporting of investments.	The Commercial Ventures Executive Sub-Committee now provides a venue for more effective recording of shareholder actions. As noted, work is being undertaken to support improved asset management. An overview on the Council's companies is also being considered by the Overview and Scrutiny Committee at this meeting, and the report and any comments from the committee will then be considered by the Sub-Committee.
Work to support cross portfolio opportunities.	Work will be undertaken with associated Portfolio Holders and the Place team to develop projects across the Council once investment elements have been considered.

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SIGNED OFF BY	Director of People
AUTHOR	Alison Robinson, Housing Strategy and Performance Manager
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TO	Overview and Scrutiny Committee
DATE	Thursday, 17 October 2019
EXECUTIVE MEMBER	Portfolio Holder for Housing and Benefits

KEY DECISION REQUIRED	Y
WARDS AFFECTED	(All Wards);

SUBJECT	Housing Delivery Strategy (2020-2025)

RECOMMENDATION

(i) That the Committee provide feedback to the Executive on the draft Housing Delivery Strategy 2020-25

REASONS FOR RECOMMENDATIONS

The Executive agreed an outline Housing Strategy at its meeting on 18 March 2019. This Strategy is due to be considered by Executive in December. It is a function of the Overview & Scrutiny Committee to assist the Council (and the Executive) in its development of policy and strategy.

EXECUTIVE SUMMARY

The draft Corporate Plan, titled 'Reigate & Banstead 2025', sets out the Council's objectives over the next five years. Within the Housing objective is an action to develop and implement a housing delivery strategy. In March 2019 Executive agreed a draft outline of the Strategy. The Housing Delivery Strategy has now been fully developed and is included at Annex 1.

This document is an important step towards delivering the Corporate Plan housing objective. It outlines the borough housing challenges, considers affordability issues as well as the planning policy background and construction challenges.

The Strategy sets out six objectives which aim to enable more households working or living

in the borough to access a home that is affordable to them. Underpinning these objectives is a commitment to partnership working with housing associations, public landowners, investors, developers and others. Overview and Scrutiny now has the opportunity to provide feedback on the Delivery Strategy prior to it being finalised.

STATUTORY POWERS

1. There are no legal requirements for the Council to publish a Housing Delivery Strategy. The Council has a range of powers available to enable direct provision of housing. The Localism Act 2011 s1-7 enable local authorities to establish wholly owned local authority housing companies and enable the Council to undertake land and property purchases. The Act also enables local authorities to work in partnership with other providers.
2. The Council also has access to other powers which can enable housing such as the provision of loans to organisations such as Registered Providers, use of Compulsory Purchase Orders and granting its own permission for development.

BACKGROUND

3. Securing the delivery of homes that can be afforded by local people and which provide a wider choice of tenure, type and size of housing is an objective in the Council's draft Corporate Plan 2020-2025. The Corporate Plan sets out an action to 'develop and implement a housing delivery strategy'.

KEY INFORMATION

4. The purpose of the Strategy is set out in the Council's housing vision, the housing needs challenge, the housing delivery challenge, the Council's five year priorities for housing delivery and an action plan.

Housing Need Challenge

5. Analysis of the local housing market across all tenures shows a strong housing market and high demand for all housing tenures. One of the consequences of strong demand is high house prices and private rental costs. Housing affordability is a significant challenge for households wishing to purchase, to move within the market, to privately rent or afford Affordable Rent homes.
6. Since 2009, borough house prices have risen steadily. The affordability ratio of median house price to median income has risen from 7.61 in 2008 to a current rate of 10.79. First time buyers are particularly impacted.
7. The borough private rented sector is buoyant. Nationally rents have risen by 7 percent since 2015, whilst during the period 2011 and 2017 the average borough rent rose by 29% signifying strong demand and the likely impact of rising property costs.
8. Demand for social housing has continued with the number of households on the

Councils Housing register steady at just over 800, due mainly to local connection qualification criteria. Typically the Council receives 290-330 vacancies a year. The wait for social housing ranges from two to over four years.

9. Homelessness continues to present a challenge. The Homelessness Reduction Act (2017) imposed greater responsibilities on the Council to prevent it. In recent years the Housing Service is coming into contact with increasing numbers of single people with complex needs requiring specialist supported housing.

10. The draft Corporate Plan highlights the borough has an aging population. Delivering appropriate housing for a range of older people is a challenge. Furthermore, as the local population ages the need for carers rises as does the need for lower cost housing for this workforce.

The housing delivery challenge.

11. The Core Strategy plans for 6,900 homes to deliver between 2012 and 2027, averaging at 460 per year. Our delivery is on track. The long-term challenge is maintaining land supply given the constraints of the Green Belt, ancient woodland, flood risk areas and other environmental constraints.

12. Much borough development is developer led which impacts on our ability to manage the rate and pace of development. Affordable housing continues to be delivered but is more challenging due to changes in national policy.

13. After allowing for planning opportunities, construction is challenging due to market conditions, rising costs of materials and labour and labour shortages. These factors impact on deliverability and timescales. It is a complex process requiring significant financial investment upfront.

Our five year priorities for housing delivery

14. Our aim is to enable households to access the housing they need at the time it is needed. This is a bold ambition that goes beyond this five year delivery strategy. Intervening in the housing market is complex and at a borough level we cannot change wider economic and market issues such as affordability. However, we can work in targeted way on specific projects with a variety of partners to deliver local projects. The Strategy outlines six housing delivery priorities:

Use our Council Assets

15. Objective 1: Use our land and assets to deliver additional housing. The Council owns a modest number of sites and buildings and are keen to maximise the potential of suitable assets. The Council will undertake an assessment of site suitability for housing, capacity, scale and costs of delivery of our sites and use this to work up a delivery programme. Options for delivery will be considered including direct delivery, through a Council owned company or a Joint Venture vehicle.

Make use of public land, private land opportunities and empty homes

16. Objective 2: Work with public land owners to redevelop redundant or underused sites and land into housing or mixed use schemes and work in partnership to bring empty homes back into use. The Council is keen to progress a partnership approach to this priority. Although small in number and size, some underused or vacant public land offers development opportunities to deliver homes.

17. Empty homes, including flats above shops are an untapped resource. Numbers in the

borough are low although the challenges to bring them into use are high. We will look at opportunities to work in partnership to access funding and support work to bring them into use.

Local Housing Companies as a Housing Delivery Tool

18. Objective 3: Establish a Local Housing Company or other vehicle to help us deliver more homes. As part of our commitment to deliver more housing that is affordable to local people we will be exploring the best mechanism to deliver it. Wholly owned Council companies have the potential to deliver the whole range of housing tenures. All profit from them can be directly reinvested into further company activities, into existing Council services or the development of new services

Joint Venture Partnerships

19. Objective 4: Work with partners to maximise the potential of development sites to meet local housing needs. To deliver real housing change we must explore and be open to opportunities to establish joint venture (JV) vehicles with others which will unlock sites for development. Working through a joint venture will also secure additional investment, proportional risk sharing and access to technical skills and experience.

Deliver specialist housing for single people

20. Objective 5: Deliver supported housing for single people with complex needs in partnership with a specialist supported housing provider. There has been a sharp increase in complex needs vulnerable people needing assistance and suitable accommodation is almost non-existent. We aim to work with an experienced provider to deliver small scale accommodation with an intensive support service in the borough and support households on their housing journey.

Deliver housing to meet local needs through planning policy

21. Objective 6: Take a plan-led approach to meeting housing delivery targets set in the Local Plan whilst supporting developers to increase development density and optimise design to maximise opportunities to deliver affordable housing to meet local need. Homes delivered now, are likely to be required by many future generations. Maximising the density of appropriate developments is crucial to making the best use of the valuable land resources in the borough. Increases in density support the delivery of more affordable housing by improving site viability.

22. The challenge for the Council and developers is securing and delivering the right affordable homes to meet local needs. Our aim is to overcome the common barriers to the delivery of mixed affordable housing schemes. We will complete a review of the Affordable Housing Supplementary Planning Document and include new design guidance for affordable housing.

23. The Strategy is supported by an Action Plan.

OPTIONS

24. This will be detailed in the report to Executive.

LEGAL IMPLICATIONS

25. There are no specific legal implications arising out of the development of the Strategy. However, the delivery of specific projects and initiatives outlined in the Strategy will give rise to legal matters. For example, housing delivery projects may require the creation of legal entities in the form of joint venture partnerships or new or revised company arrangements. Any future legal implications will be put to and considered by Executive or the Joint Venture Executive Sub Committee as appropriate in due course.

FINANCIAL IMPLICATIONS

26. There are no financial implications at the point of developing and publishing the Strategy. Several of the actions contained in its action plan will require financial resources and commitments.
27. A business case will be built for each project as it arises and opportunities presented to the Executive or Commercial Ventures Executive Sub-Committee as appropriate. We will seek their approval to carry out new housing schemes and make provision for this expenditure in the Capital Programme each year. Sources of funding for housing schemes in the Programme will include prudential borrowing, use of capital receipts from sale of existing assets, affordable housing developer commuted sums and applying for Government grants. We intend to gain Homes England partner status to enable us to apply directly for grants.
28. The revenue budget implications of borrowing for housing schemes will be taken into account when preparing the Council's Medium Term Financial Plan and annual budget each year.
29. Delivering a range of housing options will require commercial decisions. Ventures undertaken through a Council company will be funded through loans from the Council at commercial rates, through use of commuted sums and through the use of Council land. The intention is that, over time, the company will borrow from private sources as well as the Council as its asset base and investment plans grow.

EQUALITIES IMPLICATIONS

30. An Equalities Impact Assessment has been completed. It indicates several target groups will be positively impacted by implementation of the Strategy through the delivery of additional homes to meet a range of groups.
31. In terms of age, the Strategy highlights the borough has an ageing population with a need for a range of suitable accommodation options. The Strategy also highlights the need for a range of housing options for single people, couples, and families with children and an expectation of delivery of homes to meet the needs of these groups. More specifically, in terms of the disabilities target group, the Strategy commits to establishing supported accommodation for single people with long-term mental health and other complex needs marking a positive impact.
32. No negative impacts are identified and therefore a Full Assessment has not been undertaken. The report does however, indicate that the strategy is focused on households who live or work in the borough and therefore equalities target groups

from outside the borough will not benefit from implementation of the Strategy.

COMMUNICATION IMPLICATIONS

33. There are no specific communication implications. The Strategy will be published on the Council's website following Executive in December 2019. Our partners will be made aware of its completion and publication directly and through meetings.

HUMAN RESOURCES IMPLICATIONS (if applicable)

34. Not applicable.

RISK MANAGEMENT CONSIDERATIONS

35. There are no risk management considerations for publication of the Strategy.

CONSULTATION

36. The Executive and Portfolio Holder for Housing and Benefits have been consulted throughout development of the Strategy. Consultation with Executive began at a meeting to scope the Strategy in December 2018. An Outline Housing Delivery Strategy was agreed by Executive in March 2019.
37. An all Member consultation took place on 26 September to enable Members to contribute to the final Strategy. A verbal update on this meeting will be given to Overview & Scrutiny Committee.

POLICY FRAMEWORK

38. The Draft Corporate Plan 2020-25 forms part of the Policy Framework for the Council. It identifies Housing as a corporate priority and includes an action to develop and implement a housing delivery strategy. Whilst this Strategy does not form part of the Policy Framework it does deliver an action within the draft Corporate Plan and supports its delivery.

BACKGROUND PAPERS

1. None.

Housing Delivery Strategy

Draft
2020 - 2025

20 September 2019

Reigate & Banstead
BOROUGH COUNCIL
Banstead | Horley | Redhill | Reigate

WELCOME

Welcome to our draft Housing Delivery Strategy

This Strategy sets out our proposed housing priorities for the next five years and explains how we intend to enable more housing that is affordable to people who live or work here.

Everyone aspires for a place to call home. The challenge will be to assist more people to find a local home that meets their individual needs. We cannot solve all of the borough's housing issues, but we can work in partnership to influence new housing delivery, work to deliver our own programme, lever in more investment and importantly to have an on-going conversation with local people to ensure we deliver the right homes in the future.

Cllr Mark Brunt
Leader

Cllr Graham Knight
Housing Portfolio

OUR VISION

Our housing vision is to:

To secure the delivery of homes that can be afforded by local people and which provide a wider choice of tenure, type and size of housing. To achieve this ambition we will:

- **Work in partnership with housing associations, Surrey County Council, developers and Homes England**
- **Maximise the delivery of homes through planning policy**
- **Explore innovative ways to deliver the right housing in the right places**
- **Develop our own housing delivery programme**
- **Support housing developers to provide housing to meet local needs**
- **Make best use of housing development opportunities**
- **Take commercial decisions to secure more housing choice**

We know that our residents, those that work in our borough and businesses like our location close to Gatwick and London, like the attractive well serviced towns, our great parks and beautiful countryside.

The availability of good quality, well designed housing for a range of household types is crucial to support the prosperity of our borough and the people who choose to live or work here. Every household has a different housing journey and we need to support choice and increased availability of housing at all stages of the journey.

Introduction

Housing is an important issue for everyone. A shortage of the right homes to meet a range of budgets and housing needs has an impact on borough residents as well as local businesses and public services.

This is recognised in the Council's new five year Plan, 'Reigate & Banstead 2025', which sets an objective to secure the delivery of homes that can be afforded by local people and which provide a wider choice of tenure, type and size of housing. This Housing Delivery Strategy provides more detail about how we will achieve this.

With its excellent transport links, attractive towns and countryside the borough is a popular location in which to live. The employment market benefits from the location of a number of large companies, a thriving micro business sector, a regional hospital and its proximity to London Gatwick Airport.

The housing market has remained strong. Over the last ten years house prices have risen. This has been supported by a sustained increase in the number of residential sales taking place. However, one of the impacts of a strong residential market is reduced housing affordability. Within the borough the affordability gap for many home buyers and private renters has continued to widen.

New housing continues to be delivered across the borough on small and large allocated sites and windfall sites located in towns, urban areas and on the edge of towns. The identification of regeneration areas in Horley, Redhill and Preston has delivered a diverse range of housing development as well as community and leisure facilities. The on-going regeneration of Redhill town centre has created opportunities for the delivery of high quality, high density flatted developments close to excellent transport links. Much of this new development in the town delivers homes to buy, private rented homes as well as improvements to shopping and leisure facilities.

Most housing delivery in the borough is plan-led. The Core Strategy 2012-2027 sets out the pattern, scale, amount and quality of development in the borough. It includes setting the housing delivery requirement of 460 new homes per year. Adopted in September 2019, the Development Management Plan contains the detailed policies and land allocations required to deliver the strategic requirements of the Core Strategy.

Development delivery rates have continued to meet or exceed the Core Strategy target and the annual average minimum target of 460 additional homes has been consistently exceeded. We are proud of our housing delivery rates and recognise we need to continue to maximise delivery and secure affordable housing at every suitable opportunity. A diverse new high quality housing supply must meet the range of housing needs of local people and support the needs of businesses and the local economy. Our approach combines a plan-led approach with opportunities for the Council to deliver housing directly and in partnership with others.

For the avoidance of doubt, this Housing Delivery Strategy does not form part of the Council's Local Plan or supplementary planning documents.

The Housing Need Challenge

The borough housing challenge is considerable. It is driven by a combination of housing costs, land values, earnings, employment opportunities, population growth and changing demographics. Demand for all tenures of housing is high and as a result local housing costs have continued to rise over the last ten years.

This section outlines the main housing challenges in the borough and the effects on specific groups most impacted. Having looked at the borough housing market, the underlying issue for many households is housing affordability. This impacts on all tenures and affects many household types and incomes groups.

House Purchase Affordability

Housing affordability is the biggest challenge facing households hoping to buy a home. Within the borough the average house price is £513,836[1], this equates to over 10 times the local average income and is well above the national average of £233,181. Looking at specific property types, the average flat price is £256,474, whilst the average cost of a terraced house is £398,796.

Since 2009, house prices have continued to rise steadily in the borough with an overall increase of 63%[2]. Since 2008, the affordability ratio, measured as median house prices and median incomes, for the borough has increased from 7.61 to the current 10.79. Since 2017 affordability has been slowly improving with slightly reduced ratios, this trend is reflected across Surrey and England. Whilst the borough affordability ratio is higher than England (7.70) it remains lower than Surrey as a whole (11.71).

Housing Fact: *Average resident annual income is £34,098*

First-time buyers

The rise in house prices has impacted significantly on younger households. Amongst younger people, increased house prices together with revised mortgage lender practices and more unstable employment prospects have led to fewer house purchases. Recent research shows that homeownership amongst young adults aged 25-35 on middle incomes has declined significantly from 65% in 1995-6 to 27% in 2016[3]. In the current market lenders require higher levels of deposit, typically 10%, as well as limit lending to a maximum rate of 4.5 times household income. In the borough, first time buyers purchasing an average priced flat require a deposit of £25,600[4].

In more recent years there has been a growth in the availability of 5% deposit mortgages in response to the introduction of the Help to Buy Equity Loan Scheme. However, this scheme is set to end by 2021 for most buyers, although an extension has been granted for first time

[1] Land Registry 2018/19
[2] Reigate & Banstead 2019
[3] IFS study: The decline of homeownership among young adults. Income bracket: £20,000 - £30,000
[4] ONS House Price data, March 2019

buyers to 2023. As this scheme ends, the availability of affordable mortgages and lower deposit requirements is likely to decline and potentially reduce opportunities to buy.

Saving a deposit takes time with buyers having to save for many years. Affordability issues, lifestyle choices and financial commitments mean the average age of a first time buyer is now 33 years old and 40% have children. As a result many first time buyers now face childcare fees which can range from over £6,000 - £12,000 a year and others also have significant university fees to repay. Despite high housing costs, research suggests the most popular choice for a first home is a family size property, with only 8% of first time buyers looking for a one-bedroom 'starter flat[5]'

Affordable homeownership options have become increasingly attractive to first-time buyers, particularly as they offer a range of property types and sizes. The most common affordable homeownership schemes are shared ownership where buyers part rent / part buy a home and shared equity housing. Currently there are over 300 households registered on the Help to Buy list interested in buying an affordable homeownership property in this borough, although not all are residents or are employed in the borough.

The Council will deliver affordable homes on its own land at Pitwood Park, Tadworth

Private renters

Private rented housing accounts for at least 13% percent of homes in the borough[6], although this figure is likely to be higher given market shifts towards renting over the last ten years. Demand in the borough is high and this is driven by market housing affordability issues, households taking longer to save a deposit to buy and the lack of availability of social housing.

Amongst young adults in particular, there has been a sharp increase in private renting which corresponds with a decline in homeownership rates. In 2007-08, 28% of young adults lived in the private rented sector, this has risen to 44% in 2018[7]. A very small number of older households privately rent currently, although this could increase if rates of owner occupation continue to decline.

Nationally, rents in the private rented market have risen by 7% since 2015[8]. At a borough level rates have increased at a greater rate. Between 2011 and 2017, the average rent rose by 29% possibly driven by demand or increased house price values. Typical rents for smaller homes start at around £500 a month for a room in a house share and £825 for the average one bedroom flat. Family size accommodation starts at £1,075 per month for a two bedroom flat, rising to £1,400 for a three bedroom home, and over £1,900 for four bedroom properties. Despite relatively high costs, there is a buoyant rental market and properties rarely stay vacant for long.

[5] Santander Study of First time Buyers
[6] Census 2011
[7] ONS Private Rented Sector 2018
[8] Index of Private Housing Rental Price in the UK 2019, experimental index

Social housing applicants

The borough has around 6,000 social rented homes. This equates to 11 percent of housing in the borough and has declined by 1% as a proportion of housing stock since 2001.

The number of households waiting for social rented housing is a measure of housing need. In the borough there are over 800 households on the housing register at anytime. Of these, around 550 households need a social housing tenancy and the remainder are local social housing tenants needing a move to a different property. This number has remained fairly static since 2013 when changes to the qualifying criteria to join the register were introduced.

Housing register applicants are not a homogenous group. They include all household types and sizes, people with disabilities or long-term health issues, retired households and many working households. Many of the 550 households on the register seeking a social housing tenancy are living in private rented housing or staying with friends or family.

Analysis of the spread of incomes of households on the register shows 70% have incomes below £19,999 after allowing for housing costs. Just over 50% of these low income households are working households[9]. Almost half of homeless households owed a homelessness housing duty are also working households indicating housing affordability issues.

To meet the ongoing need for social housing we rely on vacancies in housing association housing stock. On average we receive around 290-330 requests a year from social landlords for households to move into vacant homes. Almost all vacancies are from within existing stock. Typically, housing for older people accounts for 15% percent of requests.

The typical wait for an offer of social housing varies depending on property type and location. The highest demand is for two bedroom homes with a waiting time of around 2-3 years. Due to low numbers of adapted homes and larger family homes, the wait frequently lengthens to over four years.

Households facing homelessness

Our Homelessness Strategy sets out the scale of the issue in the borough and our priorities for managing it. The significant change in homelessness responsibilities introduced by legislation in 2017 has led to greater responsibilities on the Council to prevent it. There has been an increase in the numbers of households approaching us for assistance.

At any point in time there are around 130 households in temporary accommodation in the borough, 15-20 households in emergency accommodation located in and out of the borough with over 230 children living in temporary / emergency housing.

Historically, our homelessness service has assisted mainly families whose private rented housing has ended or have been evicted from the family home. Whilst they continue to be the main group, in recent years our services are increasingly coming into contact with single people experiencing some or all of the following issues - mental health problems, substance misuse, alcohol misuse and are prison leavers. Many of these households lead chaotic lives exacerbated by insecure, inadequate housing. Accommodation is part of the solution. More

[9] As at July 2019 assessment of 30% of the Register

intervention is needed to improve prevention rates of substance and alcohol misuse[10]. The on-going challenge for us is securing appropriate accommodation with the right level of support to assist individuals to manage better.

Older People

Housing costs and the availability of suitable homes is not just an issue for younger households. As our population ages the need for appropriate housing for older people is growing. The borough has an aging population. Currently, 27% of residents are aged over 65 and this is projected to increase to 39% by 2035. As the population ages the need for care and support to enable households to remain at homes rises, as does the need for more appropriate or specialist accommodation.

Whilst an increasing number of carers of older people are aging partners and spouses, a significant amount of care is also provided to older people by paid care workers. As the need for care rises, the need for lower cost housing for care workers increases.

Owner occupation rates are high amongst older people in the borough. However if the current trend of lower homeownership rates among younger households continue, in the future more older people will be living in private rented accommodation supported by welfare benefits. The need for a range of housing options also suitable for older people to meet a range of financial circumstances will become more critical in the future.

[10] Surrey Health and Wellbeing Strategy 2019

The Housing Delivery Challenge

The Council is committed to ensuring the delivery of homes across the borough to meet local housing need and demand. Our role is two-fold. As the Planning Authority we direct development through the Local Plan and as a Housing Authority we have the ability to directly deliver a range of housing tenures through our own developments and in partnership with others. Delivering development has many challenges and is a complex process involving planning, construction professionals and complex financial arrangements.

Delivering homes through planning policy

Our Core Strategy plans for 6,900 homes to be delivered between 2012 and 2027 averaging 460 homes a year. To date, progress against the Core Strategy housing requirement shows that since April 2012, 3,647 dwellings have been completed leaving an outstanding requirement of 3,253 over the plan period. The challenge in the long-term is to maintain this on-going five year land supply to ensure planned delivery of sustainable urban extensions in future years given local constraints imposed by flood risk, Green Belt, ancient woodland and other environmental constraints.

Looking at the next five years, the overall Core Strategy housing requirement is just under 2,000 homes. Having assessed current deliverable land supply in the borough, a total capacity of just over 3,000 additional dwellings is identified over the next five years. This equates to a 7 year supply.

Most borough development is developer led. This means our ability to manage the rate and pace of development is very limited. This also impacts on the delivery of affordable housing in the borough. Our affordable housing delivery target of 100 a year is largely being achieved although it is becoming more challenging to secure a mix of affordable housing to meet local needs. A combination of the impacts of national policy on the delivery and tenure of new affordable housing, funding, welfare reform and growth of very large housing associations seeking larger sites have contributed to the challenge.

The Development Management Plan adopted in 2019, includes a revised affordable housing policy. It lowers the site from 15 to 11 units for 30% on-site affordable housing. Furthermore, in response to the need for more rented homes, the proportions of affordable rented and shared ownership homes to be delivered on planning sites has shifted to from 40% to 60% in favour of rented homes.

Housing Fact: *We have increased the affordable housing requirement on greenfield sites to 35%*

Construction Sector

After allowing for these planning opportunities, the capacity and appetite of the building construction sector and developers can present challenges to delivery. Capacity within the house-building industry impacts on rates of construction, as do market conditions and demand for housing. In addition, labour shortages and increasing costs of materials are common issues particularly where sites are led by traditional construction methods and materials.

In response to materials and labour costs, more companies are investing in alternative off-site construction methods and products to meet the demand for increased house building rates. Residential capacity in this sector is increasing although to date, off site construction companies have favoured larger scale developments. This industry is gaining momentum with the potential to accelerate build rates and reduce construction waste, the challenge in the borough will be to access this potential.

The housing construction process is challenging due to its complexity. As a result, it frequently takes some considerable time to move from the planning process to on-site construction. Just reaching the point of planning consent involves complex processes to secure infrastructure and consents, funding, agreements for affordable housing and site preparation.

Finance

Housing development requires significant upfront finance and cash flow from sales or rental income. Increasing costs of materials and labour costs combined with slow sales all impact on the speed of delivery of homes and ultimately impact on deliverability. In the current economic climate the housing market has slowed and it is not clear how the housing market will respond to future economic conditions and changing circumstances (including related to Brexit) when it comes to housing delivery.

Our five year priorities for housing delivery

This five year delivery strategy sets an ambition to boost the numbers of homes that are affordable to more households in the borough. To deliver this ambition, we will adopt a flexible and responsive approach to the use of delivery vehicles, partners, construction methods, tenure type and funding sources.

We recognise there are a range of household types at different points in their housing journey all facing different financial, caring, health or mobility challenges. For some, their journey is through private rented housing, other are in a social housing tenancy. Younger households may be seeking a foot on the property ladder, whilst other households are looking to up-size or down size to more suitable homes. Others are looking for or living in a room in a share. What is clear is that a variety of housing options which are affordable to local people are needed.

Our aim is to enable households to access the housing they need at the time it is needed. This is a bold ambition that goes beyond this five year delivery strategy. Intervening in the housing market is complex and is driven by interdependent factors such as demand, land costs, investment interest, capital resources and planning. At a borough level we cannot change wider economic and market issues such as affordability. However, we can work in targeted way on specific projects with a variety of partners to deliver local projects.

In this section we outline a number of priorities the Council is committed to taking further. Some involve specific deliverable projects and others will place the Council in a better position to work with others to deliver change. Over the course of this Delivery Strategy we expect to respond to market or investment opportunities, the appetite of partners to work with us and to wider shifts in housing and financial markets.

The overarching theme of our Delivery Strategy is ‘partnership’. Housing delivery requires joint work with partners to secure expertise, skills and financial investment.

Using our Council Assets

Objective 1: Use our land and assets to deliver additional housing

The Corporate Plan commits us to developing our land holdings for housing and delivering a minimum of 30% affordable housing on all Council schemes. We own a modest number of sites, land parcels and buildings across the borough and are keen to maximise their potential. We have already delivered housing on some of our own sites and are working towards delivering a mix of tenures and opportunities on other sites.

Case Studies – Council led housing delivery:

Littlefield Close*: In 2017 we delivered 19 new homes on Council owned land in Horley. Littlefield Close provided two and three bedroom market houses aimed at helping more local people get onto the property ladder. With prices starting at £280,000 the development located close to Horley town centre and its facilities attracted a number of first time buyers.*

Redhill town centre: *To support the on-going regeneration of Redhill town centre, we are redeveloping a key building in Cromwell Road. This attractive, contemporary development will deliver 32 one and two bedroom flats and ground floor retail units. Fifty percent of the flats will be sold as shared equity homes. The development is due to complete by 2021.*

Lee Street, Horley: *Developing on the smallest scale, we are working towards building four contemporary micro homes using modern methods of construction. Located on a small disused piece of land, the development will offer accommodation to single low income people providing a starting point on their housing journey.*

Whilst many of our land holdings are too small to develop for housing or simply unsuitable due, for example, to planning constraints, a small number of sites may have potential for development. The potential scale of delivery could range from a couple of homes through to larger scale housing schemes.

One of the starting points for our own direct delivery programme is a detailed capacity study of our land and assets. This will provide a detailed understanding of the opportunities, constraints and risks of sites. This information will inform a programme for unlocking their potential.

Future development of Council land may be undertaken directly by the Council, through a Council owned company or through a partnership arrangement such as a joint venture. The business case of each opportunity will be assessed individually by the Commercial Ventures Executive Sub-Committee to ascertain the social and economic gain of delivery.

To continue the momentum gained through development of other sites already, we will identify a realistic schedule of developable, deliverable sites for the coming years which will collectively deliver a variety of tenures.

Make use of public land, private land opportunities and empty homes

Objective 2: Work with public land owners to redevelop redundant or underused sites and land into housing or mixed use schemes and work in partnership to bring empty homes back into use

Underused or redundant public land and empty homes can make a contribution to meeting housing demand in the borough. Although they are small in number, within the borough public authorities have sites and land with development potential which are either vacant, underused or require redevelopment. Some of these sites are identified in the Development

Management Plan with potential for housing and or mixed uses. We are keen to progress a partnership approach to the redevelopment of sites to maximise their potential and deliver the right type of housing and tenure for local people.

We will take a proactive approach to identifying and working with public land owners and other charitable owners to deliver our housing vision. Recognising that some sites will be subject to sale, we will assess opportunities to acquire sites that meet our objectives to deliver more housing. Our determination to maximise the use of public and private development site means we will assess opportunities to bring together multiple landowners to take forward more comprehensive developments.

The borough private land market is highly competitive and land values are high. To deliver more housing we will continue to assess opportunities to acquire land and underused or redundant sites that have future development potential. There may be opportunities in the future to direct acquisitions and projects through a wholly owned Council company.

Empty Homes and unused flats above shops are also an untapped housing resource. Whilst the numbers of long-term empty homes is relatively low at under 60 across the borough, they offer another solution to meeting housing need. Bringing empty homes back into use is extremely challenging. To deliver this objective we will work in partnership with local housing providers to support them to bring homes into use and to access national funding opportunities.

Local Housing Companies as a Housing Delivery Tool

Objective 3: Establish a Local Housing Company or other vehicle to help us deliver more homes

As part of our commitment to deliver more housing that is affordable to local people we will be exploring the best mechanism to deliver it. Council owned companies are an option and many local authorities now have housing companies delivering market homes, affordable housing and private rented homes. Companies are not new to the Council, in 2016 the Council established Greensands Property Company. Established for mainly commercial property opportunities, to date its activity has been limited.

Wholly owned Council companies have the potential to deliver the whole range of housing tenures from private sale housing right through to social rented housing and everything in between. All profit from them can be directly reinvested into further company activities, into existing Council services or the development of new services. As well as delivering more housing opportunities, a Council owned company can provide a long-term, relatively stable income stream to the Council critical to maintaining and developing new services.

Our intention is to assess the options for a Council owned company to deliver housing. The range of options that will be considered include a single specific local housing company (LHC), a company group structure and options to use our existing property company.

Subject to a future decision by the Commercial Ventures Executive Sub Committee that the Council should proceed with a company to deliver additional housing, a programme of projects will be agreed. Opportunities to be considered include the purchase of land,

development sites, individual units on new development sites, affordable housing units on small sites as well as existing homes.

Joint Venture Partnerships

Objective 4: Work with partners to maximise the potential of development sites to meet local housing needs

Building effective partnerships with others will be crucial to the delivery of a varied landscape of housing in the borough. We already work successfully with a broad range of organisations including developers, housing associations and charities to deliver housing development schemes. To deliver real housing change we must explore and be open to opportunities to establish joint venture (JV) vehicles with others which will unlock land and sites for development.

The Council has general authority and powers to establish and participate in JV vehicles directly or through its own company. The purpose of a future joint venture vehicle will be to work on a site specific basis to secure the delivery additional housing and other appropriate development. Such schemes must generate a profit and some schemes may generate an on-going income stream to the Council. All profit will help fund the delivery of more schemes or Council services.

Working with the right partners through a joint venture will secure additional investment. With all development comes risk and a future joint venture partnership will proceed on a proportional shared risk basis. Furthermore, the right partnership will bring the additional technical skills, development knowledge and experience needed to successfully develop out schemes. We will continue having dialogue with organisations able to invest capital and skills into future projects.

Deliver specialist supported housing for single people

Objective 5: Deliver supported housing for single people with complex needs in partnership with a specialist supported housing provider.

Over recent years our services have experienced an increase in the numbers of people with complex needs requiring assistance. Many of these households experience mental health problems others also have other issues such as alcohol or drug addiction, homelessness or a history of offending. The number of these vulnerable households seeking housing advice and approaching us as homeless has risen sharply following changes in homelessness legislation introduced in 2018. At the same time funding and access to mental health services, drug, alcohol and housing support services has declined significantly.

Whilst single people with complex needs are a relatively small group the numbers are increasing and accommodation options remain extremely limited or non-existent. In 2018/19 we accommodated 109 single people of which 87 were recorded as having one or more support needs. Currently, we place homeless households in emergency accommodation with limited or no support and few housing prospects. As part of our commitment to improving the housing journey of more local people, we will work in partnership with an experienced supported housing provider to develop an accommodation offer for this group within the borough.

We aim to deliver small scale accommodation with an intensive support service in the borough. It will offer a small number of individuals access to shared housing, to services and support networks which will aim to provide stability and a way forward on their housing journey. Short-term in nature, the accommodation will strive to prepare individuals for a move to supported housing or independent housing.

Deliver housing to meet local needs through planning policy

Objective 6: Take a plan-led approach to meeting housing delivery targets set in the Local Plan whilst supporting developers to increase development density and optimise design to maximise opportunities to deliver affordable housing to meet local need

We continue to meet or exceed our Core Strategy annual housing delivery target of a minimum of 460 new additional homes a year. Within this overall target is an objective to deliver 100 of these new homes as affordable housing. Delivery performance of affordable housing has remained on track and this is set to continue as part of the overall delivery of new homes.

Making the most of development sites in terms of amenity value, quality of design and use of land is crucial to securing market homes to support the delivery of affordable housing on-site. Homes delivered now, are likely to be required by many future generations. Maximising the density of appropriate developments is crucial to making the best use of the valuable land resources in the borough. Increases in density support the delivery of more affordable housing by improving site viability and in many locations create increased footfall to support our town centres, however high density developments need to be high quality and carefully designed.

The Core Strategy requires development to make efficient use of land and be at an appropriate density taking account of and respecting the character of the local area. The Development Management Plan (DMP) also supports this principle. To assist developers to deliver higher density developments in appropriate locations we will develop and update local design guidance. The aim of the guidance will be to identify the most appropriate locations for the intensification of development, to provide guidance on appropriate levels of intensification and support a design-led approach to support it.

Delivering affordable housing is a priority. The challenge for the Council and developers is securing and delivering the right affordable homes to meet local needs on a site by site basis. The trend has been to deliver shared ownership only on market led sites delivering small numbers of affordable housing. We intend to maximise opportunities to secure a mix of affordable housing tenures and types to meet local needs and to assist developers to meet their planning obligations. Our aim is to overcome the common barriers to the delivery of mixed affordable housing schemes.

To date, limited local information and design guidance on affordable housing has been available to assist developers and support registered providers delivering in the borough. To assist we will complete a review of the Affordable Housing Supplementary Planning Document. The review will include new design guidance for affordable housing which will support securing appropriate affordable housing that is attractive to all the occupants on a

site, can be seamlessly integrated, is deliverable by developers and attracts the interest of registered providers.

To support housing delivery in the borough, an up to date evidence and research base is crucial. Our evidence base must be reviewed and updated regularly to enable the Council to respond to changing housing needs through policy making and direct delivery. We will continue to update key pieces of evidence such as housing needs assessments used to inform planning policy, assess policy impacts and make changes to our services to ensure the right housing, in the right places continues to be delivered.

Resourcing our housing delivery ambitions

We are committed to delivering a variety of housing solutions to the people who live or work in our borough. Much new housing will be delivered through planning policy on designated sites. However, opportunities exist for the Council to deliver its own housing programme and to work with partners to do more. It has to be recognised, however, that delivering this Strategy will have capital and revenue costs attached to it.

We will build a business case for each project as it arises and present opportunities to the Commercial Ventures Executive Sub-Committee. We will seek their approval to carry out new housing schemes and make provision for this expenditure in the Capital Programme each year. Sources of funding for housing schemes in the Programme will include prudential borrowing, use of capital receipts from sale of existing assets, affordable housing developer commuted sums and applying for Government grants. We intend to gain Homes England partner status to enable us to apply directly for grants. The revenue budget implications of borrowing for housing schemes will be taken into account when preparing the Council's Medium Term Financial Plan and annual budget each year.

Our housing association partners are able to access Homes England capital grant programmes to deliver additional affordable homes. We will continue to support their grant applications for additional affordable housing in the borough and will look to access funding on joint projects.

Our ambition to deliver a range of housing options requires commercial decisions. Ventures undertaken through a Council company will be funded through loans from the Council at commercial rates, through use of commuted sums and through the use of council land. The intention is that, over time, the company will borrow from private sources as well as the Council as its asset base and investment plans grow.

The Council will create a team of professionals with direct responsibility for achieving our ambitions. The team will have experience in property, finance and housing. They will liaise closely with existing Council teams including our Legal Team, Housing Service, Procurement Team and Finance Service.

Action Plan 2020 – 2025

Task no.	Task	Responsibility	Years 1-5	Outcome	Resources
Objective 1: Use our land and assets to deliver additional housing					
1A	Appraise Council land - draw up a shortlist of sites with development potential	Property Team	1	Clarity achieved on the capacity of the Council's land holding to deliver additional homes.	Existing resources
1B	Work through the shortlisted sites identifying site capacity, tenure, type	Property Team, Legal, Finance	1-2	Shortlist of developable sites identified	Existing resources
1C	Agree a delivery programme, delivery vehicle and funding	Housing, Place Delivery	2 onwards	Additional homes delivered	Capital borrowing
Objective 2: Make use of public land, private land opportunities and empty homes					
2A	Work with Surrey CC property team and Places for People to assess borough opportunities	Place Delivery	1-5		Existing resources
	Work with other public land owners to identify opportunities for joint development schemes	Property Team, Housing	1-5	Additional homes delivered on underused / vacant sites	Existing resources
2b	Undertake a detailed assessment of existing empty homes by owner, property type and location	Housing	1	Target list of homes agreed	Existing resources
2C	Develop a programme to target specific homes and identify a delivery partner to work with and access external funding	Housing	1-5	Empty homes	Partner funding, external funding e.g. Home England grant
Objective 3: Local Housing Companies as a Housing Delivery Tool					
3A	Agree the most appropriate structure to deliver a build programme. Options	Housing, Legal, Finance	1	Appropriate vehicle and business case	Existing resources

	include establishing a housing company / creating a group structure / revitalising Greensands			agreed by Executive by Committee	
3B	Present the business case for a revised company remit / structure to the Commercial Ventures Executive Sub-Committee	Legal, Finance, Property	1	Company structure is revised and ready for new activities	Existing resources
3C	Longer-term investment strategy agreed and delivery started	Legal, Finance	2	Council company delivers a programme of additional homes	A combination of loans, longer term income generation, profits.
3D	Assess opportunities to 'spot purchase' units from developers including small numbers of affordable homeownership homes on s106 sites.	Company	2-5	Delivery of additional homes	A combination of loans, longer term income generation, profits.
Objective 4: Joint Venture Partnerships					
4A	On a site by site basis assessment risks and benefits of partnerships to deliver schemes.	Legal, Finance, Property	1-5	Delivery of additional homes, infrastructure and community facilities	Existing staff, consultancy, capital reserves, borrowing, joint investment.
4B	Assess opportunities to purchase land, sites, buildings, street properties and enter joint venture partnerships to deliver homes.	Company	2-5	Delivery of additional homes	A combination of loans, longer term income generation, profits.
Objective 5: Develop supported housing for complex needs single people					
5A	Work up a supported housing scheme, identify a preferred model, capital and in-going revenue sources, suitable location, on-gong revenue support	Housing, Legal, Property, Finance	1-2	Funding and support secured for scheme	Existing resources
5B	Purchase a building, refurbish, appoint a support provider	Housing, Property, Legal	2-4	Scheme for vulnerable people operational	Commuted sums, on-going revenue support

				providing housing & support	
Objective 6: Deliver housing to meet local needs through planning policy					
6A	Update the borough design guidance for developers identifying good practice for intensification of sites, guidance on appropriate sites, building and site layout guidance.	Planning Policy	1-2	Design guide published, densities on appropriate sites increase, more affordable housing delivered,	Existing resources
6B	Affordable Housing SPD revised to incorporate design guidance for developers	Planning Policy	1-2	Revised SPD adopted resulting in more improved tenure mixes and affordable housing to meet local needs	Existing resources
6C	Local Plan evidence base reviewed and updated. Including evidence on housing needs across all demographic groups, affordability, and deliverability.	Planning Policy	1-5	Up to date evidence use to inform plan making and planning application determination.	Existing resources

Reigate & Banstead
BOROUGH COUNCIL
Banstead I Horley I Redhill I Reigate

SIGNED OFF BY	Head of Legal and Governance, Interim Head of Finance and Assets
AUTHOR	Tom Borer, Policy Officer
TELEPHONE	Tel: 01737 276717
EMAIL	tom.borer@reigate-banstead.gov.uk
TO	Overview and Scrutiny Committee
DATE	Thursday, 17 October 2019
EXECUTIVE MEMBER	Portfolio Holder for Investment and Companies

KEY DECISION REQUIRED	N
WARDS AFFECTED	(All Wards);

SUBJECT	Companies Performance Update, 17 October 2019

RECOMMENDATIONS

To note the 17 October 2019 Companies Performance Update, as set out in this report, and to provide any observations for consideration by the Commercial Ventures Executive Sub-Committee at its meeting of 7 November 2019.

REASONS FOR RECOMMENDATIONS

To consider the performance of companies owned or part-owned by the Council, as of October 2019.

EXECUTIVE SUMMARY

1. This report provides an overview of the performance of the companies currently owned, or part-owned, by the Council.
2. These companies currently consist of Greensand Holdings Ltd, Horley Business Park Development LLP, Pathway for Care Ltd and RBBC Ltd.
3. All these companies are currently considered to be performing in line with the Council's objectives, or are on target to be once actions currently being undertaken are completed.
4. Additional supporting information is detailed in the exempt report set out in the Part 2 section of this agenda.

STATUTORY POWERS

5. Section 1 of the Localism Act 2011 gives local authorities a general power of competence that enables them to do anything that a private individual is entitled to do, as long as it is not expressly prohibited by other legislation. Section 4 of the same Act directs that anything which is done for purely commercial purposes should be done though a company structure.
6. Companies and the rights of shareholders are governed by the Companies Act 2006.

BACKGROUND

7. Central Government funding for local authorities has reduced considerably in recent years, whilst the demand for services has increased. To enable the Council to continue to deliver and maintain the level of services that residents currently benefit from it is essential that alternative sources of income are found. Commercial activity is one such source of income, and has in recent years formed part of the Council's strategy to be financially self-sustaining.
8. The Council conducted a Commercial Governance Review in 2018.
9. The Executive considered the findings and recommendations of the review on 18 March 2019, and agreed the adoption and implementation of the proposed Commercial Governance Framework.
10. The Executive approved updates to its Commercial Governance arrangements on 30 May 2019, including the establishment of a Commercial Ventures Executive Sub-Committee.
11. The Commercial Ventures Executive Sub-Committee has authority to undertake the shareholder and partnership function of the Council with regard to companies owned and part-owned by the Council, and to manage and monitor the performance of Council investment in companies, within financial limits initially set out by the Executive decision establishing the Sub-Committee on 30 May 2019, and henceforth to be set out as part of the annual Service and Finance Planning process
12. The Commercial Ventures Executive Sub-Committee has been in operation since July 2019 and meets on a monthly basis. Sub-Committee members have been considering the Council's asset base and appraisal framework, and are working to develop the Council's future commercial approach and investment strategy. These will be brought forward for formal approval in the coming months. Sub-Committee members have been examining best practice arrangements at other local authorities and made visits to other local authorities to view arrangements first hand and meet with other members of those local authorities.
13. To support good governance of the Council's companies, the Overview and Scrutiny Committee currently receives six-monthly updates on the performance of companies owned or part-owned by the Council. This reports sets out the update for October 2019.

KEY INFORMATION

Greensand Holdings Limited

14. Greensand Holdings Limited is a property investment and development company, established to facilitate the Council's property investment activities. It is wholly owned by the Council. The creation of the company was authorised by the Executive on 15 September 2016.
15. The company received initial funding through a loan from the Council, authorised on 15 September, and with additional details noted by the Property Executive Sub-Committee on 14 November 2016, and provides an income to the Council through repayments and interest on the loan.
16. The company has received £2,269,500 in loan funding from the Council.
17. The company currently holds one property, which provides a rental income sufficient for the company to meet its repayment and loan obligations to the Council and to generate a profit.
18. The Council received a revenue income of £102,000 from the company in 2018/19.
19. There is potential for additional opportunities for company activity to emerge in line with the Council's emerging commercial and housing strategies.
20. On 19 September 2019, the Executive granted authority for a loan of funds to Greensand Holdings Limited, in order to enable the company to explore a time sensitive business opportunity. As specified in the report supporting this decision, that loan, if advanced, will be at a commercial rate. The specific terms of the loan are to be agreed.
21. Derek Beck, a Council Property Advisor, was appointed to a vacant director post of the company in May 2019 on an interim basis, pending review of the director appointments across all of the companies.
22. The company is currently judged to be performing well.
23. The Annual Report and Financial Statement for Greensand Holdings Limited for the year ended 31 December 2018 are provided as Annex 1 to this item.
24. Additional details are available in the exempt report set out in the Part 2 section of this agenda.

Horley Business Park Development Limited Liability Partnership

25. Horley Business Park Development LLP is a joint venture which was set up to bring forward planning, and subsequent development, of employment land in the Horley area. The creation of the company was authorised by the Executive on 15 October 2015, and a joint venture with Millhill Properties (Horley) Limited was established in 2016.
26. Following promotion of the site by the LLP through the local plan-making process, the Horley Business Park site was allocated for employment purposes in the Reigate & Banstead Development Management Plan (2018-2027) (DMP), adopted by full Council on 26 September 2019. The DMP policy confirms the extent of the site, the uses that will be acceptable and (in general terms) the infrastructure and mitigation measures that will be required to make the development acceptable in planning

terms.

27. Steps to acquire land within the site that is owned by a third party are well progressed. In May 2019, the Executive received an updated report about this acquisition opportunity and agreed to proceed, and to fund the acquisition and supporting costs from funding allocated within the approved Capital Programme for 2019/24.

28. Another section of the land within the site is owned by Surrey County Council (SCC), and it is intended to work with SCC to deliver a mutually supported development. Negotiations with Surrey County Council are ongoing, to reach consensus over the form of agreement by which to include it as a partner in the development. SCC will not enter into the existing partnership. Therefore discussions are also taking place with the Council's existing partner in the LLP (Millhill) as to the structure of any future agreement.

29. Given the scale of the scheme, the updated Horley Business Park partnership (see above) will need to seek external funding to bring the development forward. Advice is being sought from independent experts as to the best way to proceed with scheme development and the identification of a funding partner. The Commercial Ventures Executive Sub Committee have been briefed about this advice to date. Initial steps will include the preparation of a masterplan (in accordance with the requirements of the DMP) which will be used to market the site to prospective funders and inform a planning application in due course.

30. Conversations are also ongoing with Gatwick Airport which, since the last update, has published its final Masterplan. The Masterplan sets out the Airport's aspiration to bring its standby runway into permanent use; and there is clearly a complementarity between the two proposals, not least because they rely on the same primary road access. Gatwick's initial Masterplan proposals suggest that a small part of the area allocated in the DMP may be required for junction improvements/road widening and/or temporary storage of construction material and the Council will be seeking further clarification on this issue.

31. In January 2018, the Executive received a report outlining that Local Enterprise Funding had been secured to assist in delivering the Horley Business Park project. An element of this funding has subsequently been drawn down. In the last six months, further information has been provided to the LEP about project progress, and the we are continuing to engage to agree how the remaining funding element is spent.

32. In the coming six months, it is anticipated that the third party land deal will be concluded; a revised partnership structure (including Surrey County Council) will be agreed; and positive progress will have been made to prepare a development masterplan and seek a funding partner. In order to ensure that project momentum is maintained now that a policy allocation has been secured, the Council intends to appoint a project manager to oversee progress, potentially in conjunction with SCC. The Commercial Ventures Executive Sub Committee will continue to be briefed on progress.

33. As a strategic venture, the company's current purpose is not to generate a revenue return for the Council, but it is judged to be performing well in supporting the strategic objective of bringing forward the Business Park and associated benefits for the local area. In the long term, it is expected that a capital (and potentially income) return for

the Council will be generated from its share in the development.

34. To date, the Council has provided £602,000 in funding to the company, as loans at a commercial rate. These loans have accrued £113,984 in interest to date.

35. The Annual Report and Financial Statement for Horley Business Development LLP for the year ended 31 December 2018 are provided as Annex 2 to this item.

36. Additional details are available in the exempt report set out in the Part 2 section of this agenda.

Pathway for Care Limited

37. Pathway for Care Limited provides supporting living facilities and support for their residents at a number of sites in the borough and surrounding areas. As a shareholder, the Council is able to provide local expertise and experience in supporting vulnerable residents. The creation of the company was authorised by the Executive on 14 July 2016.

38. The Council is a minority shareholder in the company, with the majority shareholding held by Paul Green, a founder and former Director of Fairhome Group PLC, which was the previous majority shareholder in the company. The Council has the right to appoint a director to the board of the company.

39. The Council holds £1.1m in redeemable preference shares in the company, redeemable in April 2023, which were converted from the Council's £1.1m loan to the company. When redeemed, these will provide a capital return for the Council, subject to the company holding sufficient funds to honour the redemption at that time.

40. The Council also stands to received income from any dividends paid by the company. Total dividends are stipulated to be 50% of profits generated by the company. Whilst the company has been investing in growing its services, it has not generated a profit, and therefore has not yet provided a dividend income to the Council.

41. As of the performance update in March 2019, the company was growing well, and performing in line with business plan targets, supported by investment for growth from the previous majority shareholder, Fairhome Group PLC. Since then, Fairhome undertook an internal restructure and subsequently reduced investment in Pathway for Care. This therefore caused a reduction in the performance of the company relative to business plan targets.

42. However, the majority shareholding was sold to Paul Green in September 2019, with the business transfer agreement also removing remaining liabilities to Fairhome, and establishing an option to transfer associated supporting living properties previously owned by Fairhome to a new provider.

43. The sale of these shares was approved by the Commercial Ventures Executive Sub-Committee on 5 September 2019. The new owner met with the members of the Commercial Ventures Executive Sub-Committee in August to discuss his intentions ahead of the purchase.

44. With the change of majority ownership, the company will develop an updated business plan, which will be shared with the Council once complete. The new business plan is expected to include the provision of investment to support the growth of Pathway for Care and performance and growth are therefore projected to return to target levels.

45. The company is projected to generate a net profit in 2020.
46. The Annual Report and Financial Statement for Pathway for Care Limited for the year ended 31 July 2018 are provided as Annex 3 to this item. The Annual Report and Financial Statement for the year ended 31 July 2019 have not yet been approved.
47. Additional details are available in the exempt report set out in the Part 2 section of this agenda.

RBBC Limited (Pathway Digital)

48. RBBC Limited was split from Pathway for Care in April 2018, as a potential digital technology business supported by external investment.
49. In the event, no suitable external investment was secured, and the company is therefore in the process of being closed, as reported in the performance update in March 2019. This process will be completed following confirmation of the most appropriate accounting treatment.
50. The company is currently neither generating an income for the Council, nor incurring any significant costs.
51. RBBC Limited was incorporated on 4 April 2018 and its financial report and accounts are due by 4 January 2020 (newly incorporated entities are allowed to lodge their first accounts with Companies House 21 months after the date of incorporation). Its report and accounts have therefore not been prepared to date, and as it is intended to dissolve the company these will not be required if it is dissolved before of 4 January 2020.

Future Commercial Agenda

52. In July, the members of the Commercial Ventures Sub-Committee received a paper regarding taking forward a commercial agenda. The sub-committee members were asked to consider the Council's investment approach, objectives and level of risk appetite, in order to help address the forecast budget challenge based on the following questions:
    - The scale of commercial investment opportunities to be pursued;
    - The type of investments that the commercial strategy should focus on;
    - The extent of borrowing to purchase income-generating assets;
    - Whether commercial investment should be through joint-ventures with partners;
    - Whether commercial investments should be focussed on assets within the Reigate and Banstead borough;

    The members of the Sub-Committee also considered a draft assessment matrix for considering future property investment opportunities, the need to set aside resources to maintain current investment assets, how to convert the Council's asset register into a programme of opportunities to consider, and if and how targets are set for investment opportunities, particularly regarding Greensand Holdings, and potential Revenues and Benefits commercial activities.
53. The members of the sub-committee noted the questions, and supported their use on an ongoing basis, to support consideration in the coming months, and around forthcoming visits to examine commercial models in use by other local authorities.

54. The above questions, along with the question of the relative importance of commercial and local benefit objectives when considering a new investment opportunity, were also considered by the Overview and Scrutiny Committee on 11 July 2019, and the Committee provided feedback to the Executive.
55. The Council's developing commercial approach will be shaped by the responses to these questions, and is expected to be reported for consideration by Members alongside the finalised service and financial plans for 2020/21.

LEGAL IMPLICATIONS

56. There are no direct legal implications of this report.
57. Where are decisions are made which effect the Council's companies, the legal implications of these decisions will be considered as part of the decision making process in each case.

FINANCIAL IMPLICATIONS

58. There are no direct financial implications of this report. The Council's annual statement of accounts incorporates the financial position of its companies as part of its group financial statements.
59. Where are decisions are made which effect the Council's companies, the financial implications of these decisions will be considered as part of the decision making process in each case.

EQUALITIES IMPLICATIONS

60. The Council has a Public Sector Equality Duty under the Equality Act (2010) to have due regard to the need to:
61. Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act;
62. Advance equality of opportunity between people who share those protected characteristics and people who do not;
63. Foster good relations between people who share those characteristics and people who do not.
64. The three parts of the duty applies to the following protected characteristics: age; disability; gender reassignment; pregnancy/maternity; race; religion/faith; sex and sexual orientation. In addition, marriage and civil partnership status applies to the first part of the duty.
65. There are no direct equalities implications of this report.
66. Where are decisions are made which effect the Council's companies, the equalities implications of these decisions will be considered as part of the decision making process in each case.
67. The Commercial Ventures Executive Sub-Committee shall generally have regard to the obligations of the Equality Act (2010) in conducting its role as the representative of the Council as a shareholder or partner in companies owned or part-owned by the Council.

COMMUNICATION IMPLICATIONS

68. There are no direct communication implications as a result of this report. However, as identified in the Commercial Governance Framework, the Commercial Ventures Executive Sub-Committee shall have regard for the Local Authorities (Companies) Order 1995, which sets out the rights for authorities and individual Members to receive company specific information.

RISK MANAGEMENT CONSIDERATIONS

69. All commercial ventures and investment activities contain an element of risk, and the Commercial Ventures Executive Sub-Committee shall consider these as part of the decision making process for any future decisions relating to companies owned or part-owned by the Council.
70. In monitoring the performance of companies owned or part-owned by the Council, the Commercial Ventures Executive Sub-Committee has regard to the fiduciary duty the Council owes to its rate and local tax payers, to the public law requirements to exercise the general power of competence for a proper purpose, and the requirements of the Commercial Governance Framework which forms part of the terms of reference of the sub-committee.

CONSULTATION

71. The Members of the Commercial Ventures Executive Sub-Committee are consulted on an ongoing basis as to the performance and actions of companies owned or part-owned by the Council, along with other Members of the Executive or wider Council where appropriate.
72. This report is provided to the Overview and Scrutiny Committee at this stage as part of the consultation with the wider membership, to provide an opportunity to offer any observations to the Commercial Ventures Executive Sub-Committee who will subsequently be considering this information.

POLICY FRAMEWORK

73. The recommendations of this report are not in conflict with the Council's Policy Framework.
74. All actions undertaken by the Council shall have regard to the objectives of the Council's Corporate Plan and supporting policy framework, unless otherwise specified by statute.

BACKGROUND PAPERS

75. None.

Registered number
10508302

GREENSAND HOLDINGS LIMITED

DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

GREENSAND HOLDINGS LIMITED

COMPANY INFORMATION

Directors	J Jory W Pallett J C Reed - (resigned 14 October 2018)
Auditor	Kreston Reeves LLP Springfield House Springfield Road Horsham West Sussex RH12 2RG
Registered office	Town Hall Castlefield Road Reigate Surrey RH2 0SH
Registered number	10508302

GREENSAND HOLDINGS LIMITED

CONTENTS

GREENSAND HOLDINGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their report and audited financial statements for the year ended 31 December 2018. The prior period reflects 13 months activity from the date of incorporation on 2 December 2016 and therefore the comparatives are not entirely comparable.

Principal activities
The company's principal activity during the year was that of commercial property investment.

Directors
The directors who served during the year were as follows:

J Jory
W Pallett
J C Reed - (resigned 14 October 2018)

Directors' responsibilities
The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) (as adopted by the European Union) and applicable UK law. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to the auditor
The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Small company special provisions
The report of the directors has been prepared taking advantage of the small companies exemption in Part 15 of the Companies Act 2006.

This report was approved by the board on ....23/05/19..... and signed on behalf of the board by

W Pallett
Director

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF

GREENSAND HOLDINGS LIMITED

Opinion

We have audited the financial statements of Greensand Holdings Limited (the "company") for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF

GREENSAND HOLDINGS LIMITED

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare and the Directors' Report in accordance with the small companies regime and take advantage of the small companies exemption from the requirement to prepare a Strategic Report.

Responsibilities of directors
As explained more fully in the Directors' Responsibilities Statement set out on page 1, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx. This description forms part of our auditor's report.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF

GREENSAND HOLDINGS LIMITED

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Graham Hunt BA FCA (Senior Statutory Auditor)
for and on behalf of Kreston Reeves LLP
Statutory Auditor, Chartered Accountants
Horsham

Date: 29 May 2019

GREENSAND HOLDINGS LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Year ended 31 December 2018 £	Period ended 31 December 2017 £
Revenue		177,015	164,953
Administrative expenses		(51,851)	(78,229)
Fair value movement on investment property		48,900	243,785
Operating profit	6	174,064	330,509
Finance income		298	6
Finance costs	7	(102,361)	(89,239)
Profit before taxation		72,001	241,276
Tax expense	8	1,407	(41,000)
Profit for the period		73,408	200,276
Total comprehensive income for the period attributable to shareholders		73,408	200,276

Statement of total recognised gains and losses

The company has no recognised gains or losses other than the profit for the above financial period.

The above results were derived from continuing operations.

The notes on pages 9 to 18 form part of the financial statements

GREENSAND HOLDINGS LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

COMPANY REGISTRATION NUMBER: 10508302

	Notes	31 December 2018 £		31 December 2017 £	
ASSETS					
Non-current assets					
Investment property	9		2,592,500		2,543,600
Current assets					
Trade and other receivables	10		-		100
Cash and cash equivalents	11		42,663		68,404
TOTAL ASSETS			2,635,163		2,612,104
LIABILITIES					
Current liabilities					
Trade and other payables	12	45,865		90,650	
Current tax liabilities	12	10,194		10,439	
		56,059		101,089	
Non-current liabilities					
Borrowings	13	2,269,639		2,269,639	
Provisions	15	35,681		41,000	
		2,305,320		2,310,639	
TOTAL LIABILITIES			2,361,379		2,411,728
SHAREHOLDERS' EQUITY					
Share capital	16		100		100
Revaluation reserve	17		257,004		202,785
Retained earnings	17		16,680		(2,509)
TOTAL EQUITY AND LIABILITIES			2,635,163		2,612,104

The financial statements were approved by the board and authorised for issue on 23/05/19 and signed on behalf of the board by

W Pallett
Director

The notes on pages 9 to 18 form part of the financial statements

GREENSAND HOLDINGS LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Equity attributable to equity holders of the company			
	Issued share capital £	Revaluation reserve £	Retained earnings £	Total equity £
At 1 January 2018	100	202,785	(2,509)	200,376
Profit for the year	-	-	73,408	-
Transfer to revaluation reserve	-	54,219	(54,219)	-
Total comprehensive income for the period	-	54,219	19,189	73,408
At 31 December 2018	100	257,004	16,680	273,784

	Equity attributable to equity holders of the company			
	Issued share capital £	Revaluation reserve £	Retained earnings £	Total equity £
At 2 December 2016	-	-	-	-
Profit for the period	-	-	200,276	200,276
Transfer to revaluation reserve		202,785	(202,785)	-
Total comprehensive income for the period	-	202,785	(2,509)	200,276
Shares issued in period	100		-	100
At 31 December 2017	100	202,785	(2,509)	200,376

The notes on pages 9 to 18 form part of the financial statements

GREENSAND HOLDINGS LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

	Year ended 31 December 2018 £	Period ended 31 December 2017 £
Cash flows from operating activities		
Profit for the period	73,408	200,276
Adjustments to cash flows from non-cash items:		
Finance Income	(298)	(6)
Finance costs	102,361	89,239
Revaluation	(48,900)	(243,785)
Corporation tax	3,912	-
Deferred tax	(5,319)	41,000
Operating cash flows before movements in working capital	125,164	86,724
Working capital adjustments:		
(Decrease)/increase in payables	(48,942)	75,288
Decrease in receivables	100	-
	(48,842)	75,288
Cash generated by operations	76,322	162,012
Net cash from operating activities	76,322	162,012
Investing activities		
Interest received	298	6
Purchase of investment property	-	(2,299,815)
Net cash used in investing activities	298	(2,299,809)
Financing activities		
Loan from shareholder	-	2,269,639
Interest paid	(102,361)	(63,438)
Net cash generated by financing activities	(102,361)	2,206,201
Net (decrease)/increase in cash and cash equivalents	(25,741)	68,404
Cash and cash equivalents at beginning of period	68,404	-
Cash and cash equivalents at end of period	42,663	68,404

The notes on pages 9 to 18 form part of the financial statements

1 General information

Greensand Holdings Limited is a private company limited by share capital and incorporated in the United Kingdom under the Companies Act 2006. The nature of the company's operations and its principal activities are set out in the Directors' Report.

The address of its registered office and principal place of business is:
Town Hall
Castlefield Road
Reigate
Surrey
RH2 0SH

2 Adoption of new and revised standards

During the financial year, there were no new IFRSs or IFRIC interpretations that were effective for the first time that would be expected to have a material impact on the company.

The following pronouncements have been adopted in the year and either had no impact on the financial statements or resulted in changes to presentation and disclosure only:
- IFRS 9 'Financial instruments' (2014); effective 1 January 2018
- IFRS 15 'Revenue from contracts with customers'; effective 1 January 2018
- IFRIC 22 'Foreign currency transactions and advance consideration'; effective 1 January 2018

At the date of authorisation of these financial statements, the following standards and interpretations relevant to the company, which have not been applied in these financial statements, were in issue but not yet effective. In some cases these standards and guidance had not been endorsed by the European Union:
- IFRS 16 'Leases'; effective 1 January 2019
- IFRIC 23 'Uncertainty over income tax treatments'; effective 1 January 2019
- Annual Improvements (2015-2017); effective 1 January 2019

The directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the company.

3 Significant accounting policies

Statement of compliance and basis of accounting
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) adopted by the European Union and are consistent with the IFRSs as issued by the International Accounting Standards Board and IFRIC interpretations issued and effective at the time of preparing these financial statements and are in accordance with the Companies Act 2006.

3 Significant accounting policies - continued

Basis of accounting
These financial statements have been prepared on the historical cost basis as modified by the accounting policies below.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates and rounded to the nearest £.

The following principal accounting policies have been applied:

Presentation of financial statements in accordance with IAS 1 (Revised 2007)
The financial statements are presented in accordance with IAS 1 Presentation of Financial Statements (Revised 2007).

Revenue
Revenue is measured at the fair value of the consideration recoverable, net of VAT. The company's policy for the recognition of revenue from operating leases is described in the leasing policy below.

Investment properties
Investment property, which is property held to earn rentals and/or capital appreciation is initially recognised at cost, including associated transaction costs, and subsequently at fair value at the balance sheet date. The fair value is based on market values as determined by professionally qualified external valuers. Gains or losses arising from changes in the fair value of the investment property are included in profit or loss for the period in which they arise.

Trade and other receivables
Trade and other receivables are recognised initially at fair value and subsequently at amortised cost. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the statement of comprehensive income.

Cash and cash equivalents
Cash and cash equivalents at the end of the reporting period comprise cash at bank and in hand.

Trade and other payables
Trade and other payables are recognised initially at fair value and subsequently at amortised cost.

3 Significant accounting policies - continued

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the periods of the borrowings using the effective interest rate method.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on the taxable profit for the period. Taxable profit differs from profit before tax as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods and items that are never taxable or deductible. The company's corporation tax liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end the reporting period.

Deferred tax

Deferred tax is tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that such taxable profits will be available, against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profits nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case deferred tax is also dealt with in equity.

Accounting for financial assets and liabilities

The company's operations expose it to a variety of financial risks including the effects of changes in interest rates on debt, credit risk and liquidity risk. The directors consider that the company does not have material exposures in any of these areas and consequently does not use derivative financial instruments to manage these exposures.

The company's financial assets consist of trade and other receivables, and are summarised in note 4. Trade and other receivables are financial assets with fixed or determinable payments, none of which are quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest rate method, less provision for impairment.

Receivables are considered for impairment on a case-by-case basis when they are past due at the balance sheet date or when objective evidence is received that a specific counterparty will default.

The company's financial liabilities include borrowings, trade and other payables which are measured at amortised cost using the effective interest rate method. A summary of the company's financial liabilities is given in note 4.

Going concern

The financial statements have been prepared on a going concern basis as the directors have a reasonable expectation that the company will continue in operational existence for the foreseeable future.

Leasing

The company as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant leases.

4 Financial risk management

The company's activities expose it to a variety of financial risks: market risk, credit risk, liquidity risk and cash flow interest rate risk. The company's overall risk management programme focuses on the unpredictability of the marketplace and seeks to minimise potential adverse effects on the company's financial performance.

Risk management is carried out by the Board of Directors.

Market risk
The company is exposed to market risk, primarily related to interest rates and market value of the investment property.

Interest rate risk
The company monitors interest rate cash flow exposures on its long term borrowing. The company does not use derivative financial instruments to mitigate these risks.

Credit risk
The company's exposure to credit risk is limited to the carrying value of financial assets recognised at the balance sheet date, as summarised below:

	2018	2017
	£	£
Classes of financial assets - carrying amounts		
Cash and receivables		
Cash and cash equivalents	42,663	68,404
Trade and other receivables	-	100
	42,663	68,504

The maximum exposure to credit risk in relation to trade and other receivables is equivalent to the period end balance.

The company continuously monitors the creditworthiness of tenants and other counterparties. The company's policy is only to deal with creditworthy counterparties.

The directors consider that all the above financial assets are not impaired at the reporting date under review and are of good quality credit, based on all available financial information.

The company is not exposed to any significant credit risk exposure to any single counterparty or any company of counterparties having similar characteristics other than those debtors which are disclosed in note 10. The credit risk for cash and cash equivalents is considered negligible since the counterparties are reputable banks with high quality external credit ratings.

Liquidity risk
Liquidity needs are monitored carefully on a day-to-day basis. Longer term liquidity needs are assessed through monthly, quarterly, and annual cash flow forecasts.

As of 31 December 2018, the company's liabilities have maturities which are summarised below:

	Within 6 months	6 to 12 months	2 to 5 years	Later than 5 years
	£	£	£	£
Trade and other payables	45,865	-	-	-
Other taxes and social security costs	6,282	-	-	-
Corporation tax	3,912	-	-	-
Borrowings	-	-	-	2,269,639
	56,059	-	-	2,269,639

4 Financial risk management - continued

This compares to the maturity of the company's financial liabilities in the previous reporting period as follows:

	Within 6 months	*6 to 12 months*	*2 to 5 years*	*Later than 5 years*
	£	*£*	*£*	*£*
Trade and other payables	*90,650*	-	-	-
Other taxes and social security costs	*10,439*	-	-	-
Corporation tax	-	-	-	-
Borrowings	-	-	-	*2,269,639*
	101,089	-	-	*2,269,639*

Capital management policies

The company's capital management objectives are:

- to ensure the company's ability to continue as a going concern; and
- to provide an adequate return to shareholders.

Capital for the reporting period under review is summarised as follows:

	2018	**2017**
	£	**£**
Share capital	**100**	**100**
Revaluation reserve	**257,004**	**202,785**
Retained earnings	**16,680**	**(2,509)**
Borrowings	**2,269,639**	**2,269,639**
	2,543,423	**2,470,015**

The company has no covenant obligations with respect to capital ratios.

5 Critical accounting judgements

Critical judgements in applying the company's accounting policies

In the process of applying the company's accounting policies, the following judgements have had the most significant effect on the amounts recognised in the financial statements:

Investment properties

The valuation of the company's investment property.

6 Operating profit

	Year ended 31 December 2018	**Period ended 31 December 2017**
	£	**£**
This is stated after charging/(crediting):		
Auditor's remuneration - audit work	**2,600**	**2,600**
Auditor's remuneration - other services	**1,750**	**1,750**
	4,350	**4,350**

7 Finance costs

	Year ended 31 December 2018 £	Period ended 31 December 2017 £
Loan interest	102,361	89,239

8 Taxation

Analysis of tax (credit) / charge in year	Year ended 31 December 2018 £	Period ended 31 December 2017 £
Total current tax (see below)	3,912	-
Deferred tax (see below and note 15)	(5,319)	41,000
	(1,407)	41,000

Factors affecting tax (credit) / charge for year

The (credit) / charge for the period can be reconciled to the profit in the statement of comprehensive income as follows:

	Year ended 31 December 2018 £	Period ended 31 December 2017 £
Profit before tax on continuing operations	72,001	241,276
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19%	13,680	45,842
Effects of:		
Fair value movement not taxable	(9,291)	(46,319)
Losses carried forward	-	477
Utilisation of losses brought forward	(477)	-
Total current tax (see above)	3,912	-
Total deferred tax (see above)	(5,319)	41,000
Total tax (credit) / charge for the year	(1,407)	41,000

9 Investment property

	Freehold property
	£
Fair value	
At 1 January 2018	**2,543,600**
Revaluation	**48,900**
At 31 December 2018	**2,592,500**
Fair value	
At 31 December 2018	**2,592,500**
At 31 December 2017	**2,543,600**

Investment property with a fair value of £2,592,500 was held as security against borrowings.

The company's investment property is classed as level 2, as defined by IFRS 13 Fair Value Measurement, in the fair value hierarchy as at 31 December 2018. Level 2 inputs are observable and comprise an assessment of current market conditions, recent sales prices and other relevant information for similar assets in the locality.

The fair value of the company's investment property as at 31 December 2018 was determined by an independent external valuer at that date. The valuations are in accordance with the Royal Institution of Chartered Surveyors ("RICS") valuation - Professional Standards ("The Red Book"). Fair values of investment properties are calculated using an income approach and the main assumptions supporting the valuation are in respect of rents due, extant leases and yields.

The valuation of the investment property was undertaken by Wilks Head & Eve LLP.

The property income earned by the company from its investment property, which is leased to tenants under non-cancellable operating leases, amounted to £177,015 for the year.

The historical cost of the investment property is £2,299,815.

10 Trade and other receivables

	2018	2017
	£	£
Other receivables - unpaid share capital	-	**100**

All amounts are due within one year. The carrying value of receivables is considered a reasonable approximation of fair value.

11 Cash and cash equivalents

	2018	2017
	£	£
Cash at bank	**42,663**	**68,404**

12 Current liabilities

	2018	2017
	£	£
Accruals	45,865	90,650
Trade and other payables	45,865	90,650
Other taxes and social security costs	6,282	10,439
Corporation tax payable	3,912	-
	56,059	101,089

The fair value of the trade and other payables classified as financial instruments are disclosed in the financial instruments note. The company's exposure to market and liquidity risks, including maturity analysis relating to trade and other payables, is disclosed in the financial risk management note.

13 Non-current liabilities

	2018	2017
	£	£
Borrowings	2,269,639	2,269,639
	2,269,639	2,269,639

14 Borrowings

	2018	2017
	£	£
Secured borrowings		
Loan from shareholder	2,269,639	2,269,639
Amount due for settlement within 12 months	-	-
Amount due for settlement after 12 months	2,269,639	2,269,639

The loan from Reigate and Banstead Borough Council is denominated in sterling with an interest rate equivalent to the rate charged by the Public Works Loan Board plus 2%. The final repayment date is 19 February 2032. The loan is secured on the freehold investment property.

15 Provisions for liabilities

Deferred taxation provided in the financial statements is as follows:

	Provided 2018	Provided 2017
	£	£
Unrealised gain on revalued assets	35,681	41,000

Under IAS 12, a deferred tax provision is made for the tax that would potentially be payable on the revaluation of investment property at its fair value in these financial statements.

During the year £5,319 of the provision was released to the Statement of Comprehensive Income.

16 Share capital

	Nominal value	2018 Number	2018 £
Allotted and fully paid			
Ordinary shares	£1 each	100	100

17 Reserves

Share capital
Represents the nominal value of shares that have been issued.

Revaluation reserve
Represents a non-distributable reserve arising on the revaluation of the investment property to its fair value.

Retained earnings
Represents accumulated realised profits less accumulated realised losses.

18 Operating lease arrangements

Property rental income earned during the year was £177,015. The lessees do not have an option to purchase the property at the expiry of the lease period.

At the balance sheet date the company had contracted with tenants for the following total future minimum lease payments:

	2018 £	2017 £
Within one year	174,690	174,690
Within two to five years inclusive	494,253	211,610
In over five years	32,667	-
	701,610	386,300

19 Related party transactions

Reigate and Banstead Borough Council (Shareholder)

During the year Reigate and Banstead Borough Council provided a loan to the company totalling £2,269,639. The interest on the loan in the year totalled £102,361 (2017: £89,239). The balance on the loan outstanding at the year end is £2,269,639 and £25,801 (2017: £25,801) of interest is included in accruals. Reigate and Banstead Borough Council also recharged its officer time spent dealing with company management and administration and this amounted to £38,114 (2017: £60,499). Reigate and Banstead Borough Council also reimbursed £7,315 (2017: £nil) that had previously been incorrectly charged to, and paid by, the company. The balance outstanding at the year end is £15,714 (2017: £60,499) which is included in accruals.

W Pallett (Director)

During the year the company was charged £1,015 (2017: £357) for management services by Mr W Pallett.

20 Financial instruments

Categories of financial instruments

The company held the following financial assets:

	2018 £	2017 £
Trade and other receivables	-	100
Cash and cash equivalents	42,663	68,404
	42,663	68,504

The company held the following financial liabilities:

	2018 £	2017 £
Trade and other payables	45,865	90,650
Borrowings	2,269,639	2,269,639
	2,315,504	2,360,289

21 Ultimate controlling party

The company is controlled by Reigate and Banstead Borough Council which owns 100% of the company's share capital.

Kingston Smith

Horley Business Park Development LLP

Annual Report and Financial Statements

For the year ended 31 December 2018

Limited Liability Partnership Registration No. OC407343 (England and Wales)

Horley Business Park Development LLP

Limited Liability Partnership Information

Designated members	Reigate & Banstead Borough Council Berwick Hill Properties Limited Millhill Properties (Horley) Limited
Limited liability partnership number	OC407343
Registered office	Reigate & Banstead Borough Council Town Hall Castlefield Road Reigate Surrey RH2 0SH
Auditor	Kingston Smith LLP Betchworth House 57-65 Station Road Redhill Surrey RH1 1DL
Business address	Reigate & Banstead Borough Council Town Hall Castlefield Road Reigate Surrey RH2 0SH

Horley Business Park Development LLP

Members' Report

For the year ended 31 December 2018

The members present their annual report and financial statements for the year ended 31 December 2018.

Principal activities
The principal activity of the Limited Liability Partnership ("LLP") continued to be the development of a business park.

Members' drawings, contributions and repayments
Each member's subscription to the capital of the LLP and its conditions for repayment are determined by the members' agreement.

Members capital is classified as a liability and on ceasing to be a member of the LLP, a member is entitled to a return of their capital.

Details of changes in members' capital in the year ended 31 December 2018 are set out in the Reconciliation of Members' Interests.

Certain members have also provided loans to the LLP in accordance with loan agreements and the members' agreement. The loans have been treated as a liability and included as 'members' capital classified as a liability' rather than as loans made to the LLP which would be included as part of creditors. The members' consider this accounting treatment more accurately reflects the substance of the loan transactions. The loans are repayable in accordance with the member's agreement.

The availability of drawings is dependent on the cash requirements of the LLP. The member's agreement makes provision for certain members to receive development management fees and other service fees prior to the allocation of the remaining profits among the members. There is no requirement for the members to make good losses.

Designated members
The designated members who held office during the year and up to the date of signature of the financial statements were as follows:

Reigate & Banstead Borough Council
Berwick Hill Properties Limited
Millhill Properties (Horley) Limited

Auditor
Kingston Smith LLP were appointed as auditor to the limited liability partnership and in accordance with section 485 of the Companies Act 2006 (as applied by The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008), a resolution proposing that they be re-appointed will be put at a General Meeting.

Statement of members' responsibilities
The members are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law (as applied by The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008) requires the members to prepare financial statements for each financial year. Under that law the members have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice. Under company law (as applied by The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008) the members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the limited liability partnership and of the profit or loss of the limited liability partnership for that period. In preparing these financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the limited liability partnership will continue in business.

The members are responsible for keeping adequate accounting records that are sufficient to show and explain the limited liability partnership's transactions and disclose with reasonable accuracy at any time the financial position of the limited liability partnership and enable them to ensure that the financial statements comply with the Companies Act 2006 (as applied by The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008). They are also responsible for safeguarding the assets of the limited liability partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditor
Each of the members in office at the date of approval of this annual report confirms that:

- so far as the members are aware, there is no relevant audit information of which the limited liability partnership's auditor is unaware, and
- the members have taken all the steps that they ought to have taken as members in order to make themselves aware of any relevant audit information and to establish that the limited liability partnership's auditor is aware of that information.

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

This report was approved by the members on 23/7/2019 and signed on their behalf by:

.....
Reigate & Banstead Borough Council
Designated Member

.....
Berwick Hill Properties Limited
Designated Member

.....
Millhill Properties (Horley) Limited
Designated Member

Independent Auditor's Report

To the Members of Horley Business Park Development LLP

Opinion

We have audited the financial statements of Horley Business Park Development LLP (the 'limited liability partnership') for the year ended 31 December 2018 which comprise the Profit And Loss Account, the Balance Sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the limited liability partnership's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the limited liability partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the members' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the limited liability partnership's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The members are responsible for the other information. The other information comprises the information included in the members' report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 as applied to limited liability partnerships requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit; or
- the members were not entitled to prepare the financial statements in accordance with the small limited liability partnerships regime.

Responsibilities of members

As explained more fully in the Members' Responsibilities Statement, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the limited liability partnership or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs (UK) we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the limited liability partnership's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the members.
- Conclude on the appropriateness of the members' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the limited liability partnership's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the limited liability partnership to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our report

This report is made solely to the limited liability partnership's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the limited liability partnership's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the limited liability partnership and the limited liability partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ian Matthews (Senior Statutory Auditor)
for and on behalf of Kingston Smith LLP

25 July 2019

Chartered Accountants
Statutory Auditor

Betchworth House
57-65 Station Road
Redhill
Surrey
RH1 1DL

Horley Business Park Development LLP

Profit and loss account

For the year ended 31 December 2018

	2018 £	2017 £
Administrative expenses	(8,542)	(10,319)
Loss for the financial year before taxation	(8,542)	(10,319)
Loss for the financial year before members' remuneration and profit shares	(8,542)	(10,319)
Loss for the financial year before members' remuneration and profit shares	(8,542)	(10,319)
Members' remuneration charged as an expense	-	-
Loss for the financial year available for discretionary division among members	(8,542)	(10,319)

Horley Business Park Development LLP

Balance Sheet

As at 31 December 2018

	Notes	2018 £	2018 £	2017 £	2017 £
Current assets					
Stocks		1,086,314		636,595	
Debtors	3	49,637		34,353	
Cash and cash equivalents		17,482		4,391	
		1,153,433		675,339	
Creditors: amounts falling due within one year	4	(256,169)		(110,305)	
Net current assets			897,264		565,034
Represented by:					
Loans and other debts due to members					
Members' capital classified as a liability			928,146		587,374
Members' other interests					
Other reserves classified as equity			(30,882)		(22,340)
			897,264		565,034
Total members' interests					
Amounts due from members			(20,100)		(20,100)
Loans and other debts due to members			928,146		587,374
Members' other interests			(30,882)		(22,340)
			877,164		544,934

These financial statements have been prepared in accordance with the provisions applicable to limited liability partnerships subject to the small limited liability partnerships' regime.

The financial statements were approved by the members and authorised for issue on 23/7/2019 and are signed on their behalf by:

.....
Reigate & Banstead Borough Council
Designated member

.....
Berwick Hill Properties Limited
Designated Member

.....
Millhill Properties (Horley) Limited
Designated Member

Limited Liability Partnership Registration No. OC407343

Horley Business Park Development LLP

Reconciliation of Members' Interests

For the year ended 31 December 2018

Current financial year	EQUITY Members' other interests		DEBT Loans and other debts due to members less any amounts due from members in debtors		TOTAL MEMBERS' INTERESTS
	Other reserves	Members' capital (classified as debt)	Other amounts	Total	Total 2018
	£		£	£	£
Amounts due to members			(20,100)		
Members' interests at 1 January 2018	(22,340)	587,374	(20,100)	567,274	544,934
Loss for the financial year available for discretionary division among members	(8,542)	-	-	-	(8,542)
Members' interests after loss for the year	(30,882)	587,374	(20,100)	567,274	536,392
Introduced by members	-	259,400	-	259,400	259,400
Interest on capital	-	81,372	-	81,372	81,372
Members' interests at 31 December 2018	(30,882)	928,146	(20,100)	908,046	877,164
Amounts due to members			(20,100)		
			(20,100)		

Horley Business Park Development LLP

Reconciliation of Members' Interests (Continued)

For the year ended 31 December 2018

Prior financial year	EQUITY		DEBT		TOTAL
	Members' other interests	Loans and other debts due to members less any amounts due from members in debtors			MEMBERS' INTERESTS
	Other reserves	Members' capital (classified as debt)	Other amounts	Total	Total 2017
	£		£	£	£
Amounts due from members			(20,100)		
Members' interests at 1 January 2017	(12,021)	396,504	(20,100)	376,404	364,383
Loss for the financial year available for discretionary division among members	(10,319)	-	-	-	(10,319)
Members' interests after loss for the year	(22,340)	396,504	(20,100)	376,404	354,064
Introduced by members	-	146,400	-	146,400	146,400
Interest on capital	-	44,470	-	44,470	44,470
Members' interests at 31 December 2017	(22,340)	587,374	(20,100)	567,274	544,934
Amounts due to members			(20,100)		
			(20,100)		

1 Accounting policies

Limited liability partnership information

Horley Business Park Development LLP is a Limited Liability Partnership incorporated in England and Wales. The registered office is Reigate & Banstead Borough Council, Town Hall, Castlefield Road, Reigate, Surrey, United Kingdom, RH2 0SH.

The Limited Liability Partnership's principal activities are disclosed in the Members' Report.

1.1 Accounting convention

These financial statements have been prepared in accordance with the Statement of Recommended Practice "Accounting by Limited Liability Partnerships" issued in January 2017, together with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime. The disclosure requirements of Section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The financial statements are prepared in sterling, which is the functional currency of the limited liability partnership. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principle accounting policies adopted are set out below.

1.2 Going concern

The LLP is in the process of developing a new business park with all directly attributable project costs incurred to date being carried forward as work in progress in the balance sheet. The development is currently in the approval phase and has yet to reach the stage where an application can be submitted for planning consent. The members are not aware of any matters that will prevent a planning application being made through although there can be no certainty in this regard. The members have confirmed that sufficient funds will be made available to the LLP to enable it to continue with the development process and, accordingly, the members consider that it is reasonable for the financial statements to be prepared on a going concern basis.

1 Accounting policies (Continued)

1.3 Members' participating interests

Members' participation rights are the rights of a member against the LLP that arise under the members' agreement (for example, in respect of amounts subscribed or otherwise contributed remuneration and profits).

Members' participation rights in the earnings or assets of the LLP are analysed between those that are, from the LLP's perspective, either a financial liability or equity, in accordance with section 22 of FRS 102. A member's participation rights including amounts subscribed or otherwise contributed by members, for example members' capital, are classed as liabilities unless the LLP has an unconditional right to refuse payment to members, in which case they are classified as equity.

All amounts due to members that are classified as liabilities are presented within 'Loans and other debts due to members' and, where such an amount relates to current year profits, they are recognised within 'Members' remuneration charged as an expense' in arriving at the relevant year's result. Undivided amounts that are classified as equity are shown within 'Members' other interests'. Amounts recoverable from members are presented as debtors and shown as amounts due from members within members' interests.

Where there exists an asset and liability component in respect of an individual member's participation rights, they are presented on a gross basis unless the LLP has both a legally enforceable right to set off the recognised amounts, and it intends either to settle on a net basis or to settle and realise these amounts simultaneously, in which case they are presented net.

Where members incur expenses on behalf of the LLP and then recharge those expenses to the LLP at cost, the costs are treated as administrative expenses and, if applicable, capitalised as work in progress. The recharged costs do not fall to be treated by the LLP as 'members' remuneration charged as an expense'. This accounting policy represents a departure from the SORP, which sets out the accounting principles of classifying amounts paid to members as 'members' remuneration charged as an expense'. The members consider that this accounting policy adopted represents the substance of the underlying transaction and is necessary in order that the financial statements give a true and fair view.

The profit and losses due to or from members, which have not been allocated until after the balance sheet date, are treated in these financial statements as unallocated at the balance sheet date and included within other reserves. In accordance with the members' agreement, there is no requirement for the members to make good any losses or negative balances on 'other reserves'.

1.4 Stocks

Work in progress comprises the development of a new business park. It is valued at the lower of cost and estimated net realisable value of the completed project. Cost includes all direct costs.

Borrowing costs which are directly attributable to the work in progress project are capitalised as work in progress and carried forward as an asset on the balance sheet. In the year borrowing costs of £81,372 (2017: £44,470) were capitalised in work in progress.

1.5 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.6 Financial instruments

The LLP only has financial instruments classified as basic and measured at amortised cost. The LLP has no financial instruments that are classified as 'other' or financial instruments measured at fair value.

1 Accounting policies (Continued)

1.7 Equity instruments

Equity instruments issued by the limited liability partnership are recorded at the proceeds received, net of direct issue costs.

1.8 Taxation

No provision has been made for taxation in the financial statements. Each member is exclusively liable for any tax liabilities arising out of their interest in the LLP, which will be assessed on the individual member and not on the LLP.

2 Judgements and key sources of estimation uncertainty

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period,or in the period of the revision and future periods if the revision affects both current and future periods.

Realisation of work in progress

The members estimate the net realisable value of work in progress, taking into account all available information at the reporting date. The work in progress is not forecast to be completed in the short to medium term and its ultimate successful completion may be affected by the outcome of uncertain future events. The success of the development is not currently assured. Having made appropriate enquiries, the members have a reasonable expectation that the development will progress to completion and that sufficient funding will be available to enable this to happen. On this basis, work in progress has been carried forward at cost.

3 Debtors

Amounts falling due within one year:	2018 £	2017 £
Amounts due from members	20,100	20,100
Other debtors	29,537	14,253
	49,637	34,353

4 Creditors: amounts falling due within one year

	2018 £	2017 £
Trade creditors	116,204	106,235
Other creditors	139,965	4,070
	256,169	110,305

5 Loans and other debts due to members

In the event of a winding up the amounts included in "Loans and other debts due to members" will rank equally with unsecured creditors.

6 Related party transactions

All members are considered to be related parties of the LLP.

During the year, development and other administrative expenses of £nil (2017: £11,550) were recharged at cost by the members of the LLP. At the year end, the LLP owed £nil (2017: £28,018) to its members in respect of these recharged expenses. This balance is included within trade creditors.

Registered number: 10339398

PATHWAY FOR CARE LIMITED

UNAUDITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

INFORMATION FOR FILING WITH THE REGISTRAR

FOR THE YEAR ENDED 31 JULY 2018

PATHWAY FOR CARE LIMITED

CONTENTS

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 JULY 2018

The directors present their report and the financial statements for the period ended 31 July 2018.

Directors

The directors who served during the period were:

P S Green (appointed 5 April 2018)
I Hutchinson (appointed 5 April 2018)
J R Jory
R C Sidebottom (appointed 5 April 2018)
T J Kealey (resigned 5 April 2018)
S Laker (resigned 23 August 2018)

Small companies note

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on 10 May 19 and signed on its behalf.

R C Sidebottom
Director

Grant Thornton

Report to the directors on the preparation of the unaudited statutory financial statements of Pathway For Care Limited for the period ended 31 July 2018

We have compiled the accompanying financial statements of Pathway For Care Limited based on the information you have provided. These financial statements comprise the Statement of Financial Position of Pathway For Care Limited as at 31 July 2018, the Statement of Comprehensive Income for the period then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the Board of Directors of Pathway For Care Limited, as a body, in accordance with the terms of our engagement letter dated 29 April 2019. Our work has been undertaken solely to prepare for your approval the financial statements of Pathway For Care Limited and state those matters that we have agreed to state to the Board of Directors of Pathway For Care Limited, as a body, in this report in accordance with our engagement letter dated 29 April 2019. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Pathway For Care Limited and its Board of Directors, as a body, for our work or for this report.

We performed this compilation engagement in accordance with International Standard on Related Services 4410 (Revised), Compilation Engagements.

We have applied our expertise in accounting and financial reporting to assist you in the preparation and presentation of these financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. As a member firm of the Institute of Chartered Accountants in England and Wales, we are subject to its ethical and other professional requirements which are detailed at www.icaew.com.

These financial statements and the accuracy and completeness of the information used to compile them are your responsibility.

Since a compilation engagement is not an assurance engagement, we are not required to verify the accuracy or completeness of the information you provided to us to compile these financial statements. Accordingly, we do not express an audit opinion or a review conclusion on whether these financial statements are prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Grant Thornton UK LLP

Chartered Accountants

Manchester

Date: 13/5/19

PATHWAY FOR CARE LIMITED
REGISTERED NUMBER:10339398

STATEMENT OF FINANCIAL POSITION
AS AT 31 JULY 2018

	Note	31 July 2018 £	*31 December 2017 £*
Fixed assets			
Tangible assets	4	**5,361**	*125,317*
		5,361	*125,317*
Current assets			
Debtors: amounts falling due within one year	5	**71,447**	*170,948*
Cash at bank and in hand	6	**19,271**	*26,832*
		90,718	*197,780*
Creditors: amounts falling due within one year	7	**(226,915)**	*(86,846)*
Net current liabilities		**(136,197)**	*110,934*
Total assets less current liabilities		**(130,836)**	*236,251*
Creditors: amounts falling due after more than one year		**(768,606)**	*(964,920)*
Net liabilities		**(899,442)**	*(728,669)*
Capital and reserves			
Called up share capital		**100**	*100*
Profit and loss account		**(899,542)**	*(728,769)*
		(899,442)	*(728,669)*

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 JULY 2018

The directors consider that the Company is entitled to exemption from audit under section 477 of the Companies Act 2006 and members have not required the Company to obtain an audit for the period in question in accordance with section 476 of Companies Act 2006.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements have been delivered in accordance with the provisions applicable to companies subject to the small companies regime.

The Company has opted not to file the statement of comprehensive income in accordance with provisions applicable to companies subject to the small companies' regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 10 May 19

R C Sidebottom
Director

The notes on pages 7 to 13 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JULY 2018

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2018	100	(728,769)	(728,669)
Comprehensive income for the period			
Loss for the period	-	(170,773)	(170,773)
Other comprehensive income for the period	-	-	-
Total comprehensive income for the period	-	(170,773)	(170,773)
Total transactions with owners	-	-	-
At 31 July 2018	100	(899,542)	(899,442)

The notes on pages 7 to 13 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Called up share capital	Profit and loss account	Total equity
	£	£	£
Comprehensive income for the period			
Loss for the period	-	(728,769)	(728,769)
Other comprehensive income for the period	-	-	-
Total comprehensive income for the period	-	(728,769)	(728,769)
Shares issued during the period	100	-	100
Total transactions with owners	100	-	100
At 31 December 2017	100	(728,769)	(728,669)

The notes on pages 7 to 13 form part of these financial statements.

1. General information

Pathway For Care Limited is a private company limited by shares & incorporated in England and Wales. Registered number 10339398. Its registered head office is located at 16 Carolina Way, Quays Reach, Salford, England, M50 2ZY.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The following principal accounting policies have been applied:

2.2 Revenue

Revenue relates to income received from local authorities and Clinical Commissioning Groups (CCGs) for the provision of residential care and support living services. Revenue is recognised at the point of delivery of services in line with contractual arrangements. Revenue is typically invoiced on a 28 day cycle, therefore will include accruals for services delivered but not yet invoiced.

2.3 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective.Interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.4 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

2. Accounting policies (continued)

2.5 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Office equipment	-	33%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2.7 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2. Accounting policies (continued)

2.8 Cash

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

2.9 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.10 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position 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 Statement of Financial Position.

2. Accounting policies (continued)

2.11 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties and loans to related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

3. Employees

The average monthly number of employees, including directors, during the period was 5 *(2017 - 0)*.

4. Tangible fixed assets

	Office equipment £
Cost or valuation	
At 1 January 2018	**146,501**
Disposals	**(138,532)**
At 31 July 2018	**7,969**
Depreciation	
At 1 January 2018	**21,184**
Charge for the period on owned assets	**17,840**
Disposals	**(36,416)**
At 31 July 2018	**2,608**
Net book value	
At 31 July 2018	**5,361**
At 31 December 2017	*125,317*

5. Debtors

	31 July 2018 £	*31 December 2017 £*
Trade debtors	**71,328**	-
Prepayments and accrued income	**119**	*87*
Deferred taxation	-	*170,861*
	71,447	*170,948*

6. Cash

	31 July 2018 £	*31 December 2017 £*
Cash at bank and in hand	**19,271**	*26,832*

7. Creditors: Amounts falling due within one year

	31 July 2018 £	*31 December 2017 £*
Trade creditors	**11,141**	*86,846*
Amounts owed to group undertakings	**187,974**	-
Other taxation and social security	**737**	-
Other creditors	**1,180**	-
Accruals and deferred income	**25,883**	-
	226,915	*86,846*

8. Creditors: Amounts falling due after more than one year

	31 July 2018 £	*31 December 2017 £*
Other creditors	-	*964,920*
Share capital treated as debt	**768,606**	-
	768,606	*964,920*

9. Pension commitments

The Company operates a defined contributions pension scheme. The pension cost charge represents contributions payable by the Company to the fund and amounted to £1,771. Contributions totalling £1,048 were payable to the fund at the reporting date and are included in creditors.

10. Related party transactions

Pathway for Care Limited, is related to Fairhome Care Plc, by virtue of the fact Paul Green and Robin Sidebottom are directors of both companies. Included in amounts owed to group undertakings is £138,438 (2017: £nil) that is owed to Fairhome Care Plc.
Pathway for Care Limited, is related to Fairhome Group Plc, by virtue of the fact Paul Green is a director of both companies. Included in amounts owed to group undertakings is £49,536 (2017: £nil) that is owed to Fairhome Care Plc.

11. Controlling party

The ultimate parent company is Fairhome Care Plc, a company registered in England and Wales. Copies of the ultimate parent company's financial statements are available from Companies House.

Reigate & Banstead
BOROUGH COUNCIL
Banstead I Horley I Redhill I Reigate

SIGNED OFF BY	Head of Legal and Governance
AUTHOR	Catriona Marchant, Democratic Services Officer
TELEPHONE	Tel: 01737 276066
EMAIL	catriona.marchant@reigate-banstead.gov.uk
TO	Overview and Scrutiny Committee
DATE	Thursday 17 October 2019
EXECUTIVE MEMBER	Not applicable

KEY DECISION REQUIRED	No
WARDS AFFECTED	All Wards

SUBJECT	Overview and Scrutiny Committee's Work Programme 2019/20

RECOMMENDATIONS

i. To consider the proposed future work programme for the Overview and Scrutiny Committee, set out in **Annex 1;** and
ii. To note the Action Tracker (**Annex 2**) from the last meeting and Chair's note to the Executive meeting **(Annex 3)**

REASONS FOR RECOMMENDATIONS

The work programme for the Overview and Scrutiny Committee was recommended by the Overview and Scrutiny Committee at its meeting on 14 February 2019 and was agreed by Council on 11 April 2019.

Arrangements for implementing the work programme have progressed and the latest plans are outlined in **Annex 1**.In addition an Action Tracker (**Annex 2**) which sets out the resolutions and requests from the previous meeting is added to the Agenda and Chair's Note to the Executive meeting (**Annex 3**).

This is a standing item to keep the Committee informed and to prepare for upcoming business.

EXECUTIVE SUMMARY

Background information
The selection and prioritisation of work is essential if the scrutiny function is to be successful, add value and retain credibility. This proposed standing item gives the Committee an opportunity to view and comment on future planning of the Overview and Scrutiny work programme.

Work Programme 2019/20
The Work Programme 2019/20 is a useful tool in planning the overview and scrutiny work programme. The Future Work Programme will be updated before each meeting and feed into the Corporate Forward Plan.

Action Tracker
The Action Tracker will set out the Resolutions and requests for information from the previous meeting.

STATUTORY POWERS

1. The *Local Government Act 2000* (as amended) established Overview and Scrutiny Committees within the Leader with Cabinet model of governance. Subsequent legislation including the *Police and Justice Act 2006*, the *Local Government Public Involvement in Health Act 2007*, the *Local Democracy, Economic Development and Construction Act 2009*, the *Localism Act 2011* and the *Local Authorities (Overview and Scrutiny Committees) (England) Regulations 2012* has provided additional responsibilities on the Committee.

BACKGROUND

2. The Overview and Scrutiny Committee Work Programme 2019/20 was agreed earlier in 2019 and sets out a programme of activity that is in line with the Council's priorities.

3. This report requests the Committee to use the Overview and Scrutiny Committee Work Programme 2019/20 and Action Tracker as a tool to assist the Committee in managing its activities during the year.

OPTIONS

4. The Committee has the option to approve, add to or remove items from the Work Programme or to ask Officers to review the position and report back on alternative options to include any new resource implications.

LEGAL IMPLICATIONS

5. There are no immediate legal implications arising from this report.

FINANCIAL IMPLICATIONS

6. There are no financial implications arising from the recommendations set out in this report. Should any of the work undertaken by Overview and Scrutiny generate recommendations with financial implications then these will be highlighted at that time.

EQUALITIES IMPLICATIONS

7. The Council has a Public Sector Equality Duty under the Equality Act (2010) to have due regard to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act;
- Advance equality of opportunity between people who share those protected characteristics and people who do not;
- Foster good relations between people who share those characteristics and people who do not.

The three parts of the duty applies to the following protected characteristics: age; disability; gender reassignment; pregnancy/maternity; race; religion/faith; sex and sexual orientation. In addition, marriage and civil partnership status applies to the first part of the duty.

8. The Committee should ensure that it has regard for these duties by considering them through the course of its work. This should include considering:

- How policy issues impact on different groups within the community, particularly those that share the nine protected characteristics;
- Whether the impact on particular groups is fair and proportionate;
- Whether there is equality of access to service and fair representation of all groups within the Borough;
- Whether any positive opportunities to advance equality of opportunity and/or

good relations between people, are being realised.

COMMUNICATION IMPLICATIONS

9. Not applicable.

HUMAN RESOURCES IMPLICATIONS (if applicable)

10. Not applicable.

RISK MANAGEMENT CONSIDERATIONS

11. Not applicable.

CONSULTATION

12. Consultation with the Chair and Vice-Chair of the Overview and Scrutiny Committee will take place as part of the Agenda planning process of each meeting.

POLICY FRAMEWORK

13. The Committee's activities through its work programme are designed to support the corporate direction of the Council.
14. The Chair of the Committee will meet regularly with the Leader of the Council to link the Committee's work programme to the Corporate Forward Plan of business.

BACKGROUND PAPERS

Overview and Scrutiny Committee Work Programme 2019/20 report (14 February 2019).

Corporate Plan 2015-20 - www.reigate-banstead.gov.uk/council_and_democracy/about_the_council/plans_and_policies/corporate_plan/index.asp

ANNEXES

- Annex 1 – Future Work Programme 2019/20
- Annex 2 – Committee Action Tracker
- Annex 3 – Note to the Executive

REIGATE AND BANSTEAD BOROUGH COUNCIL:

OVERVIEW AND SCRUTINY COMMITTEE WORK PROGRAMME

Reigate & Banstead BOROUGH COUNCIL
Banstead | Horley | Redhill | Reigate

Date of issue: 08 October 2019

Report Author(s)	Lead Member(s)	Officer sign off	Subject	O&S	Executive	Council	Open / Exempt	Key
17 October 2019								
John Jory, Chief Executive	Deputy Leader and Portfolio Holder for Finance, Portfolio Holder for Corporate Direction and Governance, Portfolio Holder for Investment and Companies	Chief Executive	**Portfolio Holder Briefing - Organisation Portfolios** To receive a briefing from the Organisation Portfolio Holders regarding the Organisation business area and their portfolios	17 Oct 2019			Open	
Pat Main, Interim Head of Finance and Assets	Deputy Leader and Portfolio Holder for Finance	Interim Head of Finance and Assets	**Report from the External Auditors on the 2018/19 Financial Accounts (ISA 260 Report)** This report, from the Council's external auditors, summarises conclusions and significant	17 Oct 2019	18 Jul 2019		Open	

Report Author(s)	Lead Member(s)	Officer sign off	Subject	O&S	Executive	Council	Open / Exempt	Key
			issues arising from the audit of the 2018/19 Annual Financial Report.					
Kirsty Jane Hill, Democratic Services Officer	Portfolio Holder for Investment and Companies	Head of Legal and Governance, Interim Head of Finance and Assets	**Companies Performance Update** To receive an update on the performance of Council companies.	17 Oct 2019			Part exempt	
Alison Robinson, Housing Strategy and Performance Manager	Portfolio Holder for Housing and Benefits	Director of People	**Housing Delivery Strategy (2020-2025)** Report seeking agreement to publish a five year Housing Delivery Strategy. The Delivery Strategy sets out the housing issues facing people who work or live in the borough and the Council's local housing delivery priorities.	17 Oct 2019	5 Dec 2019		Open	KEY
Helen Stocker, Finance Manager	Deputy Leader and Portfolio Holder for Finance	Interim Head of Finance and Assets	**Half Yearly Treasury Management Report for 2019/20** To comply with the requirements of the regulatory framework for treasury management and meet the Council's reporting requirements.	17 Oct 2019	7 Nov 2019	12 Dec 2019	Open	KEY

Report Author(s)	Lead Member(s)	Officer sign off	Subject	O&S	Executive	Council	Open / Exempt	Key
21 November 2019 (Budget Scrutiny Panel)								
Catriona Marchant, Democratic Services Officer	Chairman of the Overview and Scrutiny Committee	Interim Head of Finance and Assets	**Budget Scrutiny Panel: Service and Financial Planning 2020/21** For the Budget Scrutiny Panel to (i) consider the provisional budget proposals for 2020/21; (ii) report back to the Overview and Scrutiny Committee with their findings; and (iii) make recommendations to the Executive in line with the Council's budget and policy procedure rules.	11 Dec 2019 21 Nov 2019	16 Jan 2020		Part exempt	
11 December 2019								
Tom Borer, Policy Officer	Leader of the Council	Chief Executive	**Leader's Update (December 2019)** To receive an update on the work of the Council and future plans.	11 Dec 2019			Open	
Luke Harvey, Project & Performance	Deputy Leader and Portfolio Holder for	Head of Projects and Performance, Interim Head of	**Quarterly Performance Report (Q2 2019/20)**	11 Dec 2019	16 Jan 2020		Open	

Report Author(s)	Lead Member(s)	Officer sign off	Subject	O&S	Executive	Council	Open / Exempt	Key
Team Leader	Finance, Portfolio Holder for Corporate Direction and Governance	Finance and Assets	To consider Council performance in the second quarter of the year in regards to Key Performance Indicators, Revenue and Capital Budget Monitoring and Risk Management.					
Luke Harvey, Project & Performance Team Leader	Portfolio Holder for Corporate Direction and Governance	Head of Projects and Performance	**Internal audit 2019/20 - Q2 progress report** To consider progress in Q2 against delivery of the 2019/20 internal audit plan.	11 Dec 2019			Open	
Catriona Marchant, Democratic Services Officer	Leader of the Council	Head of Legal and Governance	**Schedule of Meetings 2020/21** To consider the proposed schedule of meetings.	11 Dec 2019	30 Jan 2020	13 Feb 2020	Open	
23 January 2020								
Ross Spanton, Community Safety Officer	Portfolio Holder for Community Partnerships	Head of Community Partnerships	**Annual Community Safety Partnership Scrutiny - 2019/20** To review the work of the East Surrey Community Safety Partnership in 2019/20.	23 Jan 2020			Open	

Report Author(s)	Lead Member(s)	Officer sign off	Subject	O&S	Executive	Council	Open / Exempt	Key
Mari Roberts-Wood, Director of People	Portfolio Holder for Community Partnerships, Portfolio Holder for Housing and Benefits, Portfolio Holder for Wellbeing and Intervention	Director of People	**Portfolio Holder Briefing - People Portfolios** To receive a briefing from the People Portfolio Holders.	23 Jan 2020			Open	
20 February 2020								
Luci Mould, Director of Place, Luci Mould, Director of Place	Portfolio Holder for Neighbourhood Services, Portfolio Holder for Place and Economic Prosperity, Portfolio Holder for Planning Policy	Director of Place	**Portfolio Holder Briefing - Place Portfolios** To receive a briefing from the Place Portfolio Holders regarding the Place business areas and their portfolios.	20 Feb 2020			Open	
Helen Stocker, Finance Manager	Deputy Leader and Portfolio Holder for Finance	Interim Head of Finance and Assets	**Treasury Management Strategy 2020-2021** To consider the Treasury Management Strategy for 2020-21.	20 Feb 2020	30 Jan 2020 26 Mar 2020	9 Apr 2020	Open	PFP

Report Author(s)	Lead Member(s)	Officer sign off	Subject	O&S	Executive	Council	Open / Exempt	Key
Catriona Marchant, Democratic Services Officer	Chairman of the Overview and Scrutiny Committee	Head of Legal and Governance	**Overview and Scrutiny Committee: Proposed Work Programme 2020/21** To consider the proposed work programme for the Committee for 2020/21.	20 Feb 2020	27 Feb 2020	9 Apr 2020	Open	
19 March 2020								
Kirsty Jane Hill, Democratic Services Officer	Portfolio Holder for Investment and Companies	Head of Legal and Governance, Interim Head of Finance and Assets	**Companies Performance Update** To receive an update on the performance of Council companies.	19 Mar 2020			Part exempt	
Luke Harvey, Project & Performance Team Leader	Portfolio Holder for Corporate Direction and Governance	Head of Projects and Performance	**Internal audit 2019/20 - Q3 progress report** To consider progress in Q3 against delivery of the 2019/20 internal audit plan.	19 Mar 2020			Open	
Luke Harvey, Project & Performance Team Leader	Portfolio Holder for Corporate Direction and Governance	Head of Projects and Performance	**Internal Audit Plan 2020/21** To endorse the draft Internal Audit Plan for 2020/21.	19 Mar 2020			Open	

Report Author(s)	Lead Member(s)	Officer sign off	Subject	O&S	Executive	Council	Open / Exempt	Key
Luke Harvey, Project & Performance Team Leader	Deputy Leader and Portfolio Holder for Finance, Portfolio Holder for Corporate Direction and Governance	Head of Projects and Performance, Interim Head of Finance and Assets	**Quarterly Performance Report (Q3 2019/20)** To consider Council performance in the third quarter of 2019/20 in regards to Key Performance Indicators, Revenue and Capital Budget Monitoring and Risk Management.	19 Mar 2020	26 Mar 2020		Open	
Helen Stocker, Finance Manager	Deputy Leader and Portfolio Holder for Finance	Interim Head of Finance and Assets	**Annual Governance Statement** The Council is required to publish an annual statement on its corporate governance arrangements. This should accompany the Council's annual Statement of Accounts. Statutory regulations recommend that the body charged with overall responsibility for governance within the Council should review and endorse the statement prior to its formal signature by the Leader of the Council and the Chief Executive.	19 Mar 2020			Open	

Report Author(s)	Lead Member(s)	Officer sign off	Subject	O&S	Executive	Council	Open / Exempt	Key
16 April 2020								
Pat Main, Interim Head of Finance and Assets	Deputy Leader and Portfolio Holder for Finance	Director of Finance and Organisation	**External Audit Plan 2019/20** To endorse the draft External Audit Plan for 2019/20.	16 Apr 2020			Open	
Catriona Marchant, Democratic Services Officer	Chairman of the Overview and Scrutiny Committee	Head of Legal and Governance	**Overview and Scrutiny Committee: Annual Report 2019/20** To consider the Annual Report of the Committee's work.	16 Apr 2020		28 May 2020	Open	
To be scheduled								
Simon Rosser, Head of Revenues, Benefits and Fraud	Portfolio Holder for Investment and Companies	Director of People	**A Local Authority Trading Company for Provision of Revenues, Benefits and Fraud Services, and Loan Facilities** Incorporation of the company and associated governance requirements.				Part exempt	KEY
Tom Borer, Policy Officer	Portfolio Holder for Neighbourhood Services	Head of Corporate Policy	**Update on Carbon Management - Climate Change**				Open	

Report Author(s)	Lead Member(s)	Officer sign off	Subject	O&S	Executive	Council	Open / Exempt	Key
			This is a request from Overview and Scrutiny to receive an update on carbon management – climate change, following the motion at Full Council on 7 February 2019 –Minute 75 – Climate Change.					

Contact: **Democratic Services**
Email: Democratic@reigate-banstead.gov.uk
Phone: 01737 276182
Address: Town Hall, Castlefield Road, Reigate, Surrey, RH2 0SH

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Action tracker - Overview and Scrutiny Committee 2019/20

Meeting 2019	Subject and request	Action	Who	When	Completed and Archive
6 June	Item 7 – Provisional Outturn Report 2018-19	**RESOLVED** – that the provisional 2018/19 outturn report for Revenue, Capital and Treasury Management (including use of reserves), and the observations of the Committee, as set out in the Minutes (see below), be noted: • **Capital Programme Outturn 2018/19 - Lee Street Bungalows** – Members noted that Lee Street Bungalows had a projected underspend by £0.43m and requested further information on progress of this project.	Head of Finance Head of Housing	28 June 2019 and 1 July 2019 (incl. a follow-up Q&A). More information requested from Portfolio Holder. **Update on 27/8/19** - The planning application for Lee Street had been submitted and was likely to be validated shortly, it is unclear at this point whether the application will go to the 2nd or 30th October Committee but we will know shortly We go out to tender on 28 Aug, for a period of 3/5 weeks when we will then have accurate costings to compare to alternative builds e.g. brick built 5 July 2019 – information sent to	Completed

		• **Disabled Facilities Grant** – the report referenced a £0.59m underspend which was due to both a combination of the number of applications received and the capacity of the previous contractor to complete the work. Members identified that further publicising it to residents could be useful so there was better uptake in line with the level of government funding available.	Head of N'hood Operations	Members	
6 June	Item 7 – Provisional Outturn Report 2018-19	In the July meeting, the Committee has requested a report on the overall Medium-Term Financial Plan going forward to increase understanding of the overall financial picture. This would include a discussion under Part 2 Exempt business.	Democratic Services Officer	MTFP update report on 11 July O&S Agenda	Completed
6 June	Item 7 – Provisional Outturn Report 2018-19	The Chair requested a future training session for Members on Treasury Management Strategy as it applies to local government.	Head of Finance to contact Treasury m'ment supplier to arrange training in Autumn	Date scheduled for Tuesday 15 October 2019 before Members consider the half-year Treasury Management report in November.	Action completed

6 June	Item 8 – Quarterly Performance Report	Members requested, for future years, that indicators could be broken down so they could see how much affordable housing could be secured in each of these above areas of housing development. This would not just look at private development but signpost the Council's forthcoming Housing Strategy and also its collaboration with Raven Housing Trust.	Request to Planning Officers	Requested19 June 2019 and noted by Planning Officers.	Completed
11 July	Item 5 – Five Year Performance Plan report 2018/19	Money Support Team – it was identified that the Council had supported families but little was known about the work done by the team and the services offered. Members asked for more information about this service.	Request to officers	In progress. Requested information on 18 July 2019. Duane Kirkland's team are putting together a summary of what the money support team does, how it came about, and its impact. Will be ready early autumn.	
11 July	Item 5 – Five Year Performance Plan report 2018/19	The DWP has said that Universal Credit will be rolled out over two years but the council does not have a timetable as yet. Members requested that they be informed when the main rollout starts.	Request to officers	Request noted. This will be supplied once the timetable for the roll-out of Universal Credit is known.	Completed.
11 July	Item 6 – Annual Governance Statement	One Member asked for more clarification on the statement in the effective financial planning and management section about expenditure and the underspend which was equivalent to 9 per cent of the budget.	Request to Head of Finance and Assets	In progress. Requested information on 19 July 2019. Breakdown of key reasons for the P12 services budget variance (as per the outturn report).	Completed. Separate response on this – highlighting the fact that the draft ISA260 report from the external auditors does

					not flag this as a concern.
11 July	Item 7 – Medium Term Finance Plan update	**Strategic Property – Capital Programme** – Members asked for more detail on the list of properties in the Capital Programme in Appendix 2 of the report. This was mainly expenditure incurred on purchasing property.	Request to officers	Requested information on 19 July 2019. This will be covered in the Q1 performance report.	Completed. There has been a separate response on this, more detail has been provided.
11 July	Item 7 – Medium Term Finance Plan update	The updated version of the MTFP should include and reflect all six of the requirements set out in the **CIPFA Financial Management Code**. This included a Financial Resilience Assessment, a long-term financial strategy and a multi-year MTFP.	Request to officers	In progress.	
12 Sept	Item 6 – Capital Investment Strategy	An update requested for current timescales on major projects - Marketfield Way, Cromwell Road, Lee Street and Pitwood Park.	Request to officers	In progress	
12 Sept	Item 7 – Quarterly Performance Report (Q1 2019/20)	The latest figures on how the garden waste scheme charges compare across Surrey's councils and boroughs.	Request to officers	Completed	Written response emailed to Committee Members on 23 September 2019
12 Sept	Item 7 – Quarterly Performance Report (Q1 2019/20)	Review the target on recycled and composted waste with relevant Heads of Service and give a written response to the Committee on how the target is derived.	Request to officers	Completed	Written response emailed to Members on 23 September 2019

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NOTE FROM THE CHAIR OF OVERVIEW & SCRUTINY TO THE EXECUTIVE

19 SEPTEMBER 2019

Neither the Vice-Chairman nor I are able to be at the meeting tonight, but we want to bring some key points from the last O&S meeting to your attention.

Capital Investment Strategy 2019/20

Work plan – The Strategy has started to develop the numbers required to help meet the Council's financial objectives, and will be developed further as priorities in the new Corporate Plan and Housing Strategy are finalised. The Strategy sets out a logical process as the Council looks at Budget gaps, sets out its final plans and proposed commercial investments.

Commercial Ventures Executive Sub-Committee (CVESC) – There is on-going work to evaluate the management reporting, risk profile and capital investment criteria, but nothing has formally come to the CVESC so far. O&S has received assurances that a report will be formally put forward and that O&S would be consulted.

Capital Projects - Members asked about progress on investments in property and capital scheme developments over the last five years. The Strategy reported that progress has been made over recent months with major schemes including Marketfield Way, Cromwell Road, Lee Street and Pitwood Park. Members asked for information on the current timescales for these projects.

Property team – Members noted that there are gaps in permanent staff in the property team, which is not at full strength and needs more people with the appropriate skills. There is otherwise a risk to the implementation of the major schemes. Officers reported that an external consultant's review of staffing is to be considered. Members were surprised that the absence of a full property team was not regarded as a "red risk" at this time (Appendix 1, page 38 of the report). Officers commented that the Council had good interim staff on the team.

Purchase of shares/Provision of loans – The report referred to the option of making loans to and buying shares in service providers and local businesses to promote economic growth. Members had concerns about this statement. The Council makes small grants to local businesses but investing in shares in local businesses, while worthy, was concerning. The Committee felt the Council should be very cautious with such proposals.

Next Steps - Members noted that capital growth requirements will be considered as part of the service and financial planning process, and would be subject to review by O&S.

Quarterly Performance Report (Q1 2019/20)

KPI 2 Residential Completions – Given the importance of the new homes target in the Core Strategy, Members were surprised that permissions commenced but not yet completed were not tracked more closely, at least on an overall basis.

KPI 2 Household Waste – Members acknowledged that the percentage recycled and composted had increased, but noted performance has fallen short of the new "stretch" target. They asked for information to understand the steps that can be taken to improve performance.

Concern was expressed about the current level of the garden waste subscription charge which it was believed was now above most other Surrey boroughs and districts.

Review of KPIs – Members were enthusiastic in working with the portfolio holder in establishing a new set of key performance indicators.

Cllr N D Harrison

Chairman, Overview & Scrutiny Committee

The input from the Committee was welcomed by Council Members on 26 September 2019 and it was noted that these observations had been fully captured in the minutes from the meeting:

https://reigate-banstead.moderngov.co.uk/documents/b4651/Addendum%20-%20Recommendations%2026th-Sep-2019%2019.30%20Council.pdf?T=9