



**Elmbridge**  
Borough Council  
*... bridging the communities ...*

# Narrative to the 2018/19 Statement of Accounts



## **Narrative for 2018/19**

### **Summary of Financial Performance in the year**

In the financial year to 31 March 2019, the Council delivered its services within the approved budget of £16,805,210. This is in accordance with the Council's medium-term financial strategy, and robust financial management of the Council's services has enabled services to be provided within budget.

The Council's General Fund balance remains at £4 million as at 31 March 2019. The Council's financial health has continued to strengthen and this capacity will be needed to provide a firm financial foundation for the Council to deliver services in what is a very challenging financial climate in the public sector for the medium term, with risk on BREXIT and uncertainty around the current national political environment and its priorities and, in particular, the Business Rates Retention Scheme and the Fair Funding Review.

The Council has recognised in strategic terms that the local authority needs to reduce its dependency on Government revenue funding when public funds are so highly constrained, through effective use of assets, increased income from property investments and retention of Business Rates, as the clear message from Central Government is that Councils should fund local services with locally raised revenues.

### **Financial Planning**

The role of the Council's financial planning process is to support the achievement of the Council's Strategic Priorities and Corporate Plan. The main driver for the budget and savings options developed is the administration's desire to provide high quality services that are in line with Council priorities and residents needs at the least possible cost to Council Tax payers.

The objectives of the Council's financial strategy are to:

- Prioritise resources to align spending plans with the Council's vision and strategic priorities
- Provide a robust framework to assist the decision-making process
- Maintain a balanced budget position, and to set a medium and long term financial plan maintaining and strengthening that position
- Continue to deliver value for money to our residents
- Exercise probity, prudence and strong financial control
- Manage risk, including strengthening reserves & levels of investment income
- Continually review budgets to ensure that resources are targeted on key priorities

## Non-Financial Performance

A summary of the results of the 2018 Resident Panel survey are set out in the table below:

	2015 %	2016 %	2018 %
<b>Residents agree that the Council provides Value for Money</b>	<b>75</b>	<b>73</b>	<b>67</b>
<b>Satisfaction with Individual Services</b>			
Environmental Services (includes noise nuisance, food hygiene pest control, licensing and removal of graffiti)	73	76	64
Waste Collection, recycling, refuse and food collection	89	86	72
Street Cleaning	75	66	58
Planning Services	41	43	35
Community Support Services	32	33	30
Leisure and Cultural Services	63	64	50
Housing Services	18	17	15
Local Taxation	77	77	77
<b>Overall Satisfaction with the way Elmbridge runs its services</b>	<b>88</b>	<b>86</b>	<b>71</b>

In 2018 the Residents' Survey, now a bi-annual survey, was conducted to measure residents' views of the Council's performance. It received a total of 261 responses (down from 535 in 2016). This can partly be explained due to a Residents' Panel membership refresh in 2018 which was undertaken in compliance with the General Data Protection Regulations. This led to the panel decreasing from over 1,000 members to 250. To mitigate this, for the first time the survey was open to all members of the public rather than solely panel members. While the response rate among panel members (34%) was generally in line with previous surveys (2016 – 35%, 2015 – 38%), there were not enough responses from the general public to compensate for the reduction in panel size. The total of 261 responses falls below the Local Government Association's recommended minimum of 500 responses for an effective survey. This makes the survey statistically unreliable for gauging the views of the wider population.

A number of factors are likely to have contributed towards the reduction in satisfaction. The literal responses suggested that value for money perceptions and overall satisfaction were affected by a confusion among some residents of the division of responsibilities between the borough council, county council and police. Although the small sample size makes it difficult to draw conclusions about the results, it has been acknowledged that issues in respect of the new waste contract, unauthorised encampments, street cleaning and seasonal displays played a part in resident satisfaction. Action has been taken to mitigate some of these concerns including obtaining a Final Injunction Order, which prohibits the setting up of unauthorised encampments and fly-tipping in all identified public land. The Council closely monitors areas where residents have expressed dissatisfaction and will continue to take action where necessary.

Further details of the Residents Panel Survey can be found on the Council's website.

## Budget and Actual Expenditure 2018/19

Budget proposals for 2018/19 were reported to Members through various Cabinet, Overview and Scrutiny Committees, Performance and Finance Panel and Council between September 2017 and February 2018, with the final budget being approved in February 2018.

The Council's approach to setting the budget involved detailed consideration of financial risk, so that this can be factored into budget decisions.

The 2018/19 Budget incorporated savings and reductions of £1.7 million. The main components of the budget for 2018/19, and how they compare with actual income and expenditure for the year are:

Portfolio	2017/18	2018/19			
	Actual £'000	Original Budget £'000	Actual £'000	Variance to Original Budget £'000	%
Community Development	314	330	338	8	2
Corporate Development	2,459	2,784	2,691	(93)	(3)
Environment and Economy	5,437	4,990	5,519	529	11
Highways and Transport	(2,019)	(1,552)	(2,385)	(833)	(54)
Housing	1,956	2,458	2,366	(92)	(4)
Leisure and Culture	4,184	5,002	5,405	403	8
Licensing	215	197	208	11	6
Resources	811	3,496	2,642	(854)	(24)
Social	2,480	3,185	3,062	(123)	(4)
Planning	2,453	2,027	2,902	875	43
	<b>18,290</b>	<b>22,917</b>	<b>22,748</b>	<b>(169)</b>	<b>(1)</b>
Asset Rentals	(2,830)	(3,682)	(3,680)	2	-
Interest on Balances	(667)	(900)	(1,062)	(162)	-
Contribution To/(from) Interest Equalisation Reserve	(338)	-	162	162	-
Investment Properties	-	(3,455)	(3,386)	69	2
Transfer from Council Tax Freeze Grant Reserve	(307)	(157)	(157)	-	-
New Homes Bonus	(1,894)	(1,102)	(1,126)	(24)	(2)
Contribution to New Homes Bonus / Property Acquisition Reserve	1,527	960	960	-	-
To / (from) Earmarked Reserves	1,386	17	45	28	165
Transitional Settlement Grant	(190)	-	-	-	-
Capital Financing	1,389	2,207	2,301	94	4
	<b>16,366</b>	<b>16,805</b>	<b>16,805</b>	<b>-</b>	

An analysis of the £0.46 million overspend (this represents approximately 0.7% of Council's gross budget) is as follows:

	£'000
Operating Expenses	570
Income	40
Other	70
Increased Use of Earmarked Reserves	(220)
<b>Use of Business Rates Surplus for 2018/19 to fund overspend</b>	<b>460</b>

Budgets are monitored on the following basis:

- Monthly - Departmental monitoring of all income and expenditure and a summary of pre-determined major budgets (particularly income streams) is reported to Council Management Board (CMB).

- ii. First and second quarters – The Cabinet receive a budget monitoring report by portfolio along with key financial indicators.
- iii. Third Quarter – A revised forecast for the year is produced and reported to CMB and Cabinet.
- iv. Year end – The final accounts are produced.

Where major adverse variances are found, corrective action is taken to rectify the position during the year.

## **Accounts for 2018/19**

### **The Statement of Accounts**

The purpose of the Statement of Accounts is to give residents of Elmbridge, electors, those subject to locally levied taxes and charges, Members of the Council, employees and other interested parties clear information about the Council's finances. The format of the Statement of Accounts is governed by The Code of Practice on Local Authority Accounting in the United Kingdom, published by CIPFA (The Code). To make the document as useful as possible to its audience and so as to make meaningful comparisons between authorities the Code requires:

- All Statement of Accounts to reflect a common pattern of presentation, although at the same time not requiring them to be identical.
- Interpretation and explanation of the Statement of Accounts to be provided.
- The Statement of Accounts and supporting notes to be written in plain English.

The Council's Statement of Accounts for the year 2018/19 includes:

#### **The Statement of Responsibilities**

This outlines the responsibilities of the Council's and the Chief Finance Officer's responsibilities for the Statement of Accounts. It also carries the certification of the Chief Finance Officer (S151 Officer).

#### **The Audit Opinion and Certificate**

This is provided by Grant Thornton following the completion of the annual audit by July of the following financial year.

#### **Annual Governance Statement (AGS)**

The AGS is not part of the accounts but shown alongside them. The statement sets out the main components of internal control and the framework within which the Council's internal control is managed and reviewed, including arrangements for internal audit. It also reports on significant weaknesses and areas for improvement identified and the actions taken to rectify or strengthen these areas. The statement is signed by the Chief Executive and the Leader of the Council.

#### **The Statement of Accounting Policies**

This explains the basis for the recognition, measurement and disclosure of figures and events in the accounts and is intended to aid the reader's understanding of the accounts.

## Core Financial Statements

### The Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund specific items of expenditure or reduce local taxation) and other unusable reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement (CIES). These are different from the statutory amounts required to be charged to the General Fund Balance Account for Council Tax setting. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from Earmarked Reserves undertaken by the Council. In order to aid clarity, the Council had an element of the general reserve earmarked for specific uses, these have now been established as Earmarked Reserves.

### The Comprehensive Income and Expenditure Statement

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. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

### The Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2018 £'000	Balance Sheet Summary	31 March 2019 £'000
191,314	Long Term Assets	229,787
84,449	Current Assets	63,630
(21,363)	Current Liabilities	(21,032)
(104,538)	Long Term Liabilities	(125,386)
<b>149,862</b>	<b>Net Assets</b>	<b>146,999</b>
	<u>Useable Reserves</u>	
4,000	General Fund	4,000
20,305	Earmarked Reserves	21,209
12,137	Community Infrastructure Levy (CIL)	9,045
20,498	Capital Receipts Reserve	20,450
14,691	Capital Grants Unapplied	17,519
<b>71,631</b>	<b>Total Useable Reserves</b>	<b>72,223</b>
78,231	Unuseable Reserves	74,776
<b>149,862</b>	<b>Total Reserves (Net Worth)</b>	<b>146,999</b>

The Council's working capital ratio has decreased (current assets / current liabilities) at 31 March 2019 to 2.9 (4.0 at 31 March 2018). The working capital provides an indication of the Council's ability to pay its debts within one year. The higher the ratio, the more liquid the organisation. An organisation would normally anticipate a ratio higher than 1.0. The main reason for the reduction is the net decrease in Short Term Investments and Cash (£22m) which has been invested for a longer period.

### **The 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 (i.e. borrowing) to the Authority.

### **Notes to the Core Financial Statements**

These provide supporting and explanatory information on the Core Financial Statements.

### **The Collection Fund Statement**

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of Elmbridge as the billing authority in relation to the collection from taxpayers, and distribution to local authorities and the Government, of council tax and non-domestic rates.

In 2018/19 the Council joined a pilot arrangement with all of the Surrey District Councils and Surrey County Council for sharing gains in the amount of Business Rates collected. The pilot was an arrangement the government established to explore the future proposal for 75 % Business rates retention by Local Government. As a result, the Council stands to gain an additional share which would otherwise have been paid to Central Government. Due to the complexities of the way the Business Rates Collection Fund operates this will only be available to spend in 2019/20. The Council was a member of a Pool in 2017/18, which also was a sharing arrangement with a number of other Councils.

### **Material Assets and Liabilities**

During 2018/19, the Council purchased Weybridge Estate which comprises a mix of Offices, Retail and Residential investment properties. The estate cost £18.2m including stamp duty and other fees and costs. The properties are expected to produce a rental income yield of between 3.2% - 4.2%.

As part of the contract to sell a surplus site at Stompond Lane the Council is committed to exercising a 'call and put option' within the Agreement to acquire a 500 square metre children's nursery to enable the shell and core of the building to be completed by the developer. The Council has budgeted £1.774m to purchase the property on completion, inclusive of stamp duty and other fees and costs.

### **Pensions**

These Statements have been prepared in accordance with International Accounting Standard (IAS) 19 – Employee Benefits. The Balance Sheet shows a Pensions liability of £67.5 million, which reduces the total reserves of the Council by some 30%. Further explanatory notes are provided in the Statement of Accounting Policies and in the notes to the Core Financial Statements.

## Significant Changes in Accounting Policies and Requirements

There have been no significant changes in Accounting Policies and requirements, affecting the Council Taxpayer, for 2018/19.

## Borrowing and Cash Flow

The Council has £56.9 million of borrowing outstanding at 31 March 2019 (£42.0 million – 31 March 2018) from the Public Works Loan Board (PWLB). An additional £15.8 million PWLB borrowing was arranged during the year, and £0.9 million repaid.

The Council has sufficient resources to fund its Capital programme but may decide to borrow based on interest rates and regulations. The Council is not allowed to borrow to fund revenue expenditure but has a balanced budget with its expenditure being financed from fees and charges, rental income from property holdings, government grants and Council Tax, although the grant from Central Government (Business Rates) is expected to significantly reduce over the medium -term.

## Capital Expenditure

During the year the following items of major capital works and purchases were undertaken:

2017/18 £'000		2018/19 £'000
32,560	Investment Properties	18,197
6,710	Sports Hub, Waterside Drive	86
	- Brooklands Culvert	300
3,336	Vehicles - including Waste Vehicles	158
1,797	Other Public Building Acquisition and Enhancements	978
542	Private Sector Housing Grants	568
426	Affordable Housing Grants / Loans	207
635	Grant Expenditure - CIL / ECIF / Other	1,365
91	Other	129
390	IT Development/Investment	282
309	Community Transport / Centre Enhancements	166
723	Car Park Improvements	1,526
285	Playground Refurbishments / Tennis Courts	486
<b>47,804</b>	<b>Total</b>	<b>24,448</b>

The total capital receipts received in the year were £1.0m.

The Council set its capital programme in February 2019 with spending plans being funded as follows:

	Total Funds Available at 31 March 2019 £'000	Budgeted Spend 2019/20 £'000
Capital Receipts	20,450	3,589
Capital Grants	17,519	6,891
Revenue Resources	1,304	1,304
Borrowing*	-	18,000
	<b>39,273</b>	<b>29,784</b>

\*Borrowing is subject to suitable investment/asset development opportunities being identified.

## **Significant Provisions or Contingencies and Material Write-Offs**

Except in relation to appeals against Business Rate Valuation, there have been no material provisions or write-offs made during the year. The revaluation exercise carried out for 1 April 2017 raised concerns in relation to outstanding appeals for the 2010 Valuation List for business rates. As a result, a specific provision was made for a number of large properties. In addition, a new process for challenging these values was introduced, which has increased the uncertainty relating to the appeals in 2017/18. However, during 2018/19 there has been no increase in appeals and as a result the provision has been revised.

## **Economic Climate**

In setting the 2018/19 budget there was still uncertainty about the ongoing impact on income streams such as car park income, council tax collection and planning fees, as a result of this uncertainty and any impact from BREXIT. The income received from fees and charges is very much dependent on the disposable income of individuals and therefore remains an area of concern which will be closely monitored.

## **The adequacy of balances and reserves to withstand future financial pressures**

The Council maintains a level of General Fund balances to provide a measure of protection against risk. Without the protection provided by reserves, any unforeseen expenditure would have to be met either by increases in Council Tax or immediate savings (potentially through reductions in service levels and redundancies)

The Revenue Risk Reserve together with the Interest Equalisation Reserve are used to mitigate revenue budget risks and interest rate risks facing the Council during the year such as shortfall in income or increase in expenditure.

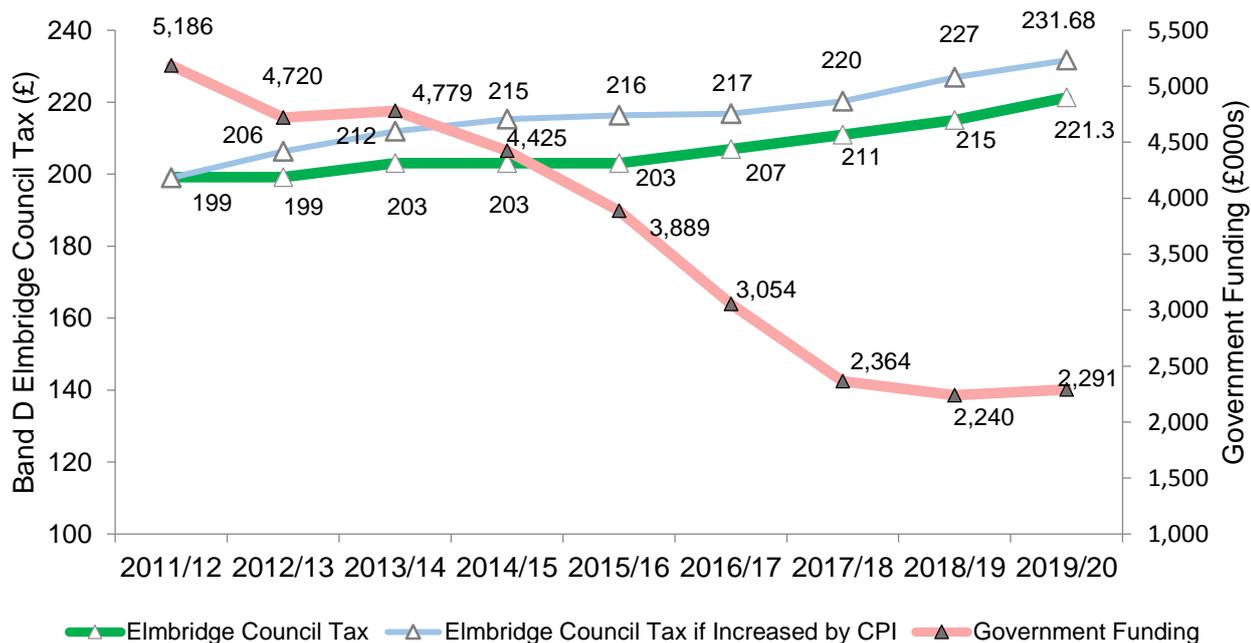
The Council is determined to address the financial challenges presented by the wider economic difficulties and stringent resource constraints by utilising focused risk management and by embracing all opportunities available to deliver more effective and efficient services for our community.

The forecast over the next two years is that in order to have a balanced budget the Council will need to find savings of approximately £4.2 million based on the Medium Term Financial Strategy approved by Council in February 2019. The Council manages financial risk by maintaining adequate reserves to help ensure that the medium-term policy programme is sustainable, the 2019/20 Budget includes the use of £0.4 million of reserves.

A summary of the Medium Term Financial Strategy is set out below:

	2019/20 Budget £'000	2020/21 Projection £'000	2021/22 Projection £'000	2022/23 Projection £'000
<b>Net Budget Requirement to Provide Services Expenditure</b>	<b>17,088</b>	<b>18,105</b>	<b>19,005</b>	<b>19,905</b>
Growth/Spending Pressures	1,028	400	200	200
Reduction in External Funding	-	150	150	100
Inflation on Contracts and Pay	812	650	700	700
Approved Savings/Fees & Charges	(823)	(300)	(150)	(50)
<b>Total Budget Requirement</b>	<b>17,668</b>	<b>18,855</b>	<b>19,755</b>	<b>20,705</b>
<b>Available Funding (Council Tax, Government Grants and Reserves)</b>	<b>17,668</b>	<b>16,818</b>	<b>16,575</b>	<b>16,496</b>
<b>Cumulative Budget Gap</b>	<b>0</b>	<b>2,037</b>	<b>3,180</b>	<b>4,209</b>
<b>Annual Funding Gap</b>	<b>0</b>	<b>2,037</b>	<b>1,143</b>	<b>1,029</b>

### Central Government Funding and the Council Tax between 2010/11 and 2019/20



- the Council's Council Tax increase is 11% over 8 years;
- Central Government Funding cuts are 56% by 2019/20;
- inflation (CPI) is 16% over 8 years.

## Organisational Overview and External Environment

Our Five-Year Vision (2018-2023) has been developed from extensive consultation with a range of stakeholders:

*“A responsive and effective Council, protecting and promoting the interests of residents and businesses and safeguarding our environment, while maintaining a community for all.”*

Our priorities support our Vision and are reviewed every year. For 2019/20 they are:

- **Character and Environment** – we will make Elmbridge a sustainable and attractive place
- **Quality Services** – we will work in partnership to ensure services are efficient, effective and offer value for money
- **Economic Development** – we will facilitate economic growth, including improved infrastructure and housing
- **Community Wellbeing** – we will listen to all of our residents and support communities to become healthier, empowered and safe.

For more detail on the Council Objectives and Vision, please see the Council Plan 2019/20.

## Operational Models

The Council uses a number of operating models to transform its inputs into key services and outcomes. The main operating models are:

- the provision of services model – these services are provided at a net cost to the Council and must be provided under statute, such as Planning Services;
- the contribution to services model – some services within the Council contribute to other services and reduce the Council Tax requirement, these include off-street car parking and investment properties;
- the breakeven model – some services are required by statute to have no impact on the Council Tax, such as taxi licensing;
- the Building Control Mutualisation where Elmbridge Building Control Services Limited provides the Council’s building control services and in which the Council owns a 20% stake;
- the on-street car parking model – on-Street Car Parking is a function of SCC and the Council agree to operate the service on their behalf, realising synergies with the off-street parking service, the service has a zero-net cost to the Council; and
- the Joint Waste Partnership model – the Council partners with other Surrey Districts in order to realise efficiencies in providing the Waste Collection service.
- In order to increase the number of affordable housing units the Council Established two wholly owned companies, EBC Investments Ltd and EBC Homes Ltd.

## Capital Strategy 2019 to 2039

All Councils are expected to have an approved Capital Strategy by 1 April 2019.

The Capital Strategy demonstrates that the Council takes capital investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability in the long-term context.

The Capital Strategy draws together existing good practice within the Council into a single document and introduces new guidance on limiting the use of capital receipts to approximately £750,000 per annum and not to exceed £2 million in any rolling three-year period. The guidance also states that the balance of capital receipts shall be not less than £5 million and held as a contingency against unforeseen capital expenditure.

The Capital Strategy also sets out a principle that moving forward at least 10% of the total capital expenditure on asset renewal and refurbishment should be financed from Community Infrastructure Levy (CIL) receipts.

In another section the Capital Strategy analyses the demand for capital expenditure and the predicted availability of capital resources to identify the gap between demand and available resources to inform decision making.

The Capital Strategy is available on the intranet.

## **Risks and Opportunities**

### **Risks**

The Council's Risk Management Strategy requires the Corporate Strategic Risk Register to be reviewed on an annual basis. The Register contains details of major identified risks, which could affect the Council's ability to achieve its priorities during the financial year. These include:

- A reduction in/elimination of grant funding from external bodies including Surrey County Council
- Adverse service planning conditions and/or significant loss of income resulting from changes in national economic conditions beyond the Council's control including the effects of welfare reforms, government and other external funding and other legislation and regulations including BREXIT.
- Services not delivered due to failure of major contractor.
- Failure to comply with statutory duties or other legal responsibilities including those arising from legislation resulting in claims being made against the Council and damage to reputation.

For more information on identified risks please see the Council's Strategic Risk Register.

### **Opportunities**

The Council carefully monitors any future opportunities that may assist in delivering optimal outcomes and improve service provision. Significant future opportunities include:

- Purchasing commercial properties to generate rental income and contribute towards minimising the Council Tax requirement.
- To further develop joint working and collaboration within Surrey, as part of the One Public Estates Programme.
- Pursuing a prevention agenda that focuses on empowering individuals and communities to engage in healthy behaviours to reduce their risk of developing chronic diseases, and so relieving pressures on public spending.
- Promoting independent living and reduce isolation.



**Elmbridge**  
Borough Council  
*... bridging the communities ...*

# Statement of Accounts Year Ended 31 March 2019



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## Statement of Responsibilities

### The Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, the responsibility of Chief Financial Officer is allocated to the S151 Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

### Approved by Council

The Audited Statement of Accounts will be approved at a meeting of the Audit & Standards Committee on 29 July 2019.

**Councillor Coomes**  
**Chair of Audit & Standards Committee**  
**29 July 2019**

### Responsibilities of S151 Officer as Chief Financial Officer

The S151 Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* ("the Code").

In preparing this Statement of Accounts, the S151 Officer has:

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

The S151 Officer has also:

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

### Certificate of Chief Financial Officer

I hereby certify that the Statement of Accounts presents a true and fair view of the financial position and the income and expenditure of the Council for the year ended 31 March 2019 and also that the Statement of Accounts complies with the requirements of the Accounts and Audit Regulations 2015.

**Sarah Selvanathan**  
**Strategic Director & Deputy Chief Executive (S 151 Officer).**  
**29 July 2019** (audited version).

# Independent auditor's report to the members of Elmbridge Borough Council

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Elmbridge Borough Council (the 'Authority') for the year ended 31 March 2019 which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund 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 the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2019 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

### 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 Authority 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 Strategic Director and Deputy Chief Executive's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Strategic Director and Deputy Chief Executive has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about 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.

### Other information

The Strategic Director and Deputy Chief Executive is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report and the Annual Governance Statement, 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 of the Authority 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.

### Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance

Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls. We have nothing to report in this regard.

### **Opinion on other matter required by the Code of Audit Practice**

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report 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; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application 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 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

### **Responsibilities of the Authority, the Strategic Director and Deputy Chief Executive and Those Charged with Governance for the financial statements**

As explained more fully in the Statement of Responsibilities set out on page 2 to the Statement of Accounts, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Strategic Director and Deputy Chief Executive. The Strategic Director and Deputy Chief Executive 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 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Strategic Director and Deputy Chief Executive 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 Strategic Director and Deputy Chief Executive is responsible for assessing 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 unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit & Standards Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

### **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: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **Report on other legal and regulatory requirements - Conclusion 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 on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

### **Responsibilities of the Authority**

The Authority is responsible for putting in place proper arrangements for securing 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.

### **Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made 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 in all significant respects the Authority 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 the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

### **Report on other legal and regulatory requirements - Certificate**

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

### **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 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority'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 Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

### ***Sarah L Ironmonger***

Sarah Ironmonger, Key Audit Partner  
for and on behalf of Grant Thornton UK LLP, Local Auditor  
London  
30 July 2019

## Movement in Reserves Statement

	General Fund Reserve	Earmarked Revenue Reserves	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>2017/18</b>								
<b>Balance at 31 March 2017 carried forward</b>	4,000	28,162	32,162	12,177	11,709	56,048	54,437	110,485
<b>Movement in reserves during 2017/18</b>								
Total Comprehensive Income and Expenditure	26,411	4,280	30,691	-	-	30,691	8,686	39,377
Adjustments between accounting basis and funding basis under regulation (Note 7)	(26,411)	-	(26,411)	8,322	2,981	(15,108)	15,108	-
<b>Increase (Decrease) in 2017/18</b>	-	4,280	4,280	8,322	2,981	15,583	23,794	39,377
<b>Balance at 31 March 2018 carried forward</b>	4,000	32,442	36,442	20,499	14,690	71,631	78,231	149,862

	General Fund Reserve	Earmarked Revenue Reserves	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>2018/19</b>								
<b>Balance at 31 March 2018 carried forward</b>	4,000	32,442	36,442	20,499	14,690	71,631	78,231	149,862
<b>Movement in reserves during 2018/19</b>								
Total Comprehensive Income and Expenditure	748	(2,188)	(1,440)			(1,440)	(1,423)	(2,863)
Adjustments between accounting basis and funding basis under regulation (Note 7)	(748)	-	(748)	(49)	2,829	2,032	(2,032)	
<b>Increase (Decrease) in 2018/19</b>	-	(2,188)	(2,188)	(49)	2,829	592	(3,455)	(2,863)
<b>Balance at 31 March 2019 carried forward</b>	4,000	30,254	34,254	20,450	17,519	72,223	74,776	146,999

The movement in reserves statement shows the position at the 31 March 2019 for the movements between reserves in accordance with the requirements of the Code of Practice. Detailed analysis of the movement in Earmarked Reserves is found in Note 8 to the Statement of Accounts.

## Comprehensive Income and Expenditure Statement (CIES)

2017/18				2018/19		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
<b>Service Expenditure</b>						
451	111	340		449	100	349
2,724	38	2,686		3,011	23	2,988
6,925	1,523	5,402		7,849	1,423	6,426
2,435	4,372	(1,937)		2,671	4,478	(1,807)
45,862	43,289	2,573		46,569	42,752	3,817
7,952	3,015	4,937		7,770	1,374	6,396
636	325	311		677	363	314
4,022	2,040	1,982		3,532	1,637	1,895
4,820	1,794	3,026		5,596	1,697	3,899
5,412	7,296	(1,884)		6,601	4,885	1,716
<b>81,239</b>	<b>63,803</b>	<b>17,436</b>		<b>84,725</b>	<b>58,732</b>	<b>25,993</b>
49	23,042	(22,993)		41		41
-	311	(311)		-	881	(881)
992	3,584	(2,592)	10	7,223	7,489	(266)
23,888	46,119	(22,231)	11	16,111	39,558	(23,447)
<b>106,168</b>	<b>136,859</b>	<b>(30,691)</b>		<b>108,100</b>	<b>106,660</b>	<b>1,440</b>
		(6,815)	24.2			(3,874)
		(1,871)	40.2			5,297
		<b>(8,686)</b>				<b>1,423</b>
		<b>(39,377)</b>				<b>2,863</b>

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. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

The Council transferred its housing stock to the Elmbridge Housing Trust in 2000. The agreement between the Council and the Elmbridge Housing Trust required that a proportion of the proceeds derived from the sale of the council houses transferred to the Trust under Right to Buy arrangements would in future years be passed to Elmbridge Borough Council. In 2018/19 £881,000, after taking account of the cost of sales, was due to be paid to the Council. The income can only be used to finance capital expenditure, or repay debt, and has been transferred to the Capital Receipts Reserve.

## Balance Sheet as at 31 March 2019

2017/18			2018/19
£'000		Notes	£'000
107,007	Property Plant & Equipment	12	110,133
1,424	Heritage Assets	13	1,424
76,515	Investment Properties	14	91,862
1,268	Intangible Assets	15	1,083
4,029	Long Term Investments	16	24,145
1,071	Long Term Debtors		1,140
191,314	<b>Long Term Assets</b>		<b>229,787</b>
62,775	Short Term Investments	16	31,201
28	Inventories		50
9,749	Short Term Debtors	18	11,023
11,897	Cash and Cash Equivalents	19	21,356
84,449	<b>Current Assets</b>		<b>63,630</b>
(20,423)	Short Term Creditors	21.1	(19,929)
(940)	Short Term Loans	21.2	(1,103)
(21,363)	<b>Current Liabilities</b>		<b>(21,032)</b>
(59,181)	Net Liability Arising from the Defined Benefit Obligation	40	(67,486)
(4,251)	Provisions	39	(2,097)
(41,106)	Long Term Borrowing	43.2	(55,803)
(104,538)	<b>Long Term Liabilities</b>		<b>(125,386)</b>
149,862	<b>Net Assets</b>		<b>146,999</b>
71,631	Useable Reserves	23	72,223
78,231	Unusable Reserves	24	74,776
149,862	<b>Total Reserves</b>		<b>146,999</b>

The balance sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory or other limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

## Cash Flow Statement

2017/18		2018/19
£'000	Notes	£'000
(30,691)		1,440
(7,711)	25.1	(8,205)
32,630	25.2	8,754
(5,772)		1,989
40,159	26	4,602
(24,455)	27	(16,050)
9,932		(9,459)
(21,829)		(11,897)
(11,897)	19	(21,356)

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council 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 Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

The increase in the cash and cash equivalents arises principally from holding cash balances to support the potential purchase of an investment property in the new financial year.

## Notes to the Core Financial Statements

### 1. Accounting Policies

#### 1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which Regulations require to be prepared in accordance with proper accounting practices. These practices, under Section 21 of 2003 Act, primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and the Service Reporting Code of Practice 2018/19, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The accounts have been prepared on a going concern basis. This assumes that the Council, its functions and services will continue in operational existence for the foreseeable future.

#### 1.2 Accruals of Income and Expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue 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.

#### 1.3 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in a specified period, no more than one month or less from the date of the balance sheet and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

#### 1.4 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.

## **1.5 Charges to Revenue for Non-Current Assets**

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service;
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off; and
- amortisation of intangible fixed assets attributable to the service.

The Council cannot raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance Minimum Revenue Provision (MRP) by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between them.

## **1.6 Council Tax and Non-Domestic Rates**

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 (i.e. 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 (CIES) 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 CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

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.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Taxation and Non-Specific Grant line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

## 1.7 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 (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

### 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 in exchange for those benefits and are charged on an accruals basis, to the appropriate service segment line in the CIES, at the earlier of when the authority can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council 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 Pension Scheme, administered by Surrey County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The Local Government Pension Scheme is accounted for as a defined benefits scheme. The liabilities of the Surrey Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a Corporate Bond yield curve constructed using the constituents of the iBoxx AA corporate bond index. This is then adjusted to reflect the 'term' of the benefit.

The assets of the Surrey 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; and
- property – market value.

The change in the net pension liability is analysed into the following components:

#### Service cost comprising:

- current service cost – the increase in liabilities as a result of years of service earned this year, allocated in the CIES to the services for which the employees worked;
- past service cost – the increase in liabilities 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 CIES as part of the service segments; net interest on the net defined benefit liability,

i.e. net interest expense for the authority – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the CIES – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

#### Re-measurements comprising:

- the return on plan assets – excluding amounts included in 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 – debited to the Pensions Reserve as Other Comprehensive Income and Expenditure; and
- Contributions paid to the Surrey Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities to the extent 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.

### **Discretionary Benefits**

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

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

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

## **1.9 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 Income and Expenditure line in the CIES 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.

For the borrowing that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the CIES in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the CIES is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid.

The reconciliation of amounts charged to the CIES to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

## **Financial Assets**

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI) [separate accounting policy is required where an authority holds financial instruments at fair value through other comprehensive income]

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (ie where the cash flows do not take the form of a basic debt instrument).

### **Financial Assets Measured at Amortised Cost**

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

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

## **Expected Credit Loss Model**

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

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

### **1.10 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 CIES 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 CIES.

Where capital grants are credited to the CIES, 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.

### **1.11 Community Infrastructure Levy (CIL)**

The Council has elected to charge a CIL. The Levy is charged on new builds with appropriate planning consent. This Council charges for and collects the levy, a planning charge. The Council raises and collects the levy and the income from this planning charge is used to fund infrastructure projects to support the development of the area.

CIL is received without outstanding conditions and is recognised in the CIES.

Any unallocated CIL at the end of the financial year is held as an earmarked revenue reserve. When CIL Grants are awarded, depending on the nature of the expenditure it is awarded for, the funds are moved to the appropriate classification on the Council's Balance Sheet e.g. Capital Grants Unapplied, Creditors or Receipts in Advance.

## 1.2 Heritage Assets & Memorials

### Heritage Assets

The carrying amounts of heritage assets are reviewed where there is evidence of impairment, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to authenticity. The Authority's heritage assets are accounted for in accordance with the nature of the asset and the relevant accounting policy.

### Memorials

The Council is responsible for a number of memorials in the Borough. These memorials, while having significant value to the community, have no resale value and are not used for any operational purpose. The memorials are reflected in the balance sheet at replacement cost and are not depreciated on the basis they have indeterminate lives and are fully maintained.

## 1.13 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 the website is capitalised because the website is not solely or primarily intended to promote or advertise the Council's goods or services, as it also includes facilities for web-based payments.

Intangible assets are measured initially at cost. Amounts are only revalued 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 CIES. 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 line(s) in the CIES. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the CIES.

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 £10,000) the Capital Receipts Reserve.

## 1.14 Interests in Companies and Other Entities

The Council has no material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities and has no requirement to prepare group accounts. However, in August 2015 the Council established a mutual for the Building Control Service in which it owns 20% of the share equity with the balance being owned by the employees of the mutual.

## **Interest in Companies and Other entities**

The authority has a material interest (100% owned) in EBC Investments Ltd that have the nature of a subsidiary, it may require it to prepare group accounts. In the authority's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses. The company became operational in January 2019 and the first accounting year ends on 31 March 2020, the nature and value of the transactions from January 2019 to 31 March 2019 are not material.

### **1.15 Inventories and Long-Term Contracts**

Inventories are valued at the latest price paid, with an appropriate allowance made for obsolescent and slow-moving items. This is a departure from the requirements of The Code of Practice on Local Authority Accounting, which require stocks to be shown at the lower of cost or net realisable value, if lower. The effect of the difference in treatment is not material.

Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

### **1.16 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, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. 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 CIES. 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 (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

### **1.17 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 fulfillment 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 CIES).

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 CIES 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**

### **Finance Leases**

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the CIES 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), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the CIES).

The gain credited to the CIES on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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 therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

## **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 CIES. 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.

### **1.18 Overheads and Support Services**

The costs of overheads and support services are charged to service segments in accordance with the authority's arrangements for accountability and financial performance.

### **1.19 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. For accounting purposes, the Council has a de-minimis level of £10,000.

## **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.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the CIES, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the CIES, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- infrastructure and community assets– depreciated historical cost;
- assets under construction – historical cost;
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant’s perspective; and
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, Depreciated Replacement Cost (DRC) is used as an estimate of current value.

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

Assets included in the Balance Sheet at current value are revalued according to the following revaluation programme. This is considered to be sufficiently regularly to ensure that the carrying amounts are not materially different from the fair values at the year-end:

- Annually – Civic Centre / Car Parks / Xcel Leisure Centre / Sports Hub.
- Every 3 years – Walton Town Centre / Cemetery Houses / Albermarle House
- Every 5 Years – All other asset groups.

Asset revaluations are phased to ensure that at least 70% of the total asset value is revalued every year.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for as follows:

- 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); and
- 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 CIES.

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 as follows:

- 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); and
- 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 CIES.

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

## **Depreciation**

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

Depreciation is calculated on the following basis:

- other buildings, plant, furniture and equipment and infrastructure – straight-line allocation over the useful life of the property as estimated by the valuer, or the estimated useful life of the other assets;
- vehicles – reducing balance - a percentage of the value of each vehicle, as advised by a suitably qualified officer; and
- infrastructure – no depreciation.

Where an item of property, plant and equipment asset has major components whose values are 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. It is then carried at the lower of this amount and fair value less costs to sell. 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 in the CIES. Gains in fair value are recognised only up to the amount of any previous 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 in the CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CIES also as part of the gain or loss on disposal (ie 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 in excess of £10,000 are categorised as capital receipts. The balance of receipts remains within the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the authority'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 non-current assets is fully provided for under separate arrangements for capital financing.

## **1.20 Provisions, Contingent Liabilities and Contingent Assets**

### **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 CIES 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.

## **1.21 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 be included the Surplus or Deficit on the Provision of Services in the CIES. 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, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant notes to the accounts.

From 1 April 2013 the Authority has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the Authority) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund the provision, improvement, replacement, operation or maintenance 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 CIES in accordance with the accounting policy for reserves set out above. CIL charges will be largely used to fund capital expenditure. However, they may also be used to fund revenue expenditure. Once a decision has been made on how the funds will be allocated the revenue reserve is transferred to the appropriate part of the balance sheet (Capital Grants, Short Term Creditors or Earmarked Reserves).

## **1.22 Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the CIES in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the 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.

## **1.23 Value Added Tax**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

## **1.24 Fair Value Measurement**

The authority measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings [other financial instruments as applicable] at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the value techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability.

## **2. Exceptional Item**

There are no exceptional items for 2018/19.

## **3. Accounting Standards that have been issued but have not yet been adopted**

For 2019/20 the accounting policy changes which may apply and that should be reported are:

- Amendments to IAS 40 *Investment Property: Transfers of Investment Property*
- *Annual Improvements to IFRS Standards 2014 – 2016 Cycle*
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*
- IFRIC 23 *Uncertainty over Income Tax Treatments*
- Amendments to IFRS 9 *Financial Instruments: Prepayment Features with Negative Compensation*

Based on the position at 31 March 2019 there would be no material impact on the Council's 2018/19 accounts and estimating the future impact would be impracticable.

## **4. Critical Judgements in applying Accounting Policies**

In applying the accounting policies set out in Note 1, 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. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to lose facilities and reduce levels of service provision.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.  It is estimated that the annual depreciation charge for buildings would increase by £138,000 for every year that useful lives had to be reduced.
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 the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the real discount rate assumption would result in an increase in the pension liability of £15million. However, the assumptions interact in complex ways. A 1-year increase in member life expectancy would increase the liability by £8million. Similarly, a 0.5% increase in the salary rate or in the pension increase rate would increase the liability by £2million and £13million respectively.
Provision for Appeals Business Rates	Estimation of the likelihood of successful appeals against the valuations calculated by the Valuation Office	The effect of a 1% (currently an allowance of 2% of the rateable value) change in the assumption for appeals against the 2017 valuations would result in a £1.3 million change in the provision, of which Elmbridge's provision would change by £0.4million.

## 6. Events after the Reporting Period

The Statement of Accounts was authorised for issue by the Strategic Director & Deputy Chief Executive on 26 May 2019. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## 7. Adjustments between Accounting Basis and Funding Basis under Regulations

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

2017/18	Usable Reserves			Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	
<b>Adjustments to Revenue Resources</b>				
<i>Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:</i>				
Pensions costs (transferred to (or from) the Pensions reserve)	(2,401)			2,401
Council tax and NDR (transfers to (or from) Collection Fund Adjustment Account)	(910)			910
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the CAA)	(758)		(5,341)	6,099
<b>Adjustments between Revenue and Capital Resources</b>				
Transfer of non-current sale proceeds from revenue to the Capital Receipts Reserve	25,957	(25,957)		-
Statutory provision for the repayment of debt (transfer from the CAA)	680			(680)
Capital Expenditure financed from revenue balances (transfer to the CAA)	2,464			(2,464)
<b>Adjustments to Capital Resources</b>				
Use of the Capital Receipts Reserve to finance capital expenditure		17,784		(17,784)
Application of capital grants to finance capital expenditure	1,331		2,360	(3,691)
Cash payments in relation to deferred capital receipts		(149)		149
<b>Other</b>				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	436			(436)
Revenue expenditure funded from capital under Statute	(1,643)			1,643
Movements in the market value of Investment Properties	1,255			(1,255)
<b>Total Adjustments</b>	<b>26,411</b>	<b>(8,322)</b>	<b>(2,981)</b>	<b>(15,108)</b>

2018/19	Usable Reserves			Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	
<b>Adjustments to Revenue Resources</b>				
<i>Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:</i>				
Pensions costs (transferred to (or from) the Pensions reserve)	(3,008)			3,008
Council tax and NDR (transfers to (or from) Collection Fund Adjustment Account)	1,088			(1,088)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the CAA)	733		(7,226)	6,493
<b>Adjustments between Revenue and Capital Resources</b>				
Transfer of non-current sale proceeds from revenue to the Capital Receipts Reserve	881	(881)		-
Statutory provision for the repayment of debt (transfer from the CAA)	1,239			(1,239)
Capital Expenditure financed from revenue balances (transfer to the CAA)	1,886			(1,886)
<b>Adjustments to Capital Resources</b>				
Use of the Capital Receipts Reserve to finance capital expenditure		1,062		(1,062)
Application of capital grants to finance capital expenditure	1,269		4,397	(5,666)
Cash payments in relation to deferred capital receipts		(132)		132
<b>Other</b>				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	201			(201)
Revenue expenditure funded from capital under Statute	(2,191)			2,191
Movements in the market value of Investment Properties	(1,350)			1,350
<b>Total Adjustments</b>	<b>748</b>	<b>49</b>	<b>(2,829)</b>	<b>2,032</b>

## 8. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from earmarked revenue reserves to provide financing for the future expenditure plans and the amounts posted back from earmarked reserves to meet expenditure in 2018/19.

	Note	Balance at	Transfers In	Transfers Out	Balance at	Transfers In	Transfers Out	Balance at
		31 March 2017			31 March 2018			31 March 2019
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revenue Contingency & Rent Risk Reserve	a	1,575	-	-	1,575	-	-	1,575
Strategic Reserve (LABGI)	b	1,101	-	-	1,101	-	(400)	701
Corporate Restructure - Initiatives	c	698	-	-	698	-	(279)	419
Capital Expenditure and Repairs & Maintenance	d	898	580	(549)	929	100	(267)	762
Investment Properties - Maintenance (Sinking Fund)	e	-	-	-	-	200	-	200
Performance Reward (LPSA)	f	316	-	(47)	269	-	(22)	247
Grant Equalisation Reserve	g	1,464	-	(307)	1,157	-	(157)	1,000
Interest Equalisation	h	754	-	(338)	416	162	-	578
Approved Carry Forward Requests	i	586	672	(586)	672	420	(430)	662
Car parking Maintenance	j	300	150	(160)	290	150	(102)	338
New Homes Bonus Reserve	k	778	1,414	(1,429)	763	157	(118)	802
New Homes Bonus Reserve - Enabling Fund	l	472	113	(49)	536	105	(143)	498
Elmbridge Civic Improvement Fund	m	250	-	(72)	178	400	(142)	436
Community Safety	n	439	-	(28)	411	-	(26)	385
Miscellaneous	o	724	49	(40)	733	132	(44)	821
Housing Reforms	p	429	404	(2)	831	204	(150)	885
Planning Delivery Grant	q	174	-	(45)	129	-	(26)	103
Property Acquisition Reserve	r	-	1,854	(876)	978	427	-	1,405
Business Rate Retention Reserve	s	3,282	2,453	(255)	5,480	1,232	(600)	6,112
Business Rate Pilot Infrastructure Feasibility studies	t	-	-	-	-	400	-	400
Planning Related Receipts (S106, SANGS and Tariffs)	u	2,588	76	(44)	2,620	65	(300)	2,385
Land Charges	v	367	12	(72)	307	-	(44)	263
Insurance	w	232	-	-	232	-	-	232
<b>Total Earmarked Revenue Reserves (Excluding CIL)</b>		<b>17,427</b>	<b>7,777</b>	<b>(4,899)</b>	<b>20,305</b>	<b>4,154</b>	<b>(3,250)</b>	<b>21,209</b>
Community Infrastructure Levy (CIL)	x	10,735	4,539	(8,827)	6,447	1,563	(1,940)	6,070
Community Infrastructure Levy (Strategic Infrastructure and Maintenance Projects)	y	-	5,690	-	5,690	1,404	(4,119)	2,975
<b>Total Earmarked Revenue Reserves (Including CIL)</b>		<b>28,162</b>	<b>18,006</b>	<b>(13,726)</b>	<b>32,442</b>	<b>7,121</b>	<b>(9,309)</b>	<b>30,254</b>

## Notes to Earmarked Reserves

Note	
a	To meet current and future contingency requirement and the revenue budget risks facing the authority. It will provide cover for rental income if it falls below the level assumed in the MTFS.
b	Fund received for growth in Business Rates used to reinvest in business related improvements.
c	To meet staffing costs arising from Council reorganisations or restructures.
d	Revenue sums held to finance capital expenditure and to deal with emergency repairs and maintenance and dilapidation costs to council owned property.
e	A reserve established to provide for maintenance on the Councils Investment Properties, from the property rental income.
f	Local Public Service Agreement funds used to fund projects of a one-off nature.
g	Established to mitigate the effect of the time limited funding from central government.
h	Set aside to protect the authority's annual budget in the event of in-year or between-year fluctuations in investment returns.
i	To finance items included of a one off nature where budget provision has been made, but the expenditure will be incurred in the following financial year.
j	Established by allocating 5% of the income stream from "Off-Street" car parking to provide funding for the ongoing maintenance of the Council's car parks.
k	A reserve established from New Homes Bonus funding, received to provide incentives and rewards for Councils and Communities to build homes in their area.
l	Funds set aside from New Homes Bonus to assist with the provision of affordable housing.
m	Elmbridge Civic Improvement Fund (ECIF), money set aside to fund the improvement, enhancement of local businesses and regeneration of the borough.
n	Funds provided by the Home Office and held in respect of Crime and Disorder initiatives.
o	Miscellaneous funds principally held in respect of bequests and donations to support the ongoing provision and maintenance of Centres for the Community and the ongoing maintenance of graves.
p	Established to protect the Council's revenue accounts during the period of transition to Universal Credit and changes resulting from Welfare Reform.
q	From a planning delivery grant to assist with the delivery of the Planning function. Fully committed for future years one off expenditure.
r	To use in the purchase of Investment Property Assets to provide increased revenue rental streams. Funding for the year was transferred from the New Homes Bonus Reserve.
s	Net surplus arising from the Business Rates Retention Scheme retained by the Council to offset any future Business Rates deficits attributable to the Council.
t	To fund infrastructure feasibility studies as a result of the agreement for the Council being a member of the Business Rate Surrey Pilot.
u	Receipts held as a result of the approval of planning consent, the funding must be used in accordance with the planning agreement.
v	Established for Land Charges surplus income, which may be used to fund deficits arising for those services in future years in accordance with legislative requirements.
w	Held in respect of future payments required for self-insurance / premium excess payments.
x	Community Infrastructure Receipts held to meet future infrastructure requirements as outlined in the Community Infrastructure Levy Regulations and subsequent amendments.
y	Community Infrastructure Receipts earmarked for Strategic Infrastructure and Maintenance Projects

## 9. Other Operating Expenditure

2017/18	2018/19
£'000	£'000
(23,042) (Gains)/losses on the disposal of non-current assets	-
49 Other	41
<b>(22,993) Total</b>	<b>41</b>

The gain on disposal mainly relates to the sale of Stompond Lane.

## 10. Financing and Investment Income and Expenditure

2017/18	2018/19
£'000	£'000
709 Interest payable and similar charges	1,285
1,477 Net interest on the net defined benefit liability	1,550
(674) Interest receivable and similar income	(1,064)
(4,104) Income and expenditure in relation to investment properties and changes in their fair value	(2,037)
<b>(2,592) Total</b>	<b>(266)</b>

## 11. Taxation and Non-Specific Grant Income and Expenditure

2017/18	2018/19		
	Gross Expenditure	Gross Income	Net Income
£'000	£'000	£'000	£'000
(13,567) Council Tax income		(13,857)	(13,857)
(2,192) Non Domestic Rates	16,111	(20,511)	(4,400)
(3,773) Non-ringfenced government grants		(2,221)	(2,221)
(2,699) Capital grants and contributions		(2,969)	(2,969)
<b>(22,231) Total</b>	<b>16,111</b>	<b>(39,558)</b>	<b>(23,447)</b>

It is a requirement to account for the Council's proportion of income and expenditure in relation to the Business Rate Retention Scheme. The Council was a member of a pilot in 2018/19, as a result the Council will gain £1.6 million which, because of the complexities of the Business rates Retention Scheme, will only become available to use in 2020/21. See the Collection Fund Income and Expenditure Account for more information on both Business Rates and Council Tax income.

## 12. Property, Plant and Equipment

The table analyses the movements on property, plant and equipment by asset class.

<b>Movements in 2017/18</b>	<b>Other Land and Buildings £'000</b>	<b>Vehicles, Plant, Furniture &amp; Equipment £'000</b>	<b>Infrastructure Assets £'000</b>	<b>Community Assets £'000</b>	<b>Surplus Assets £'000</b>	<b>Assets Under Construction £'000</b>	<b>Total Property, Plant and Equipment £'000</b>
<b>Cost or Valuation</b>							
At 1 April 2017	81,746	13,264	576	479	1,997	7,425	105,487
Additions	7,801	4,032	-	-	1,158	421	13,412
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	3,362	-	-	-	1,713	-	5,075
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,947)	-	-	-	(200)	-	(2,147)
Derecognition - disposals	(368)	(3,788)	-	-	(474)	-	(4,630)
Assets reclassified (to)/from Held for Sale/Investment Properties	-	-	-	-	-	-	-
Other movements in cost or valuation	6,366	90	-	-	949	(7,405)	-
<b>At 31 March 2018</b>	<b>96,960</b>	<b>13,598</b>	<b>576</b>	<b>479</b>	<b>5,143</b>	<b>441</b>	<b>117,197</b>
<b>Accumulated Depreciation and Impairment</b>							
At 1 April 2017	(3,761)	(8,930)	(437)	(52)	(39)	-	(13,219)
Depreciation charge	(1,962)	(690)	(4)	(9)	(69)	-	(2,734)
Depreciation written out to the Revaluation Reserve	1,582	-	-	-	25	-	1,607
Impairment (losses)/reversals recognised in the Revaluation Reserve	-	-	-	-	-	-	-
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-
Derecognition - disposals	368	3,788	-	-	-	-	4,156
Other movements in depreciation and impairment	-	-	-	-	-	-	-
<b>At 31 March 2018</b>	<b>(3,773)</b>	<b>(5,832)</b>	<b>(441)</b>	<b>(61)</b>	<b>(83)</b>	<b>-</b>	<b>(10,190)</b>
<b>Net Book Value</b>							
<b>At 31 March 2018</b>	<b>93,187</b>	<b>7,766</b>	<b>135</b>	<b>418</b>	<b>5,060</b>	<b>441</b>	<b>107,007</b>
<b>At 31 March 2017</b>	<b>77,985</b>	<b>4,334</b>	<b>139</b>	<b>427</b>	<b>1,958</b>	<b>7,425</b>	<b>92,268</b>

<b>Movements in 2018/19</b>	<b>Other Land and Buildings £'000</b>	<b>Vehicles, Plant, Furniture &amp; Equipment £'000</b>	<b>Infrastructure Assets £'000</b>	<b>Community Assets £'000</b>	<b>Surplus Assets £'000</b>	<b>Assets Under Construction £'000</b>	<b>Total Property, Plant and Equipment £'000</b>
<b>Cost or Valuation</b>							
At 1 April 2018	96,960	13,598	576	479	5,143	441	117,197
Additions	2,318	1,105	317			225	3,965
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	2,436	-	-	-	-	-	2,436
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,629)	-	-	-	-	-	(1,629)
Derecognition - disposals	-	(136)	-	-	-	-	(136)
Assets reclassified (to)/from Held for Sale/Investment Properties	1,500	-	-	-	-	-	1,500
Other movements in cost or valuation	1,200	103	-	-	(1,158)	(145)	-
<b>At 31 March 2019</b>	<b>102,785</b>	<b>14,670</b>	<b>893</b>	<b>479</b>	<b>3,985</b>	<b>521</b>	<b>123,333</b>
<b>Accumulated Depreciation and Impairment</b>							
At 1 April 2018	(3,773)	(5,832)	(441)	(61)	(83)	-	(10,190)
Depreciation charge	(2,546)	(1,924)	(3)	(10)	(94)	-	(4,577)
Depreciation written out to the Revaluation Reserve	1,438	-	-	-	-	-	1,438
Impairment (losses)/reversals recognised in the Revaluation Reserve	-	-	-	-	-	-	-
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	-	(7)	-	-	-	-	(7)
Derecognition - disposals	-	136	-	-	-	-	136
Other movements in depreciation and impairment	-	-	-	-	-	-	-
<b>At 31 March 2019</b>	<b>(4,881)</b>	<b>(7,627)</b>	<b>(444)</b>	<b>(71)</b>	<b>(177)</b>	<b>-</b>	<b>(13,200)</b>
<b>Net Book Value</b>							
<b>At 31 March 2019</b>	<b>97,904</b>	<b>7,043</b>	<b>449</b>	<b>408</b>	<b>3,808</b>	<b>521</b>	<b>110,133</b>
<b>At 31 March 2018</b>	<b>93,187</b>	<b>7,766</b>	<b>135</b>	<b>418</b>	<b>5,060</b>	<b>441</b>	<b>107,007</b>

## Revaluation and Depreciation

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment and buildings under construction are not subject to revaluation on the grounds of materiality. Historic cost is used as a proxy for current value.

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

- Land and Buildings – straight line, 1 to 60 years.
- Vehicles – reducing balance, 33% or 55% of carrying amount.
- Plant, Furniture and Equipment – straight line, 5 to 50 years.

In 2018/19 the following groups of properties were re-valued and/or the remaining useful lives assigned to them were changed:

<b>RICS Registered Valuer</b>	<b>Asset Group</b>	<b>Change to useful Life in years</b>	<b>Impact on Annual Depreciation Charge</b>
Alex Williams MRICS for and on behalf of Elmbridge Borough Council	Car Parks	Increased from 10 to 15	Reduction of £22,990
G Howes MRICS for and on behalf of Montagu Evans	Xcel Leisure Centre	No Change	N/A
	Sports Hub	No Change	N/A
	Civic Centre	No Change	N/A
	Intergenerational Centre Thames Ditton	Decrease from 45 to 7	Increase of £24,880
	Children's Centre - Weybridge	Decrease from 35 to 7	Increase of £16,785
	Mill Road Depot	Decrease from 30 to 10	Increase of £47,500
Gregory A Michail FRICS and Ian M Sneller BSc FRICS for and on behalf of Sneller Commercial	Albemarle House	N/A - New Asset	N/A
Laurence Unwin MRICS and Jonathan Rhodes MRICS for and on behalf of G L Hearn	Investment Properties	N/A - Not depreciated	N/A
Replaced in 2018/19	Excel Synthetic Turf Pitch	Reduced from 5 to 1	Increase of £91,200

These changes have had the overall financial effect of increasing the total annual depreciation for other land and buildings from £2,388,490 to £2,545,865 however, by regulation depreciation has no effect on taxation.

The following table breaks down the property, plant and equipment portfolio valuation over the years in which the valuations were made:

	Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total £'000
Carried at historical cost	741	14,670	893	402	-	521	17,227
Valued at fair value as at:							
31 March 2019	80,224	-	-	-	-	-	80,224
31 March 2018	8,956	-	-	-	2,213	-	11,169
31 March 2017	2,481	-	-	77	1,772	-	4,330
31 March 2016	5,234	-	-	-	-	-	5,234
31 March 2015	5,149	-	-	-	-	-	5,149
<b>Total Cost or Valuation</b>	<b>102,785</b>	<b>14,670</b>	<b>893</b>	<b>479</b>	<b>3,985</b>	<b>521</b>	<b>123,333</b>

### 13. Heritage Assets

A reconciliation of the Carrying Value of Heritage Assets held by the Authority.

Cost / Valuation	Museum Artefacts & Civic Regalia £'000	War Memorials £'000	Heritage Marker £'000	Xcel Art £'000	Total £'000
<b>At 1 April 2017</b>	<b>520</b>	<b>684</b>	<b>64</b>	<b>24</b>	<b>1,292</b>
Revaluations	-	132	-	-	132
Impairment (losses)/reversals recognised in the Revaluation Reserve	-	-	-	-	-
Impairment (losses)/reversals recognised in Surplus or Deficit on the Provision of Services	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>At 31 March 2018</b>	<b>520</b>	<b>816</b>	<b>64</b>	<b>24</b>	<b>1,424</b>
Cost / Valuation					
<b>At 1 April 2018</b>	<b>520</b>	<b>816</b>	<b>64</b>	<b>24</b>	<b>1,424</b>
Impairment (losses)/reversals recognised in the Revaluation Reserve	-	-	-	-	-
Impairment (losses)/reversals recognised in Surplus or Deficit on the Provision of Services	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>At 31 March 2019</b>	<b>520</b>	<b>816</b>	<b>64</b>	<b>24</b>	<b>1,424</b>

## 14. Investment Properties

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the CIES. The increase in income is due to rentals from additional properties purchased during 2018/19, rental reviews and new leases on existing properties. The increase in expenditure is due to the increase in the number of properties owned by the Council.

2017/18	2018/19
£'000	£'000
3,092 Rental income from investment property	3,893
(243) Direct operating expenses arising from investment property	(507)
<b>2,849 Net gain</b>	<b>3,386</b>

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no material contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement. All the Councils investment properties fair value measurements are based on other significant observable inputs. The Office Units and Commercial properties are measured using the investment method of valuation, assessing the passing rent and market rent by comparison to other transactions, and capitalising the income stream at an appropriate yield to reflect the key investment characteristics of the property.

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

2017/18	2018/19
£'000	£'000
<b>42,700 Balance at start of the year</b>	<b>76,515</b>
Additions:	
32,560 Purchases	18,197
1,255 Net gains (losses) from fair value adjustments	(1,350)
Transfers:	
- (To)/from Property, Plant and Equipment	(1,500)
- (To)/from Surplus Assets Awaiting Disposal	-
<b>76,515 Balance at end of the year</b>	<b>91,862</b>

The Investment property portfolio consists of £19.0 million of Office Buildings, £59.6 million of Industrial/Retail Premises (Commercial), £9.6 million of Residential and £3.6 million of other sites. During 2018/19 Mole Business Park became partially occupied by Elmbridge Community Transport and as such was reclassified as Other Land and Buildings.

## 15. Intangible Assets

The Council accounts for its software as intangible assets. All software is attributed a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to the major software suites used by the Council is 10 years. The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £278,557 charged to revenue in 2018/19 was charged to the Information Systems Service and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading. The movement of Intangible Asset balances during the year is as follows:

2017/18		2018/19
£'000		£'000
<b>Balance at start of year:</b>		
3,814	Gross carrying amounts	3,834
(2,472)	Accumulated amortisation	(2,566)
<b>1,342</b>	<b>Net carrying amount at start of year</b>	<b>1,268</b>
<b>Additions:</b>		
189	Purchases	94
(169)	Other disposals	-
(263)	Amortisation for the period	(279)
169	Other charges	-
<b>1,268</b>	<b>Net carrying amount at end of year</b>	<b>1,083</b>
Comprising:		
3,834	Gross carrying amounts	3,928
(2,566)	Accumulated amortisation	(2,845)
<b>1,268</b>		<b>1,083</b>

## 16. Financial Instruments

### Categories of Financial Instruments

The following categories of financial instruments are carried in the Balance Sheet:

2017/18			2018/19	
Non-current	Current		Non-current	Current
£'000	£'000		£'000	£'000
<b>Financial assets at amortised cost</b>				
4,029	62,775	Investments *	23,995	31,201
1,071	18,187	Debtors ^	1,071	29,350
<b>5,100</b>	<b>80,962</b>	<b>Total financial assets</b>	<b>25,066</b>	<b>60,551</b>
<b>Financial liabilities at amortised cost</b>				
41,106	940	Borrowing	55,803	1,103
-	10,361	Creditors	-	10,061
<b>41,106</b>	<b>11,301</b>	<b>Total financial liabilities</b>	<b>55,803</b>	<b>11,164</b>

\* Figures for investments include interest accrued but not yet received

^ Analysis of the cash & cash equivalent financial instrument balances included within Debtors, appears at Note 19

## Income, Expense, Gains and Losses

2017/18				2018/19		
Financial Liabilities measured at amortised cost	Financial Assets measured at amortised cost	Total		Financial Liabilities measured at amortised cost	Financial Assets measured at amortised cost	Total
£'000	£'000	£'000		£'000	£'000	£'000
709	-	709	Interest expense	1,061	-	1,061
-	(26)	(26)	Impairment losses	-	(4)	(4)
<b>709</b>	<b>(26)</b>	<b>683</b>	<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>1,061</b>	<b>(4)</b>	<b>1,057</b>
-	(674)	(674)	Interest income	-	(1,062)	(1,062)
-	<b>(674)</b>	<b>(674)</b>	<b>Total income in Surplus or Deficit on the Provision of Services</b>	-	<b>(1,062)</b>	<b>(1,062)</b>
<b>709</b>	<b>(700)</b>	<b>9</b>	<b>Net (gain)/loss for the year</b>	<b>1,061</b>	<b>(1,066)</b>	<b>(5)</b>

## Fair Value of Assets and Liabilities

Financial assets and liabilities represented by investments, non-current debtors and creditors are carried in the Balance Sheet at amortised cost. The authority has no assets or liabilities designated at 'Fair value through profit or loss' or 'Fair value through other comprehensive income'. Their fair values are assessed on the basis of other significant observable inputs (Level 2 in the fair value hierarchy) by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- estimated ranges of interest at 31 March 2019 of 1.53% to 2.38% applies to loans from PWLB, and 0.65% to 1.30% for loans receivable (investments) based on new lending rates for equivalent loans at that date;
- no early repayment or impairment is recognised;
- where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value; and
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

Fair values are calculated as follows – note the authority holds no Level 1 or Level 3 financial instruments:

2017/18				2018/19		
Carrying amount	Fair value	of which: Level 2	Financial liabilities at amortised cost	Carrying amount	Fair value	of which: Level 2
£'000	£'000	£'000		£'000	£'000	£'000
10,361	10,361	10,361	Current liabilities	10,061	10,061	10,061
41,106	42,212	42,212	Non-current liabilities	55,803	58,790	58,790

The fair value of non-current liabilities is higher than the carrying amount because the rate payable on the Council's PWLB loans is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2019) arising from a commitment to pay interest to lenders above current market rates.

2017/18			2018/19			
Carrying amount	Fair value	of which: Level 2	Financial assets at amortised cost	Carrying amount	Fair value	of which: Level 2
£'000	£'000	£'000		£'000	£'000	£'000
80,962	80,962	80,962	Current assets	60,551	60,551	60,551
5,100	5,208	5,208	Non-current assets	25,066	25,306	25,306

The fair value of the non-current assets is higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2019) attributable to the commitment to receive interest above current market rates.

Current debtors and creditors are carried at cost, as this is a fair approximation of their value.

## 17. Construction Contracts

At 31 March 2018 and at 31 March 2019 the Authority had no material construction contracts.

## 18. Short Term Debtors

2017/18		2018/19
£'000		£'000
5,283	Trade Receivables	5,303
1,436	Council Tax and Business Rates	1,543
495	Prepayments	397
2,535	Other receivable amounts	3,780
<b>9,749</b>		<b>11,023</b>

The main reason for the increase in short term debtors, relates to other receivable amounts, from Central Government for the 2018/19 Housing Benefit subsidy claim.

### 18.1 Debtors for Local Taxation

2017/18		2018/19
£'000		£'000
	<b>Debtors</b>	
325	Less than a year	398
171	More than a year	184
<b>496</b>		<b>582</b>
1,163	Government Debtor	1,239
(222)	Impairments	(278)
<b>1,437</b>		<b>1,543</b>

## 19. Cash and Cash Equivalents

The cash and cash equivalent is made up of the following amounts:

2017/18	2018/19
£'000	£'000
1 Cash held by the Authority	1
3,880 Bank current accounts	5,307
8,016 Short-term deposits with banks and building societies	16,048
<b>11,897 Total Cash and Cash Equivalents</b>	<b>21,356</b>

Short term deposits with banks and building societies have less than one month to maturity.

## 20. Assets held for sale

As at the 31 March 2019 the Council held no assets for sale. As at the 31 March 2018 the Council held no assets for sale.

## 21 Creditors

### 21.1 Short Term Creditors

2017/18	2018/19
£'000	£'000
(5,464) Trade Payables	(4,797)
(3,099) Other Payables	(3,174)
(8,881) Council Tax and Business Rates	(8,923)
(2,979) Receipts in advance	(3,035)
<b>(20,423)</b>	<b>(19,929)</b>

### 21.2 Short Term Loans

In 2012/13 the Council borrowed £3,500,000 from the PWLB over 25 years on an Equal Instalment of Principal (EIP) basis, in 2016/17 an additional £5,000,000 and £3,000,000 was borrowed on an EIP basis over 25 and 20 years respectively. During 2017/18 a further £4,000,000 and £5,000,000 was borrowed on an Annuity basis over 10 and 40 years respectively. During 2018/19 £15,800,000 was borrowed for 50 years on an Annuity basis. The short-term loan of £1,102,656 at 31 March 2019 is the element of the principal repayment required on these loans in 2019/20 (£940,313 at 31 March 2018). In addition, the Council has outstanding PWLB loans of £23,000,000 payable at maturity.

## 22. Impairments

The Council has provided for a provision for the non-payment of debt owed to the Council, also referred to as Impairments, see note 18 for an analysis, by the debtor type and the net amount owed after impairment.

## 23. Usable Reserves

- The General Fund Balance is the accumulation of surplus or deficit on operational services attributable to Council Taxpayers. Such funds are not held for any specific purpose but are available to assist with the management of financial risks and to deal with any emergencies that might arise. The Medium Term Financial Strategy sets out the Council's policy for the recommended value of the General Fund Balance in order to provide assurance against the estimates and assumptions used in the annual budgeting process.
- Earmarked Reserves are resources set aside to meet specific future running costs and investments. The Medium Term Financial Strategy sets out the Council's policy for Earmarked Reserves, including their nature and suggested requirements. Full details of the movements on each reserve can be found at Note 8.
- The Usable Capital Receipts Reserve holds the proceeds of fixed asset sales available to meet future capital investment.
- Capital Grants Unapplied (Note 33) holds the balance of grants received where the conditions of grant entitlement have not yet been met. Government grants and other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received. Grants received in advance of these conditions being met are held as Unapplied Government Grants until released into the CIES as entitlement allows.

The position at 31 March for each category of Usable Reserve is as follows:

<b>2017/18</b>	<b>2018/19</b>
<b>£'000</b>	<b>£'000</b>
4,000 General Fund	4,000
32,442 Earmarked Reserves (Including CIL)	30,254
20,498 Capital Receipts Reserve	20,450
14,691 Capital Grants Unapplied	17,519
<b>71,631 Total Usable Reserves</b>	<b>72,223</b>

The main reason for the decrease in Earmarked Reserves is related to CIL, which has been transferred to Capital Grants Unapplied reserve.

## 24. Unusable Reserves

### 24.1 Analysis of Unusable Reserves

2017/18		2018/19
£'000		£'000
49,904	Revaluation Reserve	52,712
87,008	Capital Adjustment Account	87,893
(59,181)	Pensions Reserve	(67,486)
1,071	Deferred Capital Receipts Reserve	1,140
(571)	Collection Fund Adjustment Account	517
<b>78,231</b>	<b>Total Unusable Reserves</b>	<b>74,776</b>

### 24.2 Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. 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.

2017/18		2018/19
£'000		£'000
<b>44,558</b>	<b>Balance at 1 April</b>	<b>49,904</b>
6,860	Upward revaluation of assets	5,070
(45)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(1,196)
<b>6,815</b>	<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>	<b>3,874</b>
(1,046)	Difference between fair value depreciation and historical cost depreciation	(1,066)
(423)	Accumulated gains on assets sold or scrapped	-
<b>(1,469)</b>	<b>Amount written off to the Capital Adjustment Account</b>	<b>(1,066)</b>
<b>49,904</b>	<b>Balance at 31 March</b>	<b>52,712</b>

### 24.3 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 amortisation are charged to the CIES (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

<b>2017/18</b> <b>£'000</b>	<b>2018/19</b> <b>£'000</b>
<b>67,407</b> Balance at 1 April	<b>87,008</b>
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>	
(2,734) Charges for depreciation and impairment of non current assets	(4,584)
(2,147) Revaluation losses on Property, Plant and Equipment	(1,629)
(263) Amortisation of intangible assets	(279)
(1,643) Revenue expenditure funded from capital under statute	(2,191)
(955) Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1)
<b>59,665</b>	<b>78,324</b>
1,469 Adjusting amounts written out of the Revaluation Reserve	1,066
<b>61,134</b> Net written out amount of the cost of non-current assets consumed in the year	<b>79,390</b>
<b>Capital financing applied in the year:</b>	
17,784 Use of the Capital Receipts Reserve to finance new capital expenditure	1,062
1,331 Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,269
2,360 Application of grants to capital financing from the Capital Grants Unapplied Account	4,397
680 Statutory provision for the financing of capital investment charged against the General Fund	1,239
2,464 Capital expenditure charged against the General Fund Balance	1,886
<b>24,619</b>	<b>9,853</b>
1,255 Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(1,350)
- Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	-
<b>87,008</b> Balance at 31 March	<b>87,893</b>

## 24.4 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 CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2017/18	2018/19
£'000	£'000
<b>(58,651) Balance at 1 April</b>	<b>(59,181)</b>
1,871 Remeasurement of the net defined benefit liability	(5,297)
(5,553) Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(6,222)
3,152 Employer's pensions contributions and direct payments to pensioners payable in the year	3,214
<b>(59,181) Balance at 31 March</b>	<b>(67,486)</b>

## 24.5 Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2017/18	2018/19
£'000	£'000
<b>784 Balance at 1 April</b>	<b>1,071</b>
436 Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	201
(149) Transfer to the Capital Receipts Reserve upon receipt of cash	(132)
<b>1,071 Balance at 31 March</b>	<b>1,140</b>

During 2018/9 the Council provided Catalyst Housing Limited with £179,140 (£388,308 in 2017/18 to provide mortgages to purchase property from the private sector. These funds are secured by a charge against the property and will be repaid to the council when the loan is redeemed with Catalyst Housing Limited. During 2018/19, 3 loans were repaid with an average increase in value of 4.4% for loans issued in 2011/12 and 1.8% for loans issued in 2013/14 and 2015/16. An increase of 2% has been applied to outstanding loans, resulting in an increase in value of £22,337 which has been credited as part of the gain on disposal to the CIES.

## 24.6 Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and Non-Domestic Rates income in the CIES as it falls due from Council Taxpayers and Business Rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2017/18	2018/19
£'000	£'000
<b>339 Balance at 1 April</b>	<b>(571)</b>
(910) Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements*	1,088
<b>(571) Balance at 31 March</b>	<b>517</b>

## 25. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2017/18 £'000	2018/19 £'000
(376) Interest received	(1,258)
628 Interest paid	972
<b>252</b> Net cash flows	<b>(286)</b>

### 25.1 Adjustments to Net Surplus or Deficit on the Provision of Services for Non-Cash Movements

2017/18 £'000	2018/19 £'000
(2,734) Depreciation	(4,577)
(2,147) Impairment and downward revaluations	(1,636)
(263) Amortisation	(279)
(44) Impairment - provision for bad debts	(236)
(420) Creditors	1,492
1,867 Debtors	1,404
(40) Inventories	22
(2,401) Pensions liability	(3,008)
(955) Carrying amount of non-current assets sold	-
(574) Other non-cash items charged	(1,387)
<b>(7,711)</b> Adjustments for non-cash movements	<b>(8,205)</b>

### 25.2 Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities

2017/18 £'000	2018/19 £'000
23,997 Proceeds from sale of property, plant & equipment, investment properties & intangibles	-
311 Proceeds from sale of former council houses	259
1,650 Proceeds from non-sale transactions	-
6,672 Capital grants receivable	8,495
<b>32,630</b> Adjustments for items which are investing and financing activities	<b>8,754</b>

## 26. Cash Flow Statement – Investing Activities

2017/18		2018/19
£'000		£'000
46,914	Purchase of property, plant and equipment, investment property and intangible assets	22,448
25,000	Purchase of short and long-term investments	-
2,079	Other payments for investing activities	2,392
(23,997)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-
-	- Proceeds from short-term and long-term investments	(11,866)
(9,837)	Other receipts from investing activities	(8,372)
<b>40,159</b>	<b>Net cash flows from investing activities</b>	<b>4,602</b>

## 27. Cash Flow Statement – Financing Activities

2017/18		2018/19
£'000		£'000
(25,500)	Cash receipts of short and long-term borrowing	(15,800)
-	- Other receipts from financing activities	(1,190)
679	Repayments of short- and long-term borrowing	940
366	Other payments for financing activities	-
<b>(24,455)</b>	<b>Net cash flows from financing activities</b>	<b>(16,050)</b>

## 28. Expenditure and Funding Analysis and Note to the Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (Government Grants, rents, Council Tax and Business Rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's Portfolios. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the CIES.

2017/18					
	As reported for Resource Management	Adjustments to arrive at the net amount chargeable to the General Fund	Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis (Note 7)	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000	£000	£000	£000	£000
Community Development	314	0	314	26	340
Corporate Development	2,459	73	2,532	154	2,686
Environment	5,437	(243)	5,194	208	5,402
Highways and Transport	(2,019)	0	(2,019)	82	(1,937)
Housing	1,956	(408)	1,548	1,025	2,573
Leisure and Culture	4,184	10	4,194	743	4,937
Licensing	215	0	215	96	311
Resources	811	(559)	252	1,730	1,982
Social	2,480	(6)	2,474	552	3,026
Planning	2,453	(4,893)	(2,440)	556	(1,884)
<b>Net Cost of Services</b>	<b>18,290</b>	<b>(6,026)</b>	<b>12,264</b>	<b>5,172</b>	<b>17,436</b>
Other income and expenditure	(22,570)	6,026	(16,544)	(31,583)	(48,127)
<b>(Surplus) or Deficit</b>	<b>(4,280)</b>	<b>0</b>	<b>(4,280)</b>	<b>(26,411)</b>	<b>(30,691)</b>
Opening General Fund Balance			28,162		
Surplus/(Deficit) on General Fund Balance in Year			4,280		
<b>Closing General Fund Balance at 31 March 2018</b>			<b>32,442</b>		

2018/19					
	As reported for Resource Management	Adjustments to arrive at the net amount chargeable to the General Fund	Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis (Note 7)	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000	£000	£000	£000	£000
Community Development	338	0	338	11	349
Corporate Development	2,691	98	2,789	199	2,988
Environment	5,519	(88)	5,431	995	6,426
Highways and Transport	(2,385)	0	(2,385)	578	(1,807)
Housing	2,366	(116)	2,250	1,567	3,817
Leisure and Culture	5,405	76	5,481	915	6,396
Licensing	208	0	208	106	314
Resources	2,642	(2,174)	468	1,427	1,895
Social	3,062	31	3,093	806	3,899
Planning	2,902	(1,763)	1,139	577	1,716
<b>Net Cost of Services</b>	<b>22,748</b>	<b>(3,936)</b>	<b>18,812</b>	<b>7,181</b>	<b>25,993</b>
Other income and expenditure	(20,560)	3,936	(16,624)	(7,929)	(24,553)
<b>(Surplus) or Deficit</b>	<b>2,188</b>	<b>0</b>	<b>2,188</b>	<b>(748)</b>	<b>1,440</b>
Opening General Fund Balance			32,442		
Surplus/(Deficit) on General Fund Balance in Year			(2,188)		
<b>Closing General Fund Balance at 31 March 2019</b>			<b>30,254</b>		

The note to the Expenditure and Funding Analysis breaks down the adjustments into adjustments for capital purposes, pensions adjustments and other differences.

2017/18				
	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Adjustments between Accounting and Funding Basis
	£000	£000	£000	£000
Community Development	(2)	(24)	-	(26)
Corporate Development	(45)	(109)	-	(154)
Environment	11	(220)	-	(209)
Highways and Transport	(9)	(72)	-	(81)
Housing	(969)	(492)	436	(1,025)
Leisure and Culture	(346)	(398)	-	(744)
Licensing	-	(95)	-	(95)
Resources	(1,641)	(89)	-	(1,730)
Social	18	(570)	-	(552)
Planning	2	(557)	-	(555)
<b>Net Cost of Services</b>	<b>(2,981)</b>	<b>(2,626)</b>	<b>436</b>	<b>(5,171)</b>
Other income and expenditure	32,267	225	(910)	31,582
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>29,286</b>	<b>(2,401)</b>	<b>(474)</b>	<b>26,411</b>

2018/19				
	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Adjustments between Accounting and Funding Basis
	£000	£000	£000	£000
Community Development	8	(19)	-	(11)
Corporate Development	(131)	(68)	-	(199)
Environment	(796)	(199)	-	(995)
Highways and Transport	(495)	(83)	-	(578)
Housing	(1,326)	(442)	201	(1,567)
Leisure and Culture	(531)	(384)	-	(915)
Licensing	0	(106)	-	(106)
Resources	(749)	(678)	-	(1,427)
Social	(219)	(587)	-	(806)
Planning	1	(578)	-	(577)
<b>Net Cost of Services</b>	<b>(4,238)</b>	<b>(3,144)</b>	<b>201</b>	<b>(7,181)</b>
Other income and expenditure	6,706	136	1,087	7,929
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>2,468</b>	<b>(3,008)</b>	<b>1,288</b>	<b>748</b>

## 29. Agency Services

The Council provides on-street car parking management, highway grass-cutting and highway weed treatment services to Surrey County Council. The total net deficit of the work performed on an agency basis is £28,067 (2017/18 - £57,044).

## 30. Members' Allowances

Each Member of the Council receives a fixed (basic) allowance; in addition, a special responsibility allowance is paid to the Leader of the Council, Members of the Cabinet, the Chairmen and Vice Chairmen of committees, and to the leaders of political groups.

Payments to all Members of the Council in 2018/19 amounted to £331,355 of which £3,774 related to expenses (2017/18 - £338,855 of which £5,689 expenses).

The allowances were agreed by the Council after consideration of the recommendations of an Independent Remuneration Panel appointed to consider Members' allowances.

## 31. Officers' Emoluments

The Accounts and Audit Regulations 1996 introduced a specific requirement for the disclosure of officers' emoluments. This information must be in a form, which shows the number of employees whose total remuneration for the year fell in each band of a scale in multiples of £5,000, starting at £50,000 as detailed below. This sum includes benefits in respect of such items as car provision, attendance allowances but does not include employer's pension contributions and electoral fees.

2017/18	Band	2018/19
12	£50,000 - £54,999	9
8	£55,000 - £59,999	6
3	£60,000 - £64,999	4
-	£65,000 - £69,999	1
-	£70,000 - £74,999	-
4	£75,000 - £79,999	2
3	£80,000 - £84,999	7
-	£85,000 - £89,999	-
-	£90,000 - £94,999	1
-	£95,000 - £99,999	-
1	£100,000 - £104,999	1
1	£105,000 - £109,999	2
-	£110,000 - £114,999	-
-	£115,000 - £119,999	-
1	£120,000 - £124,999	1
-	£125,000 - £129,999	-
-	£130,000 - £134,999	-
-	£135,000 - £139,999	-
1	£140,000 - £144,999	-
-	£145,000 - £149,999	1

In addition, the regulations require a full breakdown of the remuneration of the following senior officers of the Council (these officers are included in the above table).

The cost of employee benefit expenses (excluding employer's superannuation and National insurance costs) for 2018/19 was £13.3 million (£12.2 million in 2017/18).

Disclosure of remuneration for senior employees

2018/19 Elmbridge Borough Council

Post Holder Information	Salary (including fees & allowances)	Elections *	Bonuses	Expenses Allowances	Compensation for loss of office	Other Benefits	Total remuneration excluding Pension Contributions	Pension Contributions	Total remuneration including Pension Contributions 2018/19
Chief Executive (Head of Paid Service)	138,155.04	3,937.00	0.00	8,128.19	0.00	0.00	150,220.23	20,723.28	170,943.51
Strategic Director & Deputy Chief Executive (S151 Officer)	113,906.04	1,400.00	0.00	8,497.14	0.00	1,536.42	125,339.60	17,302.47	142,642.07
Strategic Director – Services	100,898.04	900.00	0.00	8,333.04	0.00	0.00	110,131.08	15,134.76	125,265.84
Head of Legal Services (Monitoring Officer)	74,667.96	0.00	0.00	6,909.98	0.00	1,876.06	83,454.00	11,448.09	94,902.09
	427,627.08	6,237.00	0.00	31,868.35	0.00	3,412.48	469,144.91	64,608.60	533,753.51

2017/18 Elmbridge Borough Council

Post Holder Information	Salary (including fees & allowances)	Elections *	Bonuses	Expenses Allowances	Compensation for loss of office	Other Benefits	Total remuneration excluding Pension Contributions	Pension Contributions	Total remuneration including Pension Contributions 2017/18
Chief Executive (Head of Paid Service)	134,784.96	7,149.65	0.00	7,389.42	0.00	0.00	149,324.03	20,217.72	169,541.75
Strategic Director & Deputy Chief Executive (S151 Officer)	111,128.04	2,600.00	0.00	8,187.34	0.00	1,314.21	123,229.59	16,843.68	140,073.27
Strategic Director - Services	98,486.96	1,400.00	0.00	6,782.64	0.00	0.00	106,669.60	14,765.52	121,435.12
Head of Legal Services (Monitoring Officer)	72,846.96	0.00	0.00	6,449.12	0.00	1,356.36	80,652.44	11,123.76	91,776.20
	417,246.92	11,149.65	0.00	28,808.52	0.00	2,670.57	459,875.66	62,950.68	522,826.34

\* Election fees for the Returning Officer are set by the Ministry of Justice

### 32. External Audit Costs

In 2018/19 Elmbridge Borough Council, incurred £55,362 in fees relating to external audit and inspection (£69,110 – 2017/18).

### 33. Grant Income

The Council credited the following grants and contributions to the CIES in 2018/19.

2017/18 £'000	2018/19 £'000
<b>Credited to Taxation and Non Specific Grant Income</b>	
- Government Formula Grant	-
(2,699) Capital Grants	(2,969)
(510) Contribution From Surrey Business Rate Pool	(827)
(25,570) EBC Proportion of total business rate collectable for the year	(19,683)
(138) Collection Fund Surplus Account	(18)
(13,429) Precept Collection Fund	(13,839)
(190) Council Tax Settlement Grant	-
(1,894) New Homes Bonus	(1,103)
(1,689) Other Grants	(1,119)
<b>(46,119) Totals</b>	<b>(39,558)</b>
<b>Credited to Services</b>	
(40,370) Housing and Council Tax Benefit Subsidy	(39,589)
(385) Flexible Homelessness Grant	(423)
(184) NDR Cost of Collection	(182)
(225) Other Grants	(355)
<b>(41,164) Total</b>	<b>(40,549)</b>

More details on the Council Tax and Non-Domestic Rates can be found in the Collection Fund Income and Expenditure Account statement. In 2018/19, the Council joined the "Surrey Business Rate Pilot". As a result, the Council is due £1.6 million, its share of the pooling gain, which will only be available to spend in 2019/20. The Council was not a member of a pool or pilot in 2017/18.

### 34. Related Party Transactions

The Code of Practice for Local Authority Accounting requires the disclosure of any material transactions with related parties which are not disclosed elsewhere. Examples of related parties to an authority such as Elmbridge Borough Council would include central government, other local authorities and precepting bodies, joint ventures and joint venture partners, together with the Council's Members and Chief Officers.

Several Members are connected with local organisations, with whom the Council has dealings. Material transactions are either material to the Council or of materiality to the third party concerned:

<b>2017/18</b>		<b>2018/19</b>
<b>£</b>		<b>£</b>
16,040,978	Paragon Asra Housing Limited	16,066,811
805,873	A2 Housing	919,734
124,381	Walton, Weybridge & Hersham CAB	125,705
	- St Lawrence CE Junior School (CIL)	100,000
119,739	Castlewildish	93,430
85,970	Esher & District CAB	80,970
650	Hersham Youth Trust	76,483
	- Walton on Thames Trading Alliance	50,076
33,230	Claygate Recreation Ground Trust	35,230
31,390	Elmbridge Rent Start	28,881
24,878	CHEER	30,840
24,104	Voluntary Action Elmbridge	28,840
2,400	Walton Charity	23,120
20,000	Walton on Thames Community Arts Trust	20,757
5,000	Thames Landscape Strategy	19,750
	- Painshill Park	11,234
14,368	Local Government Association	10,978
2,670	South East Employers	10,928
8,970	Relate - West Surrey	8,970
500	Thames Ditton Foundation	8,315
	- Chandlers Field School	7,798
2,250	The Counselling Partnership	7,000
2,250	Home Start Elmbridge	6,900
5,482	Cobham Conservation & Heritage Trust	-

Under the Council's corporate governance arrangements, Members are required to declare any interests, personal or prejudicial (or both) on agenda items before meetings of the Council including the Cabinet, committees and sub-committees commence, and any such declarations appear in the minutes.

The Council maintains a register of Members' and officers' interests, which is updated annually.

The appropriate analysis has been undertaken with regard to related party transactions for the year ended 31 March 2019, and the conclusion was reached that there were no other material transactions with related parties in that year, which are not disclosed elsewhere in this Statement of Accounts.

## Building Control Mutual

On 1 August 2015, the Council established a Building Control mutual in which it owns 20%. The mutual is considered to be a going concern and the council will receive a share of profit in accordance with the transfer agreement.

Draft accounts indicate from 1 April 2018 to 31 March 2019 that the mutual made a profit of £8,000 (after tax), in 2017/18 it made a profit of £66,000 (before tax).

At 31 March 2018, the mutual had a net current liability of £489,313 (£443,000 restated – 31 March 2018) represented by negative shareholder funds of £489,313 (£443,000 restated – 31 March 2018).

## Housing Company

During 2018/19 the Council established a wholly owned company 'EBC Investments', and a subsidiary, 'EBC Homes'. EBC Homes started trading on 7 January 2019, a loan for working capital purposes of £150,000 was made from the Council to EBC Homes, at a rate of 5%. At the 31 March 2019 there had been no material transactions by the Company and the Company has no material assets.

7 Officers are Directors of EBC Investments or EBC Homes for no financial gain or reward.

EBC Homes has an independent non-executive director who receives £5,000 per annum.

## Trust Funds

The Council administers two Trust Funds', the total value at 31 March 2019 is £71,754 (£498,820 – 31 March 2018), when it was also responsible for King George's Hall, but this responsibility is now administered by a formal committee.

## 35. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed below:

<b>2017/18</b>		<b>2018/19</b>
<b>£'000</b>		<b>£'000</b>
26,118	Opening Capital Financing Requirement	49,303
	<b>Capital investment</b>	
13,412	Property, Plant and Equipment	3,965
32,560	Investment Properties	18,197
189	Intangible Assets	94
1,643	Revenue Expenditure Funded from Capital under Statute	2,191
	<b>Sources of finance</b>	
(17,784)	Capital Receipts	(1,062)
(3,691)	Government Grants and Other Contributions	(5,666)
	<b>Sums set aside from revenue:</b>	
(2,464)	Direct revenue contributions	(1,886)
(680)	MRP/loans fund principal	(1,239)
<b>49,303</b>	<b>Closing Capital Financing Requirement</b>	<b>63,897</b>
	<b>Explanation of movements in year</b>	
23,185	Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	14,594
<b>23,185</b>	<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>14,594</b>

### 36. Leases

#### The Council as Lessee

##### Finance Leases

The Council has no material finance leases.

#### The Council as Lessor

##### Operating Leases

The Council leases out property and equipment under operating leases for the following purposes:

- for the provision of community services such as sporting facilities; and
- for economic development purposes to provide suitable affordable accommodation for local businesses.

The future minimum lease payments receivable under non-cancellable leases in future years are:

2017/18		2018/19
£'000		£'000
628	Not later than one year	745
811	Later than one year and not later than five years	792
299	Later than five years	339
<b>1,738</b>		<b>1,876</b>

### 37. Impairment Losses

During 2018/19 the Council had no impairment losses.

In 2017/18, the Council had no impairment losses.

Under regulation impairment losses have no effect on the Council Taxpayer.

### 38. Termination Benefits

The Council terminated the contracts of a number of officers in 2018/19, incurring liabilities of £346,362 (£55,057 in 2017/18). This amount is payable to 8 officers (7 officers in 2017/18) from various departments across the Council as part of the Council's staffing restructures in the interest of efficiency. It is estimated that as a result of these termination of contracts and other restructures the Council will save approximately £125,000 per annum (£99,459 per annum 2017/18). The termination benefits to individual employees can be analysed in bandings of £20,000 as follows:

Number of Employees 2017/18	Termination Benefit	Number of Employees 2018/19
6	£0 - £20,000	2
0	£20,001 - £40,000	3
1	£40,001 - £60,000	1
0	£60,001 - £80,000	1
0	£80,001 - £100,000	0
0	£100,001 - £120,000	0
0	£120,001 - £140,000	0
0	£140,001 - £160,000	1

There were 4 outstanding payments relating to exit packages at 31 March 2019 for £146,600 (four at 31 March 2018 for £89,928).

### 39. Provisions

	MMI £'000	Other - Dilapidations £'000	Business Rate Appeals £'000	Total £'000
Balance at 1 April 2018	52	953	3,246	4,251
Additional provisions made	-	-		-
Amounts used	-	(797)	(74)	(871)
Unused amounts reversed	-	(156)	(1,127)	(1,283)
<b>Balance at 31 March 2019</b>	<b>52</b>	<b>-</b>	<b>2,045</b>	<b>2,097</b>

#### MMI

In 1991 the Council's Insurer Municipal Mutual Insurance (MMI) went into administration. Since this time the administrator has been handling any outstanding/new claims made against Elmbridge. In April 2012 the Council was notified that MMI had lost a court case regarding the possible future payments in settling outstanding court cases. The Council were informed that it was unlikely that MMI would achieve a solvent run off. At the 31 March 2012 the Council's maximum liability, should there be an insolvent run off, was £389,000. A full provision was made during 2011/12 to cover the maximum liability until an actuarial review of the company is completed. The Council received an actuarial review in 2013 and based on the advice at this time only £150,000 was required to meet the Council's liability. During 2013/14, £59,000 was paid to MMI in respect of this provision; an additional £39,000 was paid in 2016/17. At this time the final settlement remains uncertain.

#### Other Dilapidations

As at the 1 April 2018 the outstanding dispute related to a Car Park leased by the Council, Drewitts Court, for repairs to the car park. £297,000 was used to fund the repairs in 2017/18 and a further £797,000 in 2018/19, the balance of the provision will not be required and has been reversed.

#### Business Rate Appeals

The provision represents the potential reduction in the amount of business rates as a result of alterations of Rateable Value appeals and future appeals. If the Valuation Office re-assess the rateable value as a result of an appeal, the Council will reimburse the property owner for any overpayment, backdated to the date of the original assessment.

During 2016/17 the Valuation Office carried out a re-valuation exercise (the new valuations effective from 1 April 2017). The exercise identified several sites in the Borough which had outstanding appeals (dating back to the 2010 valuation) where the 2017 valuation was significantly below the 2010 valuation after applying an average increase in valuation for the class of property into which these sites fit. The revaluations of all business property came into effect on 1 April 2017 together with a new process for reviewing rateable values.

In 2018/19 the Council was part of a 100% Pilot involving Surrey County Council and all Surrey Districts as a result of which, at the end of March 2019, the Council's proportion of the provision reduced to 30%; with 70% allocated to Surrey County Council.

The proportions will revert to a split of 40% (Elmbridge), 50% (Central Government) and 10% (Surrey County Council) in 2019/20 as the Council is not part of a Business Rates Pooling scheme.

## **40. Defined Benefit Pension Scheme**

### **40.1 Participation in Pension Schemes**

As part of the terms and conditions of employment of its officers and other employees, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme for civilian employees, administered by Surrey County Council. This is a funded defined benefit final salary scheme (from 2014 this was based on career average), meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. Arrangements for the award of discretionary post-retirement benefits upon early retirement is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made.

The disclosures below reflect changes implemented by IAS19 'Employee Benefits' (revised) concerning the treatment of interest and administration costs in relation to current service costs and administration costs directly related to the management of plan assets.

### **40.2 Transactions Relating to Post-Employment Benefits**

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against Council Tax is based on the cash payable in the year; so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

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

2017/18 £'000		2018/19 £'000	£'000
	<b><u>Comprehensive Income and Expenditure Statement</u></b>		
	<b>Cost of Services</b>		
4,076	Current service cost	4,078	
-	Past service costs	587	
-	(Gain)/loss from settlements	-	4,665
	<b>Financing and Investment Income and Expenditure</b>		
1,477	Net interest expense		1,557
5,553	<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>		6,222
	<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>		
	Actuarial gains and losses		
	Remeasurement of the net defined benefit liability comprising:		
746	• Return on plan assets (excluding the amount included in the net interest expense)	(3,225)	
-	• Actuarial (gains) and losses arising on changes in demographic assumptions	-	
(2,642)	• Actuarial (gains) and losses arising on changes in financial assumptions	8,536	
25	• Other	(14)	
(1,871)			5,297
3,682	<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>		11,519
	<b><u>Movement In Reserves Statement</u></b>		
(530)	<b>Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the code</b>		(8,305)
3,152	<b>Actual amount charged against the General Fund Balance for pensions in the year employers' contributions payable to scheme</b>		3,214

#### 40.3 Pensions Assets and Liabilities Recognised in the Balance Sheet

2017/18 £'000		2018/19 £'000
(152,155)	Present value of funded liabilities	(165,057)
(3,821)	Present value of unfunded liabilities	(3,670)
(155,976)	Present value funded and unfunded liabilities	(168,727)
96,795	Fair value of plan assets	101,241
<b>(59,181)</b>	<b>Net liability arising from the defined benefit obligation</b>	<b>(67,486)</b>

## Reconciliation of the Movements in the Fair Value of the Scheme (Plan) Assets

2017/18 £'000	2018/19 £'000
<b>96,432</b> Opening fair value of scheme assets	<b>96,795</b>
2,393 Interest income	2,498
Remeasurement gains / (loss):	
(746) • Return on plan assets, excluding the amount included in the net interest expense	3,225
- • Other	-
3,152 Contributions from employer	3,214
724 Contributions from employees into the scheme	742
(5,160) Benefits paid	(5,233)
<b>96,795</b> Closing balance at 31 March	<b>101,241</b>

## Reconciliation of Present Value of the Scheme Liabilities

2017/18 £'000	2018/19 £'000
<b>155,083</b> Opening balance at 1 April	<b>155,976</b>
4,076 Current service cost	4,078
Past service cost (including curtailments)	587
3,870 Interest cost	4,055
724 Contributions by scheme participants	742
Remeasurement gains / losses:	
- • Actuarial gains / (losses) arising from changes in demographic assumptions	-
(2,642) • Actuarial gains / (losses) arising from changes in financial assumptions	8,536
25 • Other	(14)
(5,160) Benefits paid	(5,233)
<b>155,976</b> Closing balance at 31 March	<b>168,727</b>

## Local Government Pension Scheme assets comprised:

Fair value of scheme assets		
2017/18		2018/19
£'000		£'000
11,467	Cash and cash equivalents	3,448
	Equity instruments by industry type:	
7,853	• Consumer	2,741
7,118	• Manufacturing	1,759
3,902	• Energy & utilities	1,560
6,848	• Financial institutions	1,571
2,587	• Health & care	1,341
5,452	• Information technology	2,998
197	• Other	267
33,957	Sub-total equity	12,237
	Bonds by sector:	
3,572	• Corporate	-
197	• Government	-
444	• Other	-
4,213	Sub-total bonds	-
	Property by type:	
5,504	• UK property	4,802
36	• Overseas property	1,757
5,540	Sub-total property	6,559
4,062	Private equity *	6,001
	Other investment funds:	
26,842	• Equities	55,494
10,580	• Bonds	16,911
-	• Other	-
37,422	Sub-total other investment funds	72,405
	Derivatives:	
(3)	• Interest Rate	-
137	• Foreign exchange	591
134	Sub-total derivatives	591
<b>96,795</b>	<b>Total assets</b>	<b>101,241</b>

\* The private equity investments do not have quoted prices in active markets.

### 40.4 Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2016.

The significant assumptions used by the actuary have been:

2017/18		2018/19
	<b>Long-term expected rate of return on assets in the scheme:</b>	
2.7%	Equity investments	2.9%
2.7%	Bonds	2.9%
2.7%	Property	2.9%
2.7%	Cash	2.9%
	<b>Mortality assumptions:</b>	
	Longevity at 65 for current pensioners (years):	
22.5	• Men	22.5
24.6	• Women	24.6
	Longevity at 65 for future pensioners (years):	
24.1	• Men	24.1
26.4	• Women	26.4
2.4%	<b>Pension Increase Rate (CPI)</b>	2.5%
2.7%	<b>Rate of increase in salaries</b>	2.8%
2.4%	<b>Rate of increase in pensions</b>	2.5%
2.6%	<b>Rate for discounting scheme liabilities</b>	2.4%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below is consistent with that adopted in the previous year.

<b>Impact on the Defined Benefit Obligation in the Scheme</b>		
	%	<b>Increase in Assumption £'000</b>
Longevity (increase of 1 year)	3-5	8,000
Rate of inflation (CPI increase by 0.5%)	8	13,264
Rate of increase in salaries (increase by 0.5%)	1	1,977
Rate of increase in pensions (increase by 0.5%)	8	13,264
Rate for discounting scheme liabilities (decrease by 0.5%)	9	15,497

The Council's share of the deficit on the Surrey Pension Fund continued to reduce the Council's net asset position. Elmbridge's Balance Sheet shows a Pensions liability of £66 million. The main change in the accounting valuation of the fund compared to 31 March 2017 relates to a change in the financial assumptions increasing the deficit by £8.5 million. The current actuarial valuation, based on forecast yields rather than corporate bond yields as required by the accounting standards, and future anticipated funding shows that the fund is approaching fully funded status over the next 16 years.

## 40.5 Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. 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. A valuation was carried out at 31 March 2016, the next triennial valuation is due to be completed as at 31 March 2019.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales may not provide benefits in relation to service after 31 March 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The actuary anticipated the authority's expected contributions to the scheme in 2018/19 would be £2,927,000 (2017/18 - £2,876,000), based on the triennial actuarial review at 31 March 2016.

The weighted average duration of the defined benefit obligation for scheme members is 15.9 years in 2018/19 (15.9 years in 2017/18).

Further information can be found within the Surrey County Council Superannuation Fund Annual Report, which is available upon request from Surrey County Council, County Hall, Penrhyn Road, Kingston upon Thames, Surrey, KT1 2DN.

## 41. Contingent Liabilities

As part of the large scale voluntary transfer agreement between the Council and the Elmbridge Housing Trust the Council provided an environmental warranty with an aggregate cap of £10 million for a period of 30 years. There was no local knowledge of serious problems in this regard, and after taking professional advice from the Council's specialist insurance consultant and considering the likely costs of a full survey and insurance cover, the Council decided not to effect insurance cover in respect of this risk. The warranty was subsequent to a full disclosure being made by the Council of all known environmental issues concerning the housing stock and related assets. No claims against the warranty have been made at the date of the issue of the accounts.

On 1 August 2015 the Council established a Building Control Mutual. As part of the agreement establishing the mutual the Council provided a guarantee in relation to the pension deficit at the date of the transfer. The liability will only materialise if the Mutual ceases to trade. The cost of the guarantee is approximately £0.7million.

## 42. Contingent Assets

There are no contingent assets.

## 43. Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks:

- credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments; and
- market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council in the annual Treasury Management Strategy. Elmbridge Borough Council provides written principles for

overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

### 43.1 Credit Risk

Credit risk arises from deposits with banks and other financial institutions, and in addition credit exposures to the Council's own customers. The Council's risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, such as ratings received from Fitch, Moody's and Standard & Poors, applying the lowest available rating for any institution. The Annual Investment Strategy also imposes maximum limits on the time period and amount that can be placed by investment category and institution. For further information please refer to Appendix J2 of the 2018/19 Budget papers presented to 7 February 2018 Cabinet.

A summary of the credit quality of the Council's investments at 31 March 2019 is shown below:

2017/18 £'000	Fitch Rating	2018/19 £'000
-	AAA	-
-	AA+	-
40,000	AA	40,800
-	AA-	-
-	A+	5,778
24,554	A	-
-	A-	4,000
4,000	BBB+	2,000
-	BBB	4,000
10,000	n/a	20,150
<b>78,554</b>		<b>76,728</b>

The Council's loans receivable are all fixed term investments and hence classified at 'Amortised cost'. An expected credit loss model, applied to determine the estimated loss allowance that might be required from holdings of investments, has determined the amount to be immaterial.

**Customer Debt** - Credit exposures to customer debt are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Council does not expect any losses from non-performance by any of its counterparties in relation to deposits. In relation to its customers, the Council has a prudent provision for bad debts to cover cases of default. There are no debts posing a credit risk to the Council at the balance sheet date, which are not covered by the provision for bad debts.

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Council does not generally allow credit for customers. £2.9 million of the £4.5 million balance is past its due date for payment. The past due amount can be analysed by age at 31 March as follows:

2017/18 £'000	2018/19 £'000	%
1,396 Less than three months	737	25.1
820 Three to six months	965	32.8
505 Six months to one year	477	16.2
391 More than one year	763	25.9
<b>3,112</b>	<b>2,942</b>	<b>100.0</b>

## 43.2 Liquidity Risk

The Council undertakes daily cash flow management to ensure that it has adequate but not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it to have sufficient funds to meet its liabilities as they become due.

At 31 March 2019, the Council has external borrowing with the Public Works Loan Board (PWLB) of £56,905,940 with a maturity analysis as follows:

2017/18 £'000		2018/19 £'000
	<b>Short term loans</b>	
940	Less than one year	<b>1,103</b>
<b>940</b>		<b>1,103</b>
	<b>Long term loans</b>	
947	Between one and two years	<b>1,113</b>
2,881	Between two and five years	<b>3,407</b>
7,665	Between five and fifteen years	<b>9,286</b>
29,613	More than fifteen years	<b>41,997</b>
<b>41,106</b>		<b>55,803</b>
<b>42,046</b>		<b>56,906</b>

The fair value of PWLB loans of £59.9 million measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date, based on the authority's ability to borrow from PWLB at concessionary rates. The difference between the carrying amount and the fair value measures the increased interest (based on economic conditions at 31 March 2019) that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against that which would be paid if the loans were at prevailing market rates.

The exit price for the PWLB loans, including the penalty charge, would be £72.8 million.

All trade and other payables are due to be paid in less than one year.

## 43.3 Market Risk

### Interest Rate Risk

The Council is exposed to significant risk in terms of its exposure to interest rate movements on its investments. Movements in interest rates have an impact on the Council. For instance, a rise in interest rates would have the following effects:

- borrowing at fixed rates – the fair value of the liabilities borrowings will fall;
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise; and
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services, or Other Comprehensive Income and Expenditure.

However, changes in interest receivable on variable rate investments would be posted to Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price would be reflected in Other Comprehensive Income and Expenditure.

The Council has a number of strategies for managing interest rate risk. The Treasury Management Team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The Council established an Interest Equalisation Reserve a number of years ago to protect the Council against changes in the investment income generated on its surplus funds due to changes in market conditions; at the 31 March 2019 the balance on this reserve was £0.6 million.

According to this assessment strategy, at 31 March 2019, if interest rates had been 1% higher with all other variables held constant, the financial effect would have been an additional £845,000 being credited to the Surplus or Deficit on the Provision of Services.

#### **43.4 Price Risk**

The Council does not hold any investments in equity shares and therefore is not exposed to potential losses arising from movements in share prices.

#### **43.5 Foreign Exchange Risk**

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rate.

## Collection Fund Income and Expenditure Account

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

2017/18				2018/19			
Business Rates £'000	Council Tax £'000	Total £'000		Business Rates £'000	Council Tax £'000	Total £'000	
			Note				
			<b>Income</b>				
-	113,572	113,572	Council tax receivable	2	-	120,006	120,006
61,511	-	61,511	Business rates receivable	3	63,431	-	63,431
4,491	-	4,491	Transitional protection receivable		2,080	-	2,080
<b>66,002</b>	<b>113,572</b>	<b>179,574</b>			<b>65,511</b>	<b>120,006</b>	<b>185,517</b>
			<b>Expenditure</b>				
			Apportionment of previous year's surplus/(deficit)				
167	-	167	Central Government		(614)	-	(614)
133	211	344	Elmbridge Borough Council		(491)	176	(315)
33	1,288	1,321	Surrey County Council		(123)	1,104	981
-	223	223	Surrey Police & Crime Commissioner		-	186	186
<b>333</b>	<b>1,722</b>	<b>2,055</b>			<b>(1,228)</b>	<b>1,466</b>	<b>238</b>
			Precepts, demands & shares				
31,768	-	31,768	Central Government		-	-	-
25,437	13,429	38,866	Elmbridge Borough Council		19,200	13,839	33,039
6,354	84,440	90,794	Surrey County Council		44,753	90,519	135,272
-	14,241	14,241	Surrey Police & Crime Commissioner		-	15,173	15,173
<b>63,559</b>	<b>112,110</b>	<b>175,669</b>			<b>63,953</b>	<b>119,531</b>	<b>183,484</b>
			Charges to the Collection Fund:				
145	251	396	Write-off of uncollectable amounts		97	174	271
(83)	60	(23)	Increase / (decrease) in bad debt provision		233	100	333
1,499	-	1,499	Amount Charged to Appeals Provision	4	(245)	-	(245)
2,458	-	2,458	Increase / (decrease) in appeals provision		(1,053)	-	(1,053)
184	-	184	Cost of Collection		182	-	182
<b>4,203</b>	<b>311</b>	<b>4,514</b>			<b>(786)</b>	<b>274</b>	<b>(512)</b>
<b>68,095</b>	<b>114,143</b>	<b>182,238</b>			<b>61,939</b>	<b>121,271</b>	<b>183,210</b>
2,093	571	2,664	(Surplus) / deficit arising in year		(3,572)	1,265	(2,307)
(269)	(1,894)	(2,163)	<b>Balance at 1 April</b>		1,824	(1,323)	501
<b>1,824</b>	<b>(1,323)</b>	<b>501</b>	<b>Balance at 31 March</b>		<b>(1,748)</b>	<b>(58)</b>	<b>(1,806)</b>

## Notes to the Collection Fund Income and Expenditure Account

### 1. Business Rates Retention Scheme

The method for distributing and accounting for Non-Domestic Rates changed on 1 April 2013 with the introduction of the Business Rates Retention Scheme.

The Council collects business rates in its area based on local rateable values multiplied by a uniform rate prescribed by Central Government. The scheme allows local authorities to benefit from supporting local business growth by retaining a proportion of increases in business rates retained income above a baseline funding level, to invest in local services, subject to a Central Government growth levy. Safety net arrangements have also been established to compensate those authorities where retained income falls below a certain threshold.

Revenue growth under the new scheme is shared between Central Government, Elmbridge and Surrey County in the ratio 50:40:10. The 40% share of growth accruing to Elmbridge is then subject to a Central Government levy applied at a rate of 50%, so that in practice Elmbridge is permitted to retain 20% of any business rates growth of its share of retained income above its 2018/19 baseline funding level of £2.2 million (2017/18 £2.2 million). The baseline funding level rises each year in line with the change in the business rates multiplier. In 2017/18 the Council entered into a pool with Surrey County Council, London Borough of Croydon and four other district Councils in Surrey. As a result of entering the pool the Council retained an extra £0.5 million of business rates which would otherwise have been paid to Central Government.

In 2018/19 the Council joined with Surrey County Council and all of the other districts and boroughs in Surrey to become a "pilot" for a new scheme the government are exploring. This scheme allowed the pilot to keep all of the growth in business rates. The pilot then agreed to share the extra funds retained between them on the basis of 30% for the districts/boroughs and 70% for Surrey County Council. As a result of the pilot the Council gained an additional £1.6 million.

### 2. Council Tax Receivable

For Council Tax purposes all domestic properties are placed in one of eight valuation bands at 1991 prices, the bands ranging from A to H. The Council set a 2018/19 Council Tax charge for Band D properties of £1,877.01 within the Claygate Parish Area and £1,862.86 for the area excluding Claygate. Persons on lower incomes are entitled to assistance with Council Tax costs under the local Council Tax Reduction scheme administered by Elmbridge Borough Council and substantially financed by central government.

The Council Tax base for the year for the Elmbridge Borough Council area, i.e. the estimated number of chargeable dwellings in each band (adjusted for dwellings where discounts and reliefs apply), converted to an equivalent number of Band D dwellings, was as follows:

Band	Estimated No. of Taxable Properties After Effect of Discounts & Reliefs	Ratio	Band D Equivalent Dwellings
A	315	6/9	210
B	900	7/9	700
C	5,227	8/9	4,646
D	10,951	1	10,951
E	9,689	11/9	11,842
F	7,197	13/9	10,396
G	10,685	15/9	17,808
H	4,117	18/9	8,234
<b>TOTAL</b>	<b><u>49,081</u></b>		<b><u>64,787</u></b>
		<b>Less: Adjustments *</b>	<b>(648)</b>
		<b>Council Tax Base</b>	<b><u>64,139</u></b>

\* An adjustment is made to reflect the estimated rate of collection of Council Tax for the year.

### 3. Business Rates Receivable

The total Non-Domestic Rateable Value for the Elmbridge area at 31 March 2019 was £161 million, and the National Non-Domestic Rates multiplier 49.3p for 2018/19.

### 4. Provision for Alteration of Lists and Appeals

During 2016/17 the Valuation Office carried out a re-valuation exercise (the new valuations effective from 1 April 2017). The exercise identified several sites in the Borough which had outstanding appeals (dating back to the 2010 valuation) where the 2017 valuation was significantly below the 2010 valuation after applying an average increase in valuation for the class of property into which these sites fit. These valuations came into effect from 1 April 2017, together with a new process for challenging rateable values. As a result, the provision was increased to reflect the risk associated with the uncertainty around the valuation and the appeal processes.

Experiential evidence during the past two years has indicated a lower level of successful appeals than was initially anticipated. Accordingly, after £0.3 million usage in-year, the provision has then been reduced by £1.0 million to £6.8 million as at end-March 2019.

## Glossary of Terms

This glossary helps to define some of the terms and phrases found in these accounts.

### **Accounting Period**

The length of time covered by the accounts, in the case of these accounts the year from 1 April 2018 to 31 March 2019.

### **Accrual**

A sum included in the accounts to cover income or expenditure attributable to the accounting period for goods or services, but for which payment has not been received/made, by the end of that accounting period.

### **Actuarial Gains and Losses**

Changes in the estimated value of the pension fund because events have not coincided with the actuarial assumptions made or the assumptions themselves have changed.

### **Appropriations**

The transfer of resources between various revenue reserves.

### **Balances**

These represent the accumulated surplus of revenue income over expenditure.

### **Budget**

An expression, mainly in financial terms, of the Council's intended income and expenditure to carry out its objectives.

### **Budget Requirement**

The amount each local authority estimates as its planned spending, after deducting funding from reserves and any income expected to be collected (excluding Council Tax and Government Grants). This requirement is then offset by Government Grant, the balance being the amount needed to be raised in Council Tax.

### **Capital Charge**

A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services.

### **Capital Expenditure**

Expenditure on the acquisition of fixed assets that will be of use or benefit to the Council in providing its services for more than one year.

### **Capital Financing Account**

An account that is credited with the amounts set aside for the repayment of external debt and with capital expenditure paid for from revenue and capital receipts. The balance cannot be used to fund revenue or capital expenditure.

### **Capital Receipts**

Income received from the sale of capital assets. Legislation requires a proportion of capital receipts from the sale of Council houses to be paid over to a national pool.

### **Cash Equivalents**

Generally short term, highly liquid investments readily convertible into cash.

### **Chartered Institute of Public Finance and Accountancy (CIPFA)**

CIPFA is the main professional body for accountants working in the public service. It draws up the Accounting Codes of Practice and issues professional guidance that is used to compile these accounts.

**Collection Fund**

A fund administered by the Council as a “billing authority”. The Council Tax and National Non-Domestic Rates are paid into this fund and payments are made to Central Government, Surrey County Council, Elmbridge Borough Council, Surrey Police, Claygate Parish as required by statute.

**Collection Fund Adjustment Account**

An account that is credited/debited with the difference between the Collection Fund surplus that is required by government regulations to be charged to the General Fund in the year and the amount required under accounting requirements to be shown in the Comprehensive Income and Expenditure Account. The balance on the account at the year-end represents the Borough Council’s element of the Collection Fund balance at the year end.

**Creditors**

The amounts owed by the Council at the Balance Sheet date in respect of goods and services received before the end of the accounting period with the actual payment being made in the next financial year.

**Current Service Cost**

The increase of the present value of a defined benefit scheme’s liabilities expected to arise from employee service in the accounting period.

**Debtors**

Amounts owed to the Council but unpaid at the Balance Sheet date.

**Depreciation**

The measure of the cost of the benefit of the fixed asset that have been consumed during the period.

**Expected Rate of Return on Pensions Assets**

The average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

**Fees and Charges**

The income raised by charging for goods, services or the use of facilities.

**Fixed Asset**

A tangible item that yields benefit to the Council for a period of more than one year.

**Formula Grant**

Central government financial support towards the general expenditure of local authorities.

**General Fund**

The main revenue fund of the Council which is used to meet the cost of services paid for from Council Tax, Government Grant and fees and charges.

**Intangible Assets**

Expenditure on assets, such as software, which are amortised over their expected life but there is no physical asset.

**Interest Cost**

The expected increase over the period in the present value of the pension scheme liabilities because the benefits are one period closer to settlement.

**LABGI – Local Authority Business Growth Incentive Grant**

A grant payable from the National Non-Domestic Rate National Pool to Councils for the growth, over a year, in the value of Non-Domestic Rateable values in their area.

**Leasing**

A method of acquiring the use of capital assets for a specified period for which a rental charge is paid.

**Minimum Revenue Provision**

The minimum amount, prescribed by law, to be set aside each year from revenue to repay the principal amounts of external loans outstanding. The Council can set aside amounts in addition to the minimum requirement, known as a voluntary provision for debt redemption.

**Non-Domestic Rates**

Rates from Non-Domestic properties, collected locally, are pooled nationally and redistributed from this pool to local authorities on the basis of population.

**Precept**

The amount that Surrey County Council, Surrey Police Authority, Elmbridge Borough Council and Claygate Parish Council require the Collection Fund to pay to meet the costs of their services after government grant.

**Provisions**

Amounts set aside to meet costs which are likely or certain to be incurred but are uncertain in value or timing.

**Public Works Loans Board**

A government body that provides loans to local authorities.

**Reserves**

The accumulated surplus income in excess of expenditure, which can be used to finance future spending and is available to meet unforeseen financial problems. Earmarked Reserves are amounts set aside for a specific purpose in one financial year and carried forward to meet expenditure in future years.

**Revenue Expenditure**

The day to day spending on employment costs, other operating costs (accommodation, supplies and services etc.) net of income for fees and charges etc.

**Revenue Expenditure funded from Capital Resources Under Statute**

Expenditure that can be classified as capital expenditure, but which does not result in the acquisition of an asset.

**Specific Government Grants**

Central Government financial support towards particular services which is "ring fenced", i.e. can only be spent on a specific service area or items.

## Abbreviations

ABG	Area Based Grants
BSc	Bachelor of Science
CAA	Capital Adjustment Account
CAB	Citizens Advice Bureaux
CCTV	Closed Circuit Television
CIL	Community Infrastructure Levy
CFR	Capital Financing Requirement
CIES	Comprehensive Income and Expenditure Statement
CIPFA	Chartered Institute of Public Finance and Accountancy
CPI	Consumer Price Index
CRC	Carbon Reduction Commitment
DRC	Depreciated Replacement Cost
ECIF	Elmbridge Civic Improvement Fund
EIP	Equal Instalments of Principal
EUV	Existing Use Value
FRS	Financial Reporting Standard
HMRC	Her Majesty's Revenue and Customs
IFRS	International Financial Reporting Standard
LABGI	Local Authority Business Growth Incentive
LASAAC	Local Authority (Scotland) Accounts Advisory Committee

LPSA	Local Public Service Agreement
MMI	Municipal Mutual Insurance
MRP	Minimum Revenue Provision
MTFS	Medium Term Financial Strategy
NDR	Non-Domestic Rates
PFI	Private Finance Initiative
PDG	Planning Delivery Grant
PPP	Public Private Partnership
PWLB	Public Works Loan Board
RICS	Royal Institution of Chartered Surveyors
RPI	Retail Price Index
SAC	Special Areas of Conservation
SANGS	Suitable Alternative Natural Green Space
SeRCOP	Service Reporting Code of Practice
SCC	Surrey County Council
SPA	Special Protection Areas
VAT	Value Added Tax
VFM	Value for Money
VOA	Valuation Office Agency

## **Annual Governance Statement 2018/19**

**For the period 1 April 2018 to 31 March 2019**

### **1. Scope of Responsibility**

Elmbridge Borough Council is responsible for ensuring that:

- Its business is conducted in accordance with the law and proper standards and public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- In discharging this overall responsibility, Elmbridge Borough Council is responsible for maintaining proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions and which includes arrangements for the management of risk.
- Elmbridge Borough Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE “Delivering Good Governance in Local Government” Framework 2016. A copy of the Council’s Code is on our website or can be obtained from:  
Head of Legal Services  
Elmbridge Borough Council  
Civic Centre  
High Street  
Esher, KT10 9SD
- This statement explains how Elmbridge Borough Council has complied with the Code and also meets the requirements of the Accounts and Audit Regulations 2015, Part 2 regulation 6(1) (b) which requires all relevant authorities to prepare an annual governance statement.

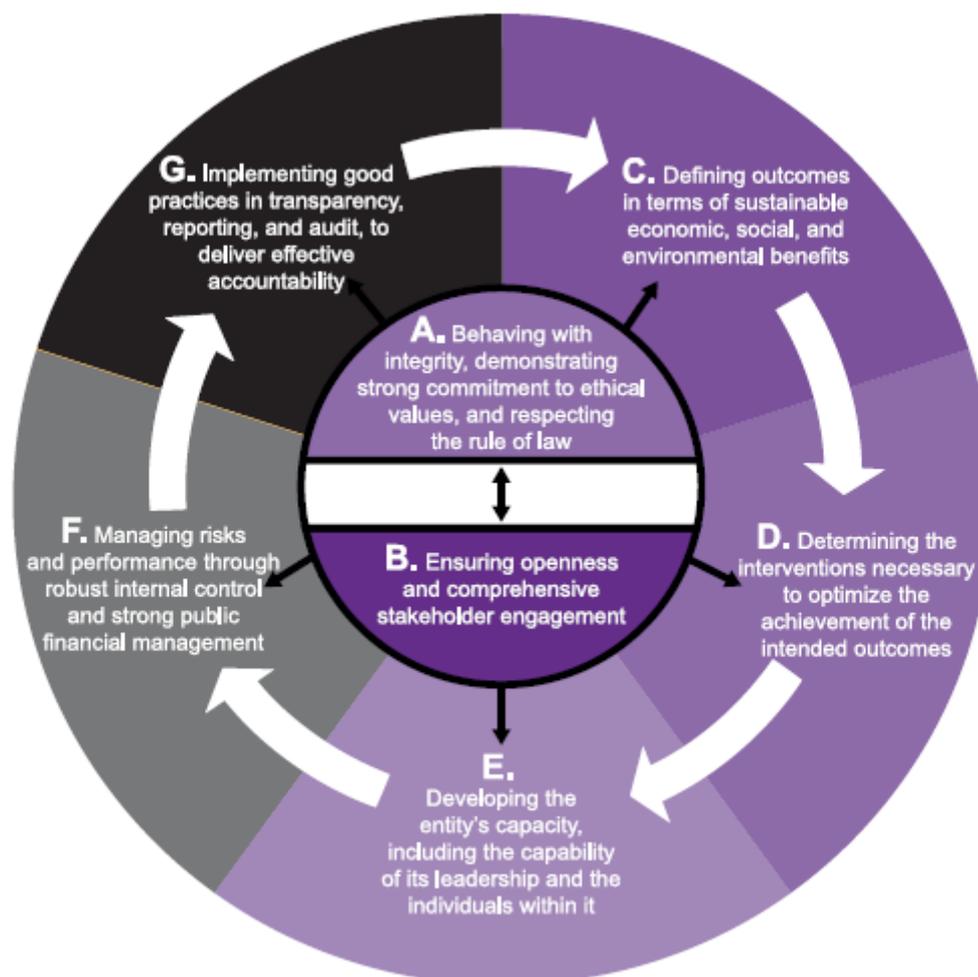
### **2. The Purpose of The Governance Framework**

- The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

- The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Elmbridge Borough Council's objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.
- The governance framework has been in place at Elmbridge Borough Council for the year ended 31 March 2019 and up to the date of approval of the Annual Report and Statement of Accounts.

### 3. The Governance Framework

The seven core principles of the CIPFA/SOLACE "Delivering Good Governance in Local Government" Framework 2016 are illustrated in the diagram below.



Some of the key elements of the governance framework that the Council has in place relating to these core principles are outlined below:

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

- The Council's Constitution defines the roles/responsibilities of the Cabinet (Executive), regulatory committees, the Overview & Scrutiny Committee and statutory officers and sets out how these roles are discharged and the delegations extended to officers and Members.
- Codes of Conduct are in place for members and officers and are set out in the Council's Constitution.
- Induction for new members and staff on the standards of behavior expected.
- Member/Officer Protocol and affirmation of relationship expectations is in place.
- Declarations of interests are made at Council Committee meetings and registers of interests and gifts and hospitality are in place.
- The effective discharge of the Monitoring Officer and Head of Paid service functions are assisted by regular meetings of the three statutory officers and with Members and by regular review of Constitutional powers.
- Whistleblowing arrangements are in place by means of a Confidential Reporting (Whistleblowing) Policy to receive and investigate complaints from staff and members of the public.
- Anti-fraud and corruption incorporating anti-bribery and anti- money laundering policies in place.
- Regular staff performance reviews are in place.

B. Ensuring openness & comprehensive stakeholder engagement.

- There was widespread consultation involving key stakeholders including residents, partners and the third sector on the new Council Vision for 2018-2023. The Vision is set out in the Council Plan annually. Corporate performance reports are publicly available and are reported to public meetings.
- The Communications Plan and publication of the Council's Annual Report provide mechanisms for communicating with the community and other stakeholders and accountability for service delivery and outcomes.
- The "My Elmbridge" programme is in place to consult, engage and Inform residents about local services. The programme includes public meetings entitled "Your Voice Matters" at which the public can engage directly with the Leader of the Council and Cabinet members. In 2018/19 eight events were held across the Borough at the request of the Leader at which he gave a presentation covering both Borough wide themes and local issues and responded to questions raised by residents. These events thus provided an opportunity for a two-way dialogue with residents.

- The Council website provides a key means of communication between the Council and the public in an open and transparent form that aims to provide for comprehensive stakeholder engagement.
  - Transparency information is published on the website.
  - Records of decision making are in place.
  - Active use of social media and online tools to engage customers.
  - Council newsletter issued three times per year.
  - Freedom of Information performance is monitored by the Monitoring Officer and the Council Management Board.
- C. Defining outcomes in terms of sustainable economic, social and environmental benefits.
- The Council Plan incorporates the Council Vision covering the five-year period from 2018-2023 and four priority areas. The Council reviews its vision and top priorities every five years.
  - The Council continues to provide support to local businesses through the Elmbridge Civic Improvement Fund. During 2018/19 ECIF grants including those to local start-up businesses totalled £98,737.
  - The Council has a robust Performance Management framework in place and a Golden Thread approach as illustrated below.



- The new Council Vision set for 2018-2023 is supported by four top priorities determined by resident consultation and agreed by Members. The priorities are checked annually against residents' survey results.
- For 2018/19 the Vision and Top Priorities were as set out below:

### Vision 2018-23

A responsive and effective Council, protecting and promoting the interests of residents and businesses and safeguarding our environment, while maintaining a community for all.

#### Character & Environment

We will make Elmbridge a sustainable and attractive place.

#### Quality Services

We will work in partnership to ensure services are efficient, effective and offer value for money.

#### Economic Development

We will facilitate economic growth, including improved infrastructure and housing.

#### Community Wellbeing

We will listen to all of our residents and support communities to become healthier, empowered and safe.

- The Council objectives are developed from the Vision and Top Priorities and are set out in the annual Council Plan.
- Council objectives for 2018/19 were undertaken to achieve the Council Vision. The objectives are grouped by the 2018/19 priorities and are linked to the Cabinet portfolios.
- Risk management strategy and policy in place.
- Corporate risk register monitored by CMB.
- During 2018/19 quarterly performance monitoring reports were presented to Cabinet against the 2018/19 Council objectives, top priorities and the basket of performance indicators.
- The final report on the Council's performance in 2018/19 against the Council Plan 2018/19 will be submitted to Cabinet on 5th June 2019. This will confirm that fifteen out of seventeen Council Plan objectives (83%) were on target or completed as at 31 March 2019 and 36 (73%) performance indicators were on or above target.

Council performance indicators met in 2018/19 included:

- Performance indicator: Number of affordable homes delivered  
Outcome: 118 affordable homes delivered against a target of 100.
- Performance indicator: Number of households in temporary accommodation out of Borough  
Outcome: 11.5 against a target of 15. Target has been exceeded.
- Performance indicator: Percentage of household waste sent for composting.  
Outcome: 30.4 % against a target of 30%.

- iv) Performance indicator: total number of tennis court hours booked  
Outcome: 12,557 against a target of 12,300.
- v) Performance indicator: Percentage of planning appeal decisions made in favour of the Council.  
Outcome: 65 achieved; this meets the target figure.
- vi) Performance indicator: Percentage of Council Tax collected - current year only  
Outcome: 98.9% exceeds the target of 98.5%.
- vii) Performance indicator: Percentage of Non-Domestic Rates collected – current year only  
Outcome: 98.7% exceeds the target of 98.4%.

Outcomes of other Council performance indicators in 2018/19 included:

- i) Performance indicator: Number of new placements in private rented sector by the Rental Support Scheme.  
Outcome: 34 new tenancies created against a target of 36. A marketing campaign to better promote the Rental Support Scheme is underway.
  - ii) Performance indicator: Missed bin collections per 100,000.  
Outcome: 266 against a target of 80. Action is being taken to drive further improvement.
- D. Determining the interventions necessary to optimize the achievement of the intended outcomes.
- Medium Term Financial Strategy in place, reviewed and published annually.
  - Service planning in place.
    - Feedback from citizens through an annual residents' panel survey that enables consultation to ensure a high standard of customer service is delivered and that they are happy with the Council priorities and services.
    - Feedback from residents and businesses through the annual Community Safety Survey that feeds into the development of the Elmbridge Community and Safety Partnership plans.
    - Overview and Scrutiny Committee scrutinised Portfolio Holders, examined Council performance and future plans and established three Task and Finish Groups including Health and Wellbeing and Parking during 2018/19. The Overview and Scrutiny annual report was approved by Council in April 2019.
    - Regular meetings held between Council Management Board and Cabinet.
    - Setting up of EBC Homes Ltd in 2018/19 to deliver an increase in the supply of affordable housing.
    - New capital strategy in place for 2018/19.

- Performance Management framework contains Key Performance Indicators to measure performance of services.
  - Organisational development framework in place includes continuous performance reviews, one to ones and clear job descriptions.
- E. Developing the entity's capacity, including the capability of its leadership and the individuals within it.
- The Learning and Development Programme is established incorporating mandatory e-learning and comprising a wide range of training opportunities including Management training and regular Managers Conferences.
  - Regular staff development training in place.
  - Members development training programme in place.
  - An established and further refreshed Performance Review framework that incorporates an annual performance review for all staff.
  - Staff briefing sessions by Council Management Board held twice yearly.
  - Following an external Peer Review in June 2017 the Improvement Plan has been completed and the outcomes reported to the Council Management Board.
  - Compliance with CIPFA's guidance regarding the role of the Chief Financial Officer.
- F. Managing risks and performance through robust internal control and strong public financial management.
- The Council has a Risk Management Strategy and strategic and operational risk registers in place, which are reviewed regularly.
  - The Council's Strategic Risk Register is reviewed annually and links to the Council's top priorities and strategic objectives.
  - Regular meetings held with the Head of Paid Service, the Monitoring Officer and the Section 151 Officer.
  - An annual Internal Audit Plan is approved by Audit and Standards committee. An Internal Audit Annual report and regular progress reports are presented to the Audit and Standards committee. In 2018/19 internal audit completed 16 audit reviews. Progress against management actions in audit reports monitored.
  - Data Protection Act 2018 requirements adhered to for managing data lead by the Data Protection Officer. No significant information security breaches occurred in 2018/19.

- Implementation of the requirements of the General Data Protection Regulation in May 2018 monitored by the Information Governance Group during 2018/19 and reported to the Council Management Board. The IGG Action Table captures outstanding actions.
  - Treasury Management performance reports provided to Audit and Standards Committee.
- G. Implementing good practices in transparency, reporting, and audit, to deliver accountability.
- The Audit and Standards Committee has defined roles and responsibilities and undertakes core functions in accordance with relevant CIPFA guidance.
  - The External Audit Annual report is submitted to the Audit and Standards Committee.
  - The Head of Internal Audit has direct access to the Chair of Audit and Standards Committee. Internal Audit completed 16 audit reviews in 2018/19.
  - Management has taken appropriate steps to address those areas where management actions have been raised and these have been followed up with relevant senior management. This will be reported to the Audit and Standards Committee in the Internal Audit Annual Report 2018/19 in July 2019.
  - Annual financial statements include a narrative summary on the Council's performance during the year as well as reporting the financial position.
  - The Audit and Standards Committee has direct access to both the Council's external auditors and the Head of Internal Audit.

#### **4 Review of Effectiveness**

Elmbridge Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. This review of effectiveness is informed by:

- The work of the Council Management Board and senior managers within the authority who have responsibility for the development and maintenance of the governance environment;
- The Council's risk management framework;
- the Audit and Standards Committee internal audit progress reports;
- comments made by the external auditors and other review agencies and inspectorates;
- The Head of Internal Audit Partnership's Opinion Statement is taken from the Head of Internal Audit's annual report that is reported to the Audit and Standards Committee in July.

- The Head of Internal Audit Partnership's Opinion Statement:

***“The overall opinion is that the Council’s internal control environment is adequate and effective. This is based on the work undertaken by Internal Audit during 2018/19, and summarised in this report.***

***Agreed management actions arising from Internal Audit work have been reported to senior management and the Council Management Board and I am satisfied that management has undertaken to address any control weaknesses.”***

The effectiveness of the governance framework has been evaluated by:

- The completion of Annual Assurance Statements by all Heads of Service as at 31 March 2019. All statements were returned with no significant issues highlighted. Responses received regarding governance matters and management processes were noted and have been considered by the Council Management Board and Internal Audit. A matter with regard to the financial oversight of the Joint Waste Contract is currently the subject of an internal audit review.
- An Internal Audit Corporate Governance assurance review;
- The Head of Legal Services testing the specific requirements of the Local Code of Corporate Governance against the behaviours, codes and protocols put in place by the Council and documented in the Constitution and elsewhere.
- The Head of Legal Services has confirmed that the Council’s Local Code of Corporate Governance accords with the principles of the CIPFA/SOLACE “Delivering Good Governance in Local Government Framework” 2016.
- The key financial systems that feed into the Council’s financial statements have reasonable controls in place and have been given either an “effective” assurance opinion or the opinion of “some improvement needed”.

### **Conformance with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016)**

CIPFA published an updated CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016) in June 2016.

The Council’s financial management and assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016) for the year ended 31<sup>st</sup> March 2019.

The Chief Financial Officer of the Council is the Strategic Director & Deputy Chief Executive and is the Council’s Section 151 Officer (from section 151, Local Government Act 1972).

### **Conformance with the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption**

CIPFA published the Code of Practice “Managing the Risk of Fraud and Corruption” in 2014. The Council has adopted an approach that is appropriate for its fraud & corruption risks and commits to maintain its vigilance to tackle fraud.

## **5. Outcomes, Value for Money and Improvements During the Year**

The Audit and Standards Committee received the Council's appointed External Auditor's (Grant Thornton) Audit Findings for 2017/18 in September 2018. This report contained an unqualified opinion on the 2017/18 financial statements and a Value for Money conclusion confirming that the Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The Council starts the 2019/20 financial year in a good financial position.

The Local Government Association carried out a corporate Peer Review in June 2017 from which further improvements and actions were identified and were completed in 2018/19. An Improvement Plan was completed and outcomes were reported to the Council Management Board in December 2018.

During 2018/19 improvements have been made to the Council's arrangements and matters identified in 2018/19 have been addressed as follows:-

- i) The Council's improvement was monitored on an ongoing basis by the Council Management Board and the work of corporate improvement groups continued across the Council in 2018/19 in this regard.
- ii) The Council has strengthened its arrangements with regard to the following:

Safeguarding:

- The Adult Safeguarding Policy and the Children's Safeguarding Policy are now established and embedded as part of the Council's safeguarding arrangements.
- Increased safeguarding training introduced to include Members and bite-sized training in 2018/19 and this is planned to continue each year.

Business Continuity & Emergency Planning:

- The Council has refreshed and strengthened its business continuity and emergency planning arrangements and a revised corporate Business Continuity Plan is being prepared.
- A finalised Business Continuity Plan in respect of the Joint Waste Contract is awaited.

Health and Safety:

- The Council has recently established revised Health & Safety reporting arrangements and a newly appointed Health and Safety Advisor is reviewing policies and procedures.

Information Governance:

The Information Governance framework and arrangements were defined and strengthened by:

- Monitoring of requirements of the General Data Protection Regulation effective from 25<sup>th</sup> May 2018 undertaken by the Information Governance Group throughout the year. The Council Management Board received an update report regarding Information Governance items in October 2018.

## **6. Governance and Assurance Summary**

Good governance is about doing things properly. It is the means by which the Council demonstrates that it is taking decisions for the good of the people in Elmbridge in an open and equitable way. It recognises the standard of behavior that supports good decision-making. It is the foundation for the delivery of good quality services and fundamental to showing that public money is well spent.

**On the basis of the Annual Assurance Statements received from Heads of Service for the period relating to 31 March 2019 and the corporate governance health check undertaken by Internal Audit, there are no significant governance issues to report. Furthermore, the review of the Council's system of governance and internal control has not identified any significant weaknesses.**

We confirm, to the best of our knowledge, that this statement provides an accurate and fair view of the Council's operations and governance framework.

We propose over the coming year to continue to further improve and enhance our governance arrangements. We will continue to monitor improvements and enhancements made as part of our next annual review.

Signatures: \_\_\_\_\_ Date: \_\_\_\_\_  
Leader of the Council

\_\_\_\_\_ Date: \_\_\_\_\_  
Chief Executive