Appendix B

SPELTHORNE
MEANS BUSINESS

Spelthorne Borough Council

Draft for Audit
Statement of Accounts
2018/19

T Collier
Chief Finance Officer

Financial Statements and Annual Report

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Narrative Statement

By the Chief Finance Officer

Spelthorne Borough Council is a borough council located in the north west corner of the administrative county of Surrey and it is the only Surrey borough council located north of the River Thames which runs along its boundary. The Borough covers 19.75 square miles and is a mix of urban and non-urban environments with 17% of the Borough made up of water and 12 miles of River Thames frontage. It combines a vibrant economy with an attractive environment. In recent years there has been a high level of small business start up activity in the Borough.

The total population of Spelthorne according to the 2017 (most recent available figure at time of publication) mid year estimate is 99,120, which is a 3.7% increase since the last Census in 2011. There are 40,609 households with the average household size being 2.4 people.

Our population continues to age with 18.6% of residents being over 65 years of age, and with that proportion expected to increase in the coming years.

The urban part of the Borough comprises the towns of Ashford, Laleham, Shepperton, Staines upon Thames, Stanwell and Sunbury on Thames.

65% of Spelthorne is within the Green Belt and includes 18 Parks, embanked water retaining reservoirs, narrow buffering land being arable farming and horse grazing meadows with sheep grazing on the reservoir embankments.

The local economy comprises over 4,500 business including large employers like BP, Wood Group Kenny and Shepperton Studios. The latter successfully applied in 2019 for a £500m expansion which will create the world's second largest film studio A major economic influence on the Borough is Heathrow with the airport directly and indirectly being the largest source of employment within the Borough. The Borough will be significantly impacted if Heathrow expands with a third runway and the Council is actively and robustly engaging with the airport expansion consultation process.This process of responding to Heathrow proposals is consuming a considerable amount of Council resource

The Borough is twinned with the French town of Melun and Grand Port Mauritius.

Spelthorne Borough Council is a multifunctional and complex organisation. Its policies are directed by the political administration and implemented by the Corporate Management Team.

Political Structure in the 2018/19 Municipal Year

Spelthorne has 13 wards represented by 39 Councillors. The Council last held all out borough elections on the 2 May 2019 and the current political make-up of the Council is:

Conservative Party 23
Liberal Democrat Party 8
Labour Party 4
Greens 2
Independents 2

The Council has adopted the Leader and Cabinet model as its political management structure arising from the Local Government and Public Involvement in Health Act 2007. The Leader of the Council has responsibility for the appointment of Members of the Cabinet, the allocation of Portfolios and the delegation of Cabinet Functions. Cabinet Members are held to account by a system of scrutiny which is also set out in the Constitution. Scrutiny of Cabinet decisions for 2018/19 has been undertaken by either:

• the Overview and Scrutiny Committee; or
• the Audit Committee.

The current Leader, Cllr Ian Harvey, has been leader for the past three years with the Deputy Leader, Cllr Tony Harman.

Management Structure

Supporting the work of councillors is the organisational structure of the Council headed by the Corporate Management Team, led by the Chief Executive Mr Daniel Mouawad.

The Corporate Management team consists of:
- Chief Executive
- Deputy Chief Executive / Chief Finance Officer
- Deputy Chief Executive

The Corporate Management Team is responsible for the delivery of Council services, directing improvements and future plans for Spelthorne. It provides managerial leadership and supports Councillors in:
- developing strategies;
- identifying and planning resources;
- delivering plans; and
- reviewing the Council's effectiveness with the overall objective of providing excellent services to the public.

The Corporate Management Team are supported by the following Group Heads and senior managers
- Group Head of Regeneration and Growth
- Group Head of Community and Wellbeing
- Group Head of Commissioning and Transformation
- Group Head of Neighbourhood Services
- Head of Corporate Governance (Monitoring Officer)
- Deputy Group Head Customer Relations

As at the end of March 2019 the Council employed 366.14 FTE equivalent staff (prior year 350.71 FTE)

The financial year 2018-19 was another challenging financial year for local government with further reductions in government funding. For the third year running the Council received no Revenue Support Grant (RSG). The Council broadly achieved collection rates in line or better than target, achieving 98.4% for Council Tax and 99.7% for Business Rates, the latter being the highest ever collection rate. During the financial year, there was some staff turnover in the Council Tax and Business Rates team. The Council did well to deliver a net underspend against budget as summarised in page 10 of this narrative statement and to strengthen the balance sheet by adding to reserves.

Acquisitions strategy

In February 2019 the Council approved its new Capital Strategy (https://www.spelthorne.gov.uk/capitalstrategy)which articulates the journey the Council has been on with respect to asset acquisitions, how it manages risk and how its strategy has evolved from an initial focus on generating investment income to offset loss of government revenue grant funding to the focus now being on delivering a mix of residential tenures (including emergency, single person homeless, affordable, key worker and private rental) across the Borough to meet the needs of residents. Over the next five years the Council aims to deliver between 600 and 1000 housing units for its residents. The majority of these homes will be owned and managed by the Council's wholly owned housing delivery company Knowle Green Estates Ltd.

During 2018-19 3 affordable homes were completed at Churchill Way and 8 affordable housing flats at Bugle House, Halliford. These properties have been transferred to Knowle Green Estates limited who will manage the properties. The transfer was funded by a loan totalling £4.465m) from the Council to Knowle Green Estates to be repaid over 50 years. In March 2019 Knowle Green Estates acquired two houses for affordable housing, these were also funded by a loan from the Council

In August 2018 the Council acquired three high quality new offices in Reading, Slough and Uxbridge all located close to key transport infrastructure. Reading at 30 miles from the Council offices is the further away from the Borough. The rental income from these properties will initially be used to offset upfront revenue pressures arising from the Council's housing delivery capital programme. Unlike previous acquisitions these offices at point of acquisition are not fully let but have come with rent free guarantees for either two (Reading and Slough) or four years (Uxbridge).

As a result of these acquisitions, along with acquisitions made in 2016-17 and 2017-18 the Council has a commercial asset portfolio of £985m and is now receiving a commercial rental income stream as set out in the table overleaf, which after debt financing and setting aside prudent provisions for future refurbishment of the assets, provides additional funding to support the provision of services to residents. The table below shows the part year effect of in-year acquisitions. The ongoing full year net surplus total will be approximately £10m per annum.

Note 13 sets out the disclosure requirement for Investment Properties. As this does not include items relating to debt management and associated contributions to reserves, the following table provides that analysis.

	forecast	***actual***	***forecast***
	1819	**1819**	**1920**
Investment Properties 2018/19	**£'000**	**£'000**	**£'000**
	-	-	-
Rental income from properties	39,402	39,636	50,647
Minimum Revenue Provision (MRP)	7,299	7,299	11,005
Interest on borrowing	18,824	18,824	23,074
Set aside & sinking fund contributions	5,577	5,577	6,960
	-	**-**	**-**
	7,701	**7,935**	**9,608**

Given that the Council now has a substantial commercial property portfolio on its balance sheet, the Council has invested in ensuring it has the right resources and expertise to manage effectively its portfolio. The Council has also reviewed and updated its decision making and governance arrangements for evaluating opportunities. For all acquisitions very extensive due diligence is undertaken, for example to evaluate the financial health of potential tenants. This is referred to in the Annual Governance Statement (page 70).

The Council's diversified treasury management portfolio continued to produce good resulting in £32.5m of pooled funds (backed by equities, assets or corporate bonds) returning on average just over 4.23% and making approximately £1.4m capital appreciation since inception.

The Statement of Accounts is presented in accordance with the Code of Accounting Practice on Local Council Accounting in the United Kingdom 2018-19 as required by the Accounts and Audit Regulations 2015.

The purpose of the Statement of Accounts is to give electors, other local taxpayers, councillors, employees and other interested parties, clear information about the Council's finances – what local services have cost, how the Council pays for them and what the assets and liabilities are at the year end. The objective is to give a 'true and fair' view of the financial position and transactions of the Council.

The following paragraphs provide a brief explanation of the statements which make up the Statement of Accounts.

The Statement of Accounts' core statements consist of the following:

- Movement in Reserves Statement (page 14)
- Comprehensive Income and Expenditure Statement (page 15)
- Balance Sheet (page 16)
- Statement of Cash Flows (page 17)
- Expenditure Funding Analysis (page 31)

The **Movement in Reserves Statement** (page 14) shows the movement in the year on the different reserves held by the Council analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The increase for 2018-19 shown on the movement in year on Total Comprehensive Income and Expenditure of a deficit of £14.392m (Prior Year (PY) deficit of £12.908m) shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. The surplus/deficit figures are different from the statutory amounts required to be charged to the General Fund balance for council tax setting purposes.

The net transfer to cash backed usable reserves is £6.147m (PY a transfer of usable reserves of £7.849m).Total cash backed reserves as at end of 2018/19 total £25.165m as also shown on the Balance Sheet.

The **Comprehensive Income and Expenditure Statement** (page 15) 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. Councils raise taxation to cover expenditure in accordance with regulations. The segmental reporting note to the Statement enables a comparison of the outturn figures to the format in which budget monitoring figures have been reported to Councillors throughout the year. The total net deficit on the Total Other Comprehensive Income and Expenditure Statement of £13.597m reflects a deficit on the provision of services of £14.392m and a £0.795m surplus on other items which is brought about by the re-measurement of the net defined pension benefit and revaluations of land and buildings. Full details are shown on the Comprehensive Income and Expenditure Statement.

The **Balance Sheet** (page 16) shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net liabilities £13.145m (PY assets of £0.452m) of the Council are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable (i.e. cash backed) reserves (as at 31 March 2019 totalling £25.165m), 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 limitations on their use. The second category of reserves is those the Council is not able to use to provide services, known as non-usable reserves (as at 31 March 2019 totalling £38.31m) - note these are non cash accounting reserves and have a negative value (PY £18.566m). This category includes reserves that hold unrealised gains and losses (for example the revaluation reserves) 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'.

The **Statement of Cash Flows** (page 17) 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 inflows arising from operating activities £71.296m (£23.528m in 2017-18) 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. The investing activities represent the extent to which cash outflows have been made for resources intended to contribute to the Council's future service delivery.

Local Councils have been required to produce their statements of accounts in accordance with International Financial Reporting Standards (IFRS). Whilst not a core statement within the Statement of Accounts as a local Council with responsibility for collecting council tax and business rates we are required to prepare an annual **Collection Fund Statement** (pages 68-69). The Local Government Finance Act 1988 requires each charging council to operate a Collection Fund to account for the Council Tax and Business Rate Income and its distribution to Precepting Councils (Surrey County Council and Surrey Police and Crime Commissioner) and Central Government.

This Council's levy on the Collection Fund for 2018-19 was set at £197.44 per Band D property (a 2.6% increase on the previous year) and a transfer of £0.048m, out of the Collection Fund following higher than expected collection rates for Council Tax during the previous year. 2018-19 saw the continued development of the localised retention of business rates scheme introduced in 2013-14, under which part of the business rates are retained by the Council and the County Council to contribute towards their revenue budgets. The changes to the business rates appeals system resulted in continued uncertainties as to the levels of provision required to be made for potential successful appeals which would then be backdated. In 2018-19 the Council participated with all the districts and boroughs in Surrey along with Surrey County Council in a pilot for retaining 100% of growth in business rates income above the baseline set by Government within Surrey. The additional retained income across Surrey was approximately £62m and this will be shared between the County Council and the districts and boroughs, with Spelthorne's share estimated to be an estimated additional £1.5m of which approximately £1m has been ring-fenced for investment in initiatives to support economic growth, an example being setting up an incubator to support the growth of small businesses in Staines-upon-Thames. There was a £3.796m surplus on business rates. On council tax there was a surplus of £0.504m, mainly due to adjustments to allocate surpluses accumulated in previous financial years.

In May 2016, the Council set up a 100% owned subsidiary Knowle Green Estates Ltd which will be the Council's delivery vehicle for additional housing within the Borough. Knowle Green Estates initially had one asset Harper House which provides emergency accommodation within the Borough. The Council is looking to increase the supply of a range of housing tenures including temporary accommodation, affordable housing and private sector rental in order to ease housing pressures within the Borough and help the Borough meet its future Local Plan housing targets. During 2018-19 the Council completed two small affordable housing schemes, Churchill at Sunbury providing 3 affordable houses and Bugle House providing 8 affordable flats at Halliford. In both cases families on the Council's housing register were accommodated.Additionally Knowle Green Estates in March 2019 acquired two houses within the Borough for affordable housing. All these asset additions for Knowle Green Estate have been funded from a fixed rate loan from Spelthorne Borough Council over 50 years.

In order to give readers of the Accounts an overall picture of the extended services and economic activity that is under the control of the local authority we have made a set of Group Account disclosures in the notes (pages 65-67) setting out on a Group basis the four core Statements (ie Movement in Reserves, Income and Expenditure Statement, Balance Sheet and Cashflow Statement).

Capital Expenditure

The Council's capital expenditure plans must be prudent and affordable in the longer term and the Council adheres to guidance set out in the *CIPFA Prudential Code for Capital Finance in Local Councils,* which has legislative backing. Whilst it has taken the view that it will use capital receipts to fund its capital programme, it may consider using borrowing in the future for specific capital projects.

The Capital Programme is prepared on a 4 year rolling basis and is reviewed every year. The Capital Programme consists of housing investment, including projects to increase housing supply within the borough and renovation and renewal grants made to individuals and tenants of housing associations, and non-housing activities including information technology, vehicle replacement and improvements of major assets and acquisition of assets.

Total gross capital expenditure in 2018-19 was £382m and a breakdown of the schemes making up this spend can be found in note 30 (page 58). The majority of this related to further property acquisitions both as commercial investments (£375m) designed to generate long term sustainable income streams and sites (£4m) to enable the Council to commence undertaking housing development to start delivering a mix of housing tenures to meet the housing needs of the Borough and assist the Council in meeting its Local Plan housing numbers. The acquisitions were financed by borrowing from the Government's Public Works Loan Board (PWLB) at fixed low rates of interest. The housing developments will be transferred to the Council's 100% owned Housing, with Bugle and Churhcill developments being delivered in 2018/19. Housing delivery company Knowle Green Estates Ltd to manage. The following statement shows the total gross capital expenditure for the year and how it has been financed.

2017/18 £'000	Total Capital Expenditure	2018/19 £'000
273,360	Total Capital Expenditure	382,195
	Financed by:	
(1,250)	Capital Receipts	(381)
(1,021)	Grants and Contributions	(1,046)
(838)	Revenue Resources	(747)
(270,251)	Borrowing	(380,021)
(273,360)	Total Capital Financing	(382,195)

The Programme in the past was mainly financed from capital receipts generated from asset sales (primarily the share of Right to Buy receipts on dwellings which used to be the Council's housing before the Large Scale Voluntary Transfer in 1995), however as highlighted above the acquisition of commercial income generating assets was financed by borrowing from the Public Works Loan Board (PWLB) in the form of low fixed rate loans. In addition, grants and contributions received from other bodies including central government are used for financing specific expenditure.

Future capital expenditure and resources are as follows:

Future Capital Investment Plans and Resources	Estimate 2019/20 £'000	Estimate 2020/21 £'000	Estimate 2021/22 £'000	Estimate 2022/23 £'000
Capital Programme	78,847	52,921	40,092	26,480
Resources				
Capital Grants/Contributions & Capital Receipts	897	770	770	770
Revenue Contributions (including Reserves)	750	216	216	216
Borrowing	77,200	51,935	39,106	25,494
	78,847	52,921	40,092	26,480

Capital receipts also generate investment income but the Council is looking to hold its assets for the long term so in the near term capital spending which generates ongoing income streams will continue to be financed from borrowing on a prudential basis. In future years commencing from 2018-19 the Council will looking to make increasing contributions from revenue towards capital to assist in funding the capital programme. To strengthen these reserves potential asset sales are kept under review

In May 2016, the Council set up a 100% owned subsidiary Knowle Green Estates Ltd which will be the Council's delivery vehicle for additional housing within the Borough. The Council is looking to increase the supply of a range of housing tenures including temporary accommodation, affordable housing and private sector rental in order to ease housing pressures within the Borough and help the Borough meet its future Local Plan housing targets.

Pensions (see notes Pages 60 to 64)

International Accounting Standard 19 'Employee Benefits' ('IAS19') requires councils to provide clear information on the impact of the Council's obligation to fund the retirement benefits of its staff. Information has been received from the Actuary on the latest position as at March 2019, showing a deficit of £50.583m for this Council, which represents a £5.73m increase relative to 2017-18.

- The deficit has increased due to a number of factors the main one being an increase in the present value of the defined benefit obligations by £10.715m million, which is more than the £4.992m increase in the value of the pension fund assets.

- It must be emphasised that this calculation has been made for the specific requirements of 'IAS 19' and should not be used for any other purpose. There was a separate triennial revaluation based on the pension fund as at 31 March 2016, the result of which kept employer ongoing current contributions unchanged but which resulted in past service contributions increasing in steps of £180k in each year between 2015-16 and 2017-18**.** We are currently awaiting the Valuation report from the actuaries for the latest triennial Valuation as at 31 March 2019 which is expected within the next couple of months, early indications from the actuaries is the funding position of the Surrey Pension Fund has improved since the previous valuation. The liabilities of £50.583m show the underlying commitments that the Council has in the long run to pay retirement benefits. The liability has a substantial impact reducing the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.

The Council's share of the deficit on the Surrey Pension Fund continued to reduce the Council's net asset position. Spelthorne's Balance Sheet shows a Pensions liability of £50.583 million). There has been minimal change in the accounting valuation of the fund compared 31 March 2018. The current actuarial valuation, based on forecast yields rather than corporate bond yields as required by the accounting standards, shows that the fund is very close to being fully funded at 31 March 2019.

The deficit on the pension scheme will be made good by contributions over the remaining working life of employees as assessed by the scheme actuary.

Finance is only required to cover discretionary benefits when the pensions are actually paid.

Borrowing

During the year the Council entered into external long term borrowing of £389m to finance asset purchases with a balance of long term total debt outstanding of £1,039m as at 31 March 2019 on the Balance Sheet. The balance is offset by the value of the assets acquired on the balance sheet. This resulted in a financing charge of interest and principal repayments of £20.403m being charged in the accounts all of which was more than covered by additional income generated by the assets acquired.

Revenue Expenditure

An analysis of the Council's total gross revenue income a-nd expenditure identifying major variances from the original budget is shown below.

Comparison of Revenue Budget to Revenue Outturn	Revenue Budget 201819 £'000	Revenue Outturn 2018/19 £'000	Variance Outturn to Budget £'000
Gross Expenditure	62,810	62,651	(159)
Gross Income	(40,885)	(43,139)	(2,254)
	21,925	19,512	(2,413)
Asset Acquistion income	(31,306)	(41,521)	(10,215)
Interest on balances	(900)	(1,201)	(301)
Transfers (from)/to Earmarked Reserves	855	8,457	7,602
Interest on repayments	14,395	20,404	6,009
Debt repayment	7,345	7,845	500
Capital expenditure financed from revenue	747	747	0
	13,061	14,243	1,182
Financed by:			
Non-ringfenced grants and contributions	(957)	(1,899)	(942)
Net receipts from Business Rates	(4,300)	(4,540)	(240)
Council Tax (Demand on Collection Fund & Surplus)	(7,804)	(7,804)	0
(Surplus)/deficit for the year	0	0	0

The Council has always adopted the accounting practices recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA). These accounts comply fully with their current requirements.

The previous analysis covers revenue expenditure and income only and is not directly comparable with the Expenditure and Funding Analysis statement on page 30 which provides a more detailed breakdown at service expenditure level, for revenue and capital.

Financial Strategy Review

The Council continuously reviews and updates its financial strategy. During 2018-19 the strategy was updated to respond to the grant cuts the Council will experience over the next few years. The Council is particularly aware that the period from April 2020 is particularly uncertain with respect to local government funding with the 2019 Spending Review being undertaken to determine overall allocations to government departments, along with the "Fair Funding" review updating formulae driving allocation of grants and base amounts for retained business rates, and proposed implementation in 2020-21 of 75% retained business rates. The Council in its projections has assumed a deliberately pessimistic outcome from the above.

The main issues identified in the review and the outline budget process were the following:

- The need to maximise savings and efficiencies. Strategies to deliver this include:
    - ➢ Sharing of services with other Councils – following the departure of a head of service in summer 2018 the Council no longer has any services with a head of service shared with another council
    - ➢ Acquiring new revenue income generating streams, we will keep under review further opportunities

- Maximising income from the assets the Council owns. The Council has prioritised a number of projects which over the medium term will deliver significant income
- Continuing to diversify the Council's investment portfolio and seek to maximise investment returns whilst balancing risk
- Investing in initiatives to mitigate some of the homelessness pressures on the Council's revenue budget, including increasing supply of range of housing tenures within the Borough
- Seeking procurement savings - following the departure of the procurement officer, an interim Procurement officer is working on an updated Procurement Strategy with a focus on categories with the greatest potential for savings.
- Rationalising accommodation and letting out office space. The Council has completed its office reconfiguration project reducing the amount of space it occupies at Knowle Green by a third, reducing running costs and freeing up one wing for provision of 25 affordable housing flats.
- Tight vacancy control whilst seeking to balance impact on service provision
- Reviewing fees and charges, balancing impact on local residents and the local economy with the need to increase income
- Smarter use of technology – with effect from May 2019 all councillors will have electronic devices to enable them to receive Council committee papers without any printing.
- Seeking to encourage economic development within the Borough which will help stimulate business rates growth which will assist the Council's future funding. This will be linked to progressing the Local Plan for the Borough and masterplanning for Staines-upon-Thames.

The Council will continue to evaluate the impact of the decision in June 2016 for UK to move towards-leaving the European Union on its budget strategy. The Council has undertaken risk assessments and will keep these under review. The Council participates in Surreywide preparations for dealing with impact of Brexit.

Post Balance Sheet Events

There are no significant Post Balance sheet events identified which impact on the Council.

Summary

The next few years will continue to be extremely challenging, with a post Brexit future adding to the uncertainties. Additionally we await the outcome of the public sector Spending Review in 2019, the completion of the Fair Funding Review and the implementation in 2020-21 of 75% Business Rates retention nationally. The Council has been impacted by the public sector deficit reduction programme, which means levels of government grant have been cut and will continue to reduce for a number of years. There have been knock on effects from the financial pressures Surrey County Council is facing with funding reductions from Surrey County Council impacting on the Borough Council.

The additional ongoing revenue income from the enlarged commercial property portfolio enabled the Council to set a balanced budget for 2019-20.The Council has reserves but these have been used in the past to support the budget over a number of years. Significant sums are being put into earmarked reserves to ensure there are sufficient funds to manage future liabilities relating to the Council's property portfolio. The Council continues to be focused on delivering efficiencies and growing its commercial income. By pursuing these strategies we are confident that we can ensure that Spelthorne Borough Council has a sustainable financial future and will continue to be able to provide the range of services its residents deserve. At the same time we are also seeking to deliver a significant amount of affordable housing over the next few years to help meet the needs of our residents

Spelthorne has a history of prudence in the way we manage the finances, and we will continue to review rigorously all our services to ensure that they are needed and are delivered economically, efficiently and effectively.

Following the EU referendum in June 2016 and the vote by the United Kingdom to leave the EU, the impact on the Council is uncertain at the present time, and the potential impacts for the Council are being kept under review.

Further Information

If you require any further information, please contact Terry Collier, Chief Finance Officer, on Tel: 01784 446296 at the Council Offices, Knowle Green, Staines-upon-Thames, TW18 1XB.

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required:

- To make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Deputy Chief Executive / Chief Finance Officer.

- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

- To approve the Statement of Accounts.

The Chief Finance Officer's Responsibilities

The Deputy Chief Executive 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 Chief Finance Officer has:

- Selected suitable accounting policies and then applied them consistently;

- Made judgements and estimates that were reasonable and prudent;

- Complied with the local authority "Code";

- Kept proper accounting records which were up to date; and

- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I hereby certify that the Statement of Accounts presents a true and fair view of the financial position of Spelthorne Borough Council and its Income and Expenditure for the year ended 31 March 2019.

Mr Terry Collier, CPFA, CA
Chief Finance Officer

Date: xxth September 2019

Councillor Joanne Sexton
Chair of Audit Committee

Date: xxth September 2019

Movement in Reserves Statement

This statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The (increase)/decrease line shows the statutory General Fund Balance movements in the year following those adjustments. The 2017/18 figures are shown for comparison.

Movement in Reserves Statement 2018/19	General Reserves *£'000*	Capital Receipts Reserves *£'000*	Capital Grants Unapplied *£'000*	Total Usable Reserves *£'000*	Total Unusable Reserves *£'000*	Total Reserves *£'000*
Balance brought forward 1st April	(18,802)	0	(216)	(19,018)	18,566	(452)
Movements in-year						
Total Comprehensive Income & Expenditure	14,392			14,392	(795)	13,597
Adjustments between accounting & funding basis under regulations (note x)	(20,328)	(211)	0	(20,539)	20,539	0
(Increase)/Decrese in-year	(5,936)	(211)	0	(6,147)	19,744	13,597
Balance carried forward 31st March	(24,738)	(211)	(216)	(25,165)	38,310	13,145

2017/18	General Reserves *£'000*	Capital Receipts Reserve *£'000*	Capital Grants Unapplied *£'000*	Total Usable Reserves *£'000*	Total Unusable Reserves *£'000*	Total Reserves *£'000*
Balance brought forward 1 April	(11,053)	0	(116)	(11,169)	4,661	(6,508)
Movements in-year				0		0
Total Comprehensive Income & Expenditure	12,908			12,908	(6,852)	6,056
Adjustments between accounting & funding basis under regulations	(20,657)	0	(100)	(20,757)	20,757	0
(Increase)/decrease in-year	(7,749)	0	(100)	(7,849)	13,905	6,056
Balance carried forward 31 March	(18,802)	0	(216)	(19,018)	18,566	(452)

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 funded from taxation. The Council raises taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis (page 31) and the Movement in Reserves Statement (page 14).

2017/18			CI&ES	2018/19		
Expenditure	Income	Total		Expenditure	Income	Total
£'000	£'000	£'000		£'000	£'000	£'000
1,448	(279)	1,169	Leader	1,555	(254)	1,301
786	0	786	Deputy Leader	625	(7)	618
2,206	(1,124)	1,082	Corporate Management	2,484	(787)	1,697
33,979	(32,685)	1,294	Housing	34,726	(32,551)	2,175
2,688	(15)	2,673	Finance	2,996	(10)	2,986
3,018	(404)	2,614	Customer Service, Estates & Transport	3,189	(412)	2,777
8,052	(1,147)	6,905	Planning and Economic Development	6,943	(3,801)	3,142
10,285	(4,047)	6,238	Environment and Compliance	11,715	(5,076)	6,639
4,241	(2,297)	1,944	Community and Wellbeing	9,404	(2,125)	7,279
66,703	(41,998)	24,705	**Cost of Services**	73,637	(45,023)	28,614
70	(1,250)	(1,180)	Other Operating Income & Expenditure	16,359	(4,316)	12,043
25,890	(22,442)	3,448	Financing & Investment Income & Expenditure	30,652	(40,838)	(10,186)
0	(14,065)	(14,065)	Taxation & Non-specific Grant Income	13,618	(29,697)	(16,079)
92,663	(79,755)	12,908	**(Surplus)/Deficit on the Provision of Services**	134,266	(119,874)	14,392
		(5,678)	(Surplus)/Deficit on revaluation of Property, Plant & Equipment			(3,983)
		317	(Surplus)/Deficit from investments in equity instruments designated at fair value through other comprehensive income			(23)
		(1,491)	Remeasurement of the the defined net defined benefit liability/(asset)			3,211
		(6,852)	**Other Comprehensive Income & Expenditure**			(795)
		6,056	**Total Comprehensive Income & Expenditure**			13,597

Balance Sheet

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 is usable reserves, i.e. reserves that the Council 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 to repay debt.) The second category of reserves is those that the Council may not use to fund 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 Mar 18 *£'000*	Balance Sheet	31 Mar 19 *£'000*
57,827	Property, Plant & Equipment	74,613
147	Heritage Assets	144
635,745	Investment Property	984,505
638	Intangible Assets	771
20,952	Long-term Investments	36,323
14,700	Long-term Receivables	4,807
730,009	**Long-term Assets**	1,101,163
0	Short-term Investments	30,120
52	Inventories	21
11,644	Short-term Receivables	13,200
5,474	Cash & Cash Equivalents	25,744
17,170	**Current Assets**	69,085
(13,964)	Short-term Borrowing	(10,114)
(35,064)	Short-term Payables	(77,658)
(2,239)	Short-term Provisions	(1,791)
(51,267)	**Current Liabilities**	(89,563)
0	Long-term Provisions	0
(650,600)	Long-term Borrowing	(1,043,247)
(44,860)	Other Long-term Liabilities	(50,583)
(695,460)	**Long-term Liabilities**	(1,093,830)
452	**Net Assets/Net Liabilities**	(13,145)
(19,018)	Usable Reserves	(25,165)
18,566	Unusable Reserves	38,310
(452)	**Total Reserves**	13,145

Statement of Cash Flows

The Statement of Cash Flows 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.

2017/18 *£'000*	Cash Flow	2018/19 *£'000*
12,908	Net (Surplus)/Deficit on the Provision of Services	14,391
(38,602)	Adjustments to net (surplus)/deficit on the Provision of Services for non-cash movements	(87,378)
2,167	Adjustments to net (surplus)/deficit on the Provision of Services that are Investing and Financing Activities	1,691
(23,527)	Net Cash Flow from Operating Activities	(71,296)
269,905	Investing Activities	440,982
(244,307)	Financing Activities	(389,957)
2,071	Net (increase)/decrease in Cash & Cash Equivalents	(20,271)
7,545	Cash & Cash Equivalents at the beginning of the reporting period	5,474
(2,071)	Net increase/(decrease) in Cash & Cash Equivalents	20,270
5,474	Cash & Cash Equivalents at the end of the reporting period	25,744

Statement of Accounting Policies

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at the year-end of 31st March 2018. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Council Accounting in the United Kingdom 2018/19 (the Code), and are supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in these financial statements is principally historical cost, modified by revaluation of certain categories of non-current assets and financial instruments.

2. Changes in Accounting Policies

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.

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 year adjustment.

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

3. Accrual 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 the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefit or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that the economic benefit or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between 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 and expenditure has been recognised but cash has not been received or paid, a receivable or payable for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of receivables is written down and a charge made to revenue for the income that might not be collected.

4. Cash and Cash Equivalents

Cash comprises cash in hand and deposits with financial institutions repayable without penalty on notice of more than 24 hours. Cash equivalents are short term, highly liquid investments that mature in 7 days or less from the date of acquisition or are repayable without penalty on notice of no more than 7 days. They are readily convertible to known amounts of cash with insignificant risk of change in value. All funds held in money market funds that are repayable on notice, and bank deposits held are accounted for as cash equivalents. Term deposits that mature in more than 7 days from the date of acquisition are not classified as cash equivalents.

In the Statement of Cash Flows, 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.

5. Exceptional Items

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

6. 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 non-current 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.
- Amortisation of intangible Non-current Assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make annual contribution from revenue towards the reduction in its overall borrowing requirement. Until 2015/16, the Council had no long term outstanding debt. As at the end of 2018/19, the Council has £1,040m outstanding debt. The Council's policy is to make Minimum Revenue Provision (MRP) on new debt in the first full financial year after the debt has been drawn in line with the Council's MRP policy. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the 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.

7. Employee Benefits

a) 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 services to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu) earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rate applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

b) Termination benefits
Termination benefits are amounts payable as a result of a decision by the Council to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy and are charged on an accruals basis to the Comprehensive Income and Expenditure Statement when the Council can no longer withdraw the offer of termination benefits or when the council recognises the cost of 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 in accordance to the relevant accounting standard. 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 the debits for cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

c) 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 benefit 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 earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on a high quality corporate bond.

- The assets of the Surrey Pension Fund attributable to the Spelthorne Borough Council are included in the Balance Sheet at their fair value as follows:
    - Quoted securities - current bid price.
    - Unquoted securities - professional estimate.
    - Unitised securities - current bid price.
    - Property - market value.

- The change in the net pensions liability is analysed into 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 Comprehensive Income and Expenditure Statement to the services for which the employees worked.
        - Past service cost – The increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
        - Net interest on the net defined benefit liability, i.e. net interest expense for the Council – the change during the period in the net defined benefit that arises from the passage of time charged to the financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit at the beginning of the period – taking into account any changes in the net defined benefit obligation 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 – charged to the Pensions Reserve as other Comprehensive Income and Expenditure
  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

- Contributions paid to the Surrey Pension Fund - cash paid as employer's contributions to the Pension Fund in settlement of liabilities; not accounted for as an expense.

In relation to post-employment benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund 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 and credits for the cash paid to the pension fund and any amounts payable to the fund 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.

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

8. Events after the Balance Sheet Date

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 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 may be adjusted to reflect such events.
- Those that are indicative of conditions that arose after the end of 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 authorisation for issue are not reflected in the Statement of Accounts.

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 Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective rate of interest 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 all borrowings the Council has, the amount presented in the Balance Sheet is the outstanding principal repayable plus accrued interest; and the interest charged to the Comprehensive Income and Expenditure Statement is the amount due for the year according to the loan agreement.

Financial Assets
Financial assets are classified into two types:

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

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

Where assets are identified as impaired because of the likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement. Trade receivables are recorded at their nominal amount less an allowance for doubtful debts. The Balance Sheet and the notes to the accounts disclose the amount accordingly.

Available-for-sale Assets
Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. All the Available-for-sale assets held by the Council have fixed and determinable payments and annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument.

Assets are maintained in the Balance Sheet at fair value, including equity shares where applicable, and values are based on the following principles:

- Instruments with quoted prices – the market price.
- Other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

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

Changes in the fair value are balanced by an entry in the Available-for-sale Reserve and the gain/loss is recognised in the Surplus or Deficit on the Revaluation of Available-for-sale Financial Assets. The exception is where impairment losses have been incurred. These are debited to the Financing and Investment Income and Expenditure line in the Comprehensive

Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair values fall below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective rate of interest. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayments and amortisation).

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

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 Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as Payable. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable to revenue grants and contributions) or Taxation and Non-Specific Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.
When capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

11. 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 the future economic benefits or service potential will flow from the intangible asset to the Council.

Intangible assets are measured initially at cost. Amounts are only re-valued where the fair value of the assets held by the Council can be determined by reference to the 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 in the Comprehensive Income and Expenditure Account. The useful life is deemed to be five years and any gain or loss arising on disposal or abandonment of an intangible asset is posted to the Other Operating expenditure line in the Comprehensive Income and Expenditure Account.

When 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.

12. Investment Property

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

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

Rentals received in relation to investment properties are credited to the Financing and Investment Income and Expenditure 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 proceeds greater than £10,000) the Capital Receipts Reserve.

The Council's policy is to set aside a proportion of the net rental income of investment properties as an appropriation to sinking fund reserves to build up funds to cover future liabilities relating to those assets for example refurbishments at end of lease periods or cover periods of voids or rent free.

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

<u>The Council as Lessee</u>

<u>Finance Leases</u>

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. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

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

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

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

Operating Leases

Rentals payable under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the service benefiting from use of the leased property, plant or equipment. Changes 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 and equipment, the relevant asset is written out of the balance sheet as a disposal and also written off to the Comprehensive Income and Expenditure Statement as part of the gain/loss on disposal.
A gain representing the Council's net investment in the lease is also credited in the Comprehensive Income and Expenditure Statement also as part of the gain/loss on disposal (ie 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 and finance income. When future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor.

Operating Leases
Where the Council grants an operating lease over a property the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure in the Comprehensive Income and Expenditure Statement for non-investment property assets and to the Financing and Investment Income and Expenditure line for the income from leases of investment property.

14. Property, Plant and Equipment
Assets that have physical substance and are held for use in the provision of services, for rental to others or for administration purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition
Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential with the item will flow to the Council and the cost of the item can be reliably measured. 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.

The cost of assets other than by purchase is deemed to be its fair value.

Assets are then carried in the Balance Sheet using the following measurement bases:
- Infrastructure and community assets - depreciated historical cost.
- All other assets – fair 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 for fair value.

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year end, but as a minimum every five years. Increases in valuation are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:
- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance on the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service lines in the Comprehensive Income and Expenditure Statement.

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

Impairment

Assets are assessed at the 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, an impairment loss is recognised for the shortfall.

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

- Dwellings and other buildings - straight-line allocation over the useful life of the property as estimated by the valuer.
- Vehicles, plant and equipment - vehicles and plant and IT equipment 20% per annum on the reducing balance and other equipment, straight-line allocation over the estimated useful life of the asset, deemed to be 5 years.

Where an item of property has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. In this context, significance arises when the carrying value of an individual asset is more than 10% of all assets and an individual component of that asset is greater than 25% of the asset.

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 classified as an Asset held for Sale. These assets are available for immediate sale in their present condition and where the sale is highly probable. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any 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 the Council may sell at some point but which do not meet the criteria as set out in this policy, are classified as Surplus Assets held for Disposal. Assets that are abandoned or scrapped are not reclassified as Assets held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (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 disposals in excess of £10,000 are categorised as capital receipts which are credited to the Capital Receipts Reserve and can only be used for new capital investment. Receipts are appropriated to the Capital Receipts 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. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

15. Heritage Assets
A heritage asset is an asset with historic, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. Heritage assets can be either tangible assets or intangible assets.

Heritage assets are those assets that are intended to be preserved on trust for future generations because of their cultural, environmental or historical associations. They are held by the Council in pursuit of its overall objectives in relation to the maintenance of heritage. This class of asset includes historic buildings, archaeological sites, civic regalia, museum and gallery collections, works of art etc. The Council has very few material heritage assets, mainly war memorials and these are carried at valuation.

The carrying amounts of heritage assets are reviewed every year together with the annual impairment review which is carried out by the Head of Property and Development Unit in consultation with the Council’s selected valuer. These assets are re-valued as part of the Council’s 5 year rolling valuation programme and any impairment is recognised and measured in line with the Council’s general polices on impairment.

16. 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 Comprehensive Income and Expenditure Statement in the year 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 and 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 payments required to settle a provision is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in 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 circumstance 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 reasonably be measured.

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

Contingent Assets
A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

17. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. When subsequent expenditure is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement.
Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employment benefits and that do not represent usable resources for the Council – these reserves are explained in the relevant policies.

18. 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 Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts so that there is no impact on the level of council tax.

19. Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from HM Revenue and Customs. VAT receivable is excluded from income. The net amount due to or from HM Revenues and Customs is included in Payable or Receivables in the Balance Sheet.

20. Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings 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:

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

The Council 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 Council 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 Council 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 valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council'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 Council 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.

21. Council Tax, Non-Domestic Rates and Business Improvement District levy

The Council acts as agent for the collection of Council Tax and Business Rates (NDR) on behalf of the major preceptors, including central government. The council is 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 these legislative arrangements, the council, major preceptors and central government share proportionately the risks and rewards of the sharing arrangements.
The council tax and NDR income included in the CI&ES represents the council's share of accrued income for the year. Regulations determine the amount of council tax and NDR that must be included in the council's General Fund. The difference between the accrued income and the regulatory amount is included in the Collection Fund Adjustment Account; a reconciling item being included in the Movement in Reserves Statement.
The Council's balance sheet includes the council's share of the end of year balances for council tax and NDR relating to arrears, impairment allowances for doubtful debts, NDR appeals and overpayments and prepayments.

The Council also collections Business Improvement District (BID) levy on behalf of the Staines-upon-Thames BID.

22. Interests in Companies and Other Entities
The Council has a material interest in the wholly-owned company Knowle Green Estates Limited. Group accounts have been produced. The Council's accounts record transactions at cost.

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

Notes to the Core Financial Statements

1. Statement of Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax (and rent) payers how the funding available to the Council (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by Councils in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposed between the Council's directorates (services or departments). Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2017/18				2018/19		
Net Expenditure chargeable to the General Fund	Adjustments between the Funding and Analysis Basis	Net Expenditure in the Compre-hensive Income and Expenditure Statement		Net Expenditure chargeable to the General Fund	Adjustments between the Funding and Analysis Basis	Net Expenditure in the Compre-hensive Income and Expenditure Statement
£'000	*£'000*	*£'000*		*£'000*	*£'000*	*£'000*
1,105	64	1,169	Leader	1,221	80	1,301
563	223	786	Deputy Leader	568	50	618
745	337	1,082	Corporate Management	1,088	609	1,697
1,498	(204)	1,294	Housing	2,016	159	2,175
2,576	97	2,673	Finance	2,878	108	2,986
1,745	869	2,614	Customer Service, Estates & Transport	1,838	939	2,777
(19,103)	26,008	6,905	Planning and Economic Development	5,471	(2,329)	3,142
4,981	1,257	6,238	Environment and Compliance	4,115	2,524	6,639
72	1,872	1,944	Community and Wellbeing	317	6,962	7,279
(5,818)	30,523	24,705	**Cost of Services**	19,512	9,102	28,614
(6,288)	(5,509)	(11,797)	Other compatible income/expenditure	(33,294)	19,072	(14,222)
(12,106)	25,014	12,908	**Net position**	(13,782)	28,174	14,392
(951)			Opening balance for General Fund	(1,000)		
(12,106)			Net position above	(13,782)		
4,517			Minimum Revenue Provision	7,845		
7,540			Transfer to Reserves	5,937		
(1,000)			Closing balance for General Fund	**(1,000)**		

Adjustments between Funding and Accounting Basis 2018/19:

Adjustments from General Reserves to arrive at the Comprehensive Income and Expenditure Statement amounts	2018/19 Adjustments for Capital Purposes (Note i)	Net change for Pensions Adjustments (Note ii)	Other differences (Note iii)	Total
	£'000	£'000	£'000	£'000
Leader	1	77	1	79
Deputy Leader	33	16	1	50
Corporate Management	486	121	3	610
Housing	0	154	4	158
Finance	0	105	3	108
Customer Service, Estates & Transport	867	72	1	940
Planning and Economic Development	3	183	(2,515)	(2,329)
Environment and Compliance	2,066	446	12	2,524
Community and Wellbeing	6,803	155	4	6,962
Cost of Services	10,259	1,329	(2,486)	9,102
Other income and expenditure	16,359	1,183	1,530	19,072
	26,618	2,512	(956)	28,174

Note i: Adjustments relating to capital include depreciation, amortisation of intangible assets, impairment, revenue funded under statute, movement in the value of investment properties, gains/losses on disposal of non-current assets, capital grants and contributions and revenue contributions to capital outlay.

Note ii: Adjustments relating to pensions are the removal of employee pension costs for the Local Government Pension Scheme and their replacement with current service costs and past service costs plus net interest on the defined benefit pension liability.

Note iii: Other adjustments include the difference between what is chargeable under statutory regulations for council tax and NDR, employee benefits and investment property income.

Adjustments between Funding and Accounting Basis 2017/18:

Adjustments from General Reserves to arrive at the Comprehensive Income and Expenditure Statement amounts	2017/18 Adjustments for Capital Purposes (Note i)	Net change for Pensions Adjustments (Note ii)	Other differences (Note iii)	Total
	£'000	£'000	£'000	£'000
Leader	0	63	1	64
Deputy Leader	209	13	1	223
Corporate Management	234	99	4	337
Housing	0	119	(323)	(204)
Finance	0	94	3	97
Customer Service, Estates & Transport	809	59	2	869
Planning and Economic Development	4,501	144	21,363	26,008
Environment and Compliance	874	371	12	1,257
Community and Wellbeing	1,724	143	4	1,872
Cost of Services	8,350	1,106	21,067	30,523
Other income and expenditure	11,332	1,116	(17,957)	(5,509)
	19,682	2,222	3,110	25,014

Expenditure and income Analysed by nature - The Council's expenditure and income is analysed as follows:

	2017/18 £'000	2018/19 £'000
Expenditure		
Employees benefits expenses	15,271	16,230
Other services expenses	43,113	61,402
Support service recharges	2,381	0
Depreciation, amortisation and impairment	21,808	35,047
Interest payments	10,089	21,587
Total Expenditure	92,662	134,266
Income		
Fees, charges and other service income	(34,199)	(88,977)
Interest and investment income	(31,165)	(1,201)
Income from Council Tax and Business Rates	(9,601)	(26,697)
Government grants and contributions	(4,789)	(2,999)
Total Income	(79,754)	(119,874)
(Surplus) or Deficit on the Provision of Services	12,908	14,392

2. Accounting Standards Issued but not yet adopted

The Council is required to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. In doing so, the Council is required to provide known or reasonably estimable information relevant to assessing the possible impact that application of the new IFRS will have on the Council's financial statements. This requirement applies to accounting standards that come into effect for the financial year commencing on or before 1 January 2018 for 2018/19,
For this disclosure, the standards introduced by the 2018/19 Code include:

- IFRS 9 *Financial Instruments*
- IFRS 15 *Revenue from Contracts with Customers*
- Amendments to IAS12 *Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses*
- Amendments to IAS 7 *Statement of Cash Flows*

These will incorporated into the Statement of Accounts for 2018/19. At this stage, it is not anticipated that there will be any material effect on the Council's finances.

3. Critical Judgement in Applying Accounting Policies

In applying the accounting policies set out on pages 18 to 30, 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 close facilities and reduce levels of service provision.

4. Prior Period Adjustments

There were no prior period adjustments accounted for in 2018/19.

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 adjustments 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.
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. Surrey Pension Fund have engaged a firm of consulting actuaries who provide the Council with expert advice.	The effect on the net pension's liability of changes in individual assumptions can be measured. However, the assumptions interact in complex ways.
Arrears	At 31 March 2019, the Council had a balance of Short Term Receivables of £16.2m and has made a provision of £3.0m for impairment of doubtful debts.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £3.0m to be set aside as an allowance.
Business Rates Appeals	A provision of £1.641m has been included in the accounts to reflect the Council's share (30%) of the estimated impact of business rate payers successfully appealing the rateable value assigned to their properties. This is based on the number of appeals outstanding as at 31st March 2019 and the historical success rate of all appeals since 2010.	The Council will be required to reimburse all rate payers who are successful with their appeals, and this will also impact upon business rates receivable in future years.

6. Material Items of Income and Expense

The major item of expenditure included in the Comprehensive Income and Expenditure Account is Housing Benefits which was £30.0m in 2018/19 (£30.2m 2017/18). However, this expenditure is largely recovered by the receipt of subsidy from central Government, £29.8m in 2018/19 (£30.2m 2017/18), so the net cost to the Council is minimal. In addition, a net £37.3m was received in terms of investment properties (see Note 13).

7. Adjustments between Accounting Basis and Funding Basis under Regulations

Adjustments are made to the Comprehensive Income and Expenditure Statement recognised by the Council in the year, in accordance with proper accounting practice, to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. The adjustments are made against the following reserves:

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

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

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

The following tables provide an analysis of the movement in the above reserves for 2018/19 and the prior year 2017/18:

Adjustments between Accounting and Funding Basis under Regulations 2018/19	General Reserves £'000	Capital Receipts Reserves £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000
Adjustments to the Revenue Resources					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements					
Pension costs	(2,512)			(2,512)	2,512
Financial instruments	0			0	0
Council tax	3,254			3,254	(3,254)
Business rates	3			3	(3)
Holiday pay	(34)			(34)	35
Reversal of entries included in the (Surplus)/Deficit on the Provision of Services in relation to Capital Expenditure	(35,048)			(35,048)	35,047
Capital Grants and Contributions received and applied for capital financing	1,100			1,100	(1,100)
Transfer of deferred sale proceeds credited as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement	3,725			3,725	(3,725)
Total Adjustments to Revenue Resources	(29,512)			(29,512)	29,512
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	591	(591)		0	0
Statutory provision for the repayment of debt	7,845			7,845	(7,845)
Capital expenditure financed from revenue balances	747			747	(747)
Total Adjustments between Revenue and	9,183	(591)	0	8,592	(8,592)
Adjustments to Capital Resources					
Use of the Capital Receipts Reserve to finance Capital Expenditure		381		381	(381)
Total Ajustments to Capital Resources	0	381	0	381	(381)
Balance carried forward 31st March	(20,329)	(210)	0	(20,539)	20,539

2017/18	General Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Reserves £'000
Adjustments primarily involving the Capital Adjustment Account						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement						
Charges for depreciation	(2,458)			(2,458)	2,458	0
Changes in the valuation of Property, Plant and Equipment	(4,465)			(4,465)	4,465	0
Movement in the fair value of Investment Properties	(14,629)			(14,629)	14,629	0
Amortisation of Intangible Assets	(187)			(187)	187	0
Capital grants and contributions applied	1,021			1,021	(1,021)	0
Revenue Expenditure Funded from Capital under Statute	(1,241)			(1,241)	1,241	0
Amounts of non-current assets written off on disposal, derecognition or sale as part of the gain/loss on the disposal to the Comprehensive Income and Expenditure Statement	(70)			(70)	70	0
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Statutory provision for the financing of capital investment	838			838	(838)	0
Capital Expenditure charged against General Reserves	4,517			4,517	(4,517)	0
Adjustments primarily involving the Capital Grants Unapplied Account						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	100		(100)	0	0	0
Adjustments primarily involving the Capital Receipts Reserve						
Transfer of Cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,250	(1,250)		0	0	0
Use of Capital Receipts Reserve to finance new capital expenditure		1,250		1,250	(1,250)	0
Adjustments primarily involving the Pension Reserve						
Reversal of items relating to Retirement Benefits debited or credited to the Comprehensive Income and Expenditure Statement	(5,016)			(5,016)	5,016	0
Employer's pensions contribution and direct payments to pensioners payable in the year	2,794			2,794	(2,794)	0
Adjustments primarily involving the Collection Fund Adjustment Account						
Amount by which Council Tax/Business Rates income credited to the Comprehensive Income and Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	(3,078)			(3,078)	3,078	0
Adjustments primarily involving the Accumulated Absences Account						
Amounts by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	(33)			(33)	33	0
Total Adjustments	(20,657)	0	(100)	(20,757)	20,757	0

8. Transfers to and from Reserves

This note sets out the amounts set aside from the General Fund and balances in Earmarked Reserves to provide financing for future expenditure plans and the amounts transferred from Earmarked Reserves to meet General Fund expenditure in 2018/19.

General Reserves	31 Mar 18	Transfers to Reserves	Used in revenue funding	31 Mar 19
	£'000	£'000	£'000	£'000
Revenue Grants unapplied	(1,834)	(508)	77	(2,265)
Capital Fund	(1,443)	0	0	(1,443)
Insurance Fund	(50)	0	0	(50)
Planned Spending Funds	(9,180)	(382)	711	(8,851)
Funds for acquired properties	(5,025)	(5,784)	0	(10,809)
Youth Fund	(20)	0	0	(20)
Local Environmental Assessment Fund	(250)	(50)	0	(300)
Earmarked Reserves 31st March	(17,802)	(6,724)	788	(23,738)
General Fund Balance	(1,000)			(1,000)
Total General Reserves 31st March	(18,802)	(6,724)	788	(24,738)

9. Financing and Investment Income and Expenditure

2017/18 Expenditure	2017/18 Income	2017/18 Total	Financing and Investment Income and Expenditure	Notes	2018/19 Expenditure	2018/19 Income	2018/19 Total
£'000	£'000	£'000			£'000	£'000	£'000
0	(1,027)	(1,027)	Interest payable and similar charges		20,404	0	20,404
1,116	0	1,116	Net interest on the net defined benefit liability (asset)		1,183	0	1,183
10,089	0	10,089	Interest receivable and similar income		0	(1,201)	(1,201)
14,685	(21,415)	(6,730)	Income and expenditure in relation to investment property		9,064	(39,636)	(30,572)
25,890	(22,442)	3,448	Financing and Investment Income and Expenditure		30,651	(40,837)	(10,186)

10. Taxation and Non Specific Grant Income

2017/18 Income	2017/18 Total	Taxation and Non-Specific Grant Income	Notes	2018/19 Expenditure	2018/19 Income	2018/19 Total
£'000	£'000			£'000	£'000	£'000
(7,552)	(7,552)	Council Tax Income		0	(11,058)	(11,058)
(2,049)	(2,049)	Non-domestic Rates Income and Expenditure		13,618	(15,640)	(2,022)
(3,343)	(3,343)	Non-ringfenced government grants		0	(1,899)	(1,899)
(1,121)	(1,121)	Capital Grants and Contributions		0	(1,100)	(1,100)
(14,065)	(14,065)	**Total Taxation and Non-Specific Grant Income**		13,618	(29,697)	(16,079)

11. Property, Plant and Equipment Movement on Balances in 2018/19:

Property, Plant and Equipment	Land & Buildings	Vehicles, Plant, Furniture & Equipment	Assets under Construction	Total Property, Plant & Equipment
	£'000	£'000	£'000	£'000
Cost or Valuation				
At 1st April 2018	51,163	2,795	8,094	62,052
Additions	1,410	456	17,966	19,832
Revaluation increases/(decreases) recognised in the Revaluation Reserve	3,680	0	0	3,680
Revaluation increases/(decreases) recognised in the (Surplus)/Deficit on the Provision of Services	(6,737)	0	0	(6,737)
De-recognition - disposals	0	0	(1,815)	(1,815)
Other movements in cost or valuation	0	0	3,800	3,800
At 31st March 2019	49,516	3,251	28,045	80,812
Accumulated Depreciation and Impairment				
At 1st April 2018	(3,460)	(765)	0	(4,225)
Depreciation charge	(2,793)	(909)	0	(3,702)
Depreciation written out to the Revaluation Reserve	303	0	0	303
Depreciation written out to the (Surplus)/Deficit on the Provision of Services	1,425	0	0	1,425
At 31st March 2019	(4,525)	(1,674)	0	(6,199)
Net Book Value				
At 31st March 2019	44,991	1,577	28,045	74,613
At 31st March 2018	47,703	2,030	8,094	57,827

Movement on Balances in 2017/18:

Property, Plant & Equipment	Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Total Property, Plant & Equipment £'000
Cost or valuation			
At 1 April 2017	45,934	7,871	53,805
Revaluation increases/(Decreases) recognised in the Revaluation Reserve	5,220		5,220
Revaluation increases/(Decreases) recognised in the (Surplus)/Deficit on the Provision of Services	(4,295)		(4,295)
Derecognition	(69)		(69)
Additions	12,468	1,052	13,520
Other movements in cost or valuation		(170)	(170)
At 31 March 2018	59,258	8,753	68,011
Accumulated depreciation and impairment			
At 1 April 2017	(1,937)	(6,254)	(8,191)
Depreciation charge	(2,002)	(470)	(2,472)
Depreciation written out to the Revaluation Reserve	462		462
Depreciation written out to the (Surplus)/Deficit on the Provision of Services	17		17
At 31 March 2018	(3,460)	(6,724)	(10,184)

Net book value at 31 March 2018	55,798	2,029	57,827
Net book value at 31 March 2017	43,997	1,617	45,614

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

Land	Freehold land is not depreciated
Buildings	Remaining useful life as estimated by qualified valuer
Vehicles and IT Equipment	20% of the carrying amount
Other Equipment	5 years

Capital Commitments
The Council had no major capital commitments at 31 March 2019.

Effect of Changes in Estimates
In 2018/19, the Council made no material changes to its accounting estimates for property, plant and equipment.

Revaluations
The Council is required to revalue its property, plant and equipment at least once every five years. A full revaluation of all land and property assets was carried out as at 1st April 2015, and a rolling valuation programme has been implemented from this date onwards with the assets being valued split equally over the five year period. The valuations are carried out by Kempton Carr in accordance with the methodologies and basis for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors (RICS).
Valuations of vehicles, plant and equipment are based on current prices where there is a second-hand market or latest prices adjusted for the condition of the asset.

12. Heritage Assets

The Council's main heritage assets are war memorials and the total book value of these is as follows:

2017/18 £'000	Heritage Assets	2018/19 £'000
154	Balance at 1st April	152
0	Depreciation at 1st April	(5)
(3)	Depreciation	(3)
147	Balance at 31st March	144

Depreciation is not required on heritage assets which have indefinite lives. However, war memorials have been valued by a qualified valuer and are deemed to have finite lives so depreciation has been charged in line with the Council's policy.

Heritage assets (where only insurance values are available) have not been reflected in the balance sheet. The statues and sculpture assets are subject to vandalism and the insurance values reflects the level of past insurance claims and the civic regalia and works of art are regarded de-minimus under the Council's asset valuation policy.

13. Investment Properties

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

2017/18 £'000		2018/19 £'000
(21,415)	Rental income from properties	(39,636)
56	Operating expenses	635
14,629	Changes in valuations	8,429
(6,730)	Balance at 31st March	(30,572)

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 receive income and the proceeds of disposal. The reduction in valuations shown in 18/19 reflects the difference between the total cash sums paid, including stamp duty, for acquisitions made in year and the underlying value of the assets. The underlying value of the assets acquired in year has been maintained.

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

2017/18 £'000	Investment Property	2018/19 £'000
392,145	Balance at 1st April	635,745
258,229	Additions	360,990
	Other movements	(3,800)
(14,629)	Change in fair value	(8,430)
635,745	Balance at 31st March	984,505

Fair Value Hierarchy

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2019 is shown below:

2017/18 £'000	Fair value measurement	Notes	2018/19 £'000
201,961	Land		591,216
433,784	Buildings		393,289
635,745	Balance at 31st March		984,505

Valuation Techniques used to Determine Level 2 Fair Values for Investment Properties

Significant Observable Inputs – Level 2
The land and buildings located in the local area are measured using the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

Highest and Best Use of Investment Properties
In estimating the fair value of the Council's investment properties, the highest and best use of the properties is their current use taking into account any restrictions on use or sale. Such restrictions include known planning limitations on potential change of use and known title restrictions including existing tenancies.

Valuation Techniques
There has been no change in the valuation techniques used during the year for investment properties.

Valuation process for Investment Properties
The fair value of the Council's investment property is measured annually at each reporting date. All valuations were carried out by the Council's valuer in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The Council's valuation experts work closely with finance officers reporting directly to the Deputy Chief Executive on a regular basis regarding all valuation matters.

14. Intangible Assets

Intangible assets include purchased software licenses and these are amortised on a straight line basis over a period of five years.

2017/18 £'000	Intangible Assets	2018/19 £'000
455	Balance at 1st April	776
370	Additions	132
(186)	Amortisation written out to the (Surplus)/Deficit on the Provision of Services	(137)
639	Balance at 31st March	771

15. Financial Instruments

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

31 Mar 18 Long term £'000	31 Mar 18 Short term £'000	Carrying values	31 Mar 19 Long term £'000	31 Mar 19 Short term £'000
		Investments		
1,999	329	Loans and receivables	2,669	30,024
18,952	0	Available-for-sale assets	33,975	
0	5,475	Cash and cash equivalents		24,891
		Receivables		
0	6,960	Financial assets carried at contract amounts		14,293
		Borrowing		
(650,601)	(12,588)	Financial liabilities carried at amortised cost	(647,898)	(15,315)
		Payables		
0	(46,231)	Financial liabilities carried at contract amounts		(21,543)

Income, Expense, Gains and Losses

2017/18 £'000	Income, expense, gains and losses	2018/19 £'000
10,089	Interest payable	18,851
(1,015)	Interest receivable	(332)
(869)	Dividends received	(878)

Fair Values of Assets and Liabilities

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

- No early repayment or impairment is recognised.
- Where an instrument will mature within the next 12 months, the carrying amount is assumed to approximate to fair value.
- The fair value of trade and other receivables and payables is taken to be the invoiced or billed amount.
- The fair value of cash, overdrafts, and other cash equivalents is taken to be the carrying amounts.

The fair values calculated are as follows:

31 Mar 18			31 Mar 19	
Long term	Short term	Fair values	Long term	Short term
£'000	*£'000*		*£'000*	*£'000*
		Investments		
2,738	0	Loans and receivables	2,630	30,081
18,941	0	Available-for-sale assets	33,827	
0	5,475	Cash and Cash Equivalents		24,891
		Receivables		
0	8,487	Financial assets carried at contract amounts		14,293
		Borrowing		
649,751	(12,588)	Financial liabilities carried at amortised cost	(1,043,379)	(15,315)
		Payables		
0	71,347	Financial liabilities carried at contract amounts		(21,543)

- Available-For-Sale assets are carried in the Balance Sheet at fair value. These fair values are based on public price quotations where there is an active market for the instrument.
- Short term receivables and payables are carried at cost as this is a fair approximation of their value.

Fair Value of Financial Assets

Some of the Council's financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation technique used to measure them.

Recurring fair value measurements	**Input level in fair value hierarchy**	**Valuation techniques used to measure fair value**	**Fair Value as at 31st March 2019 £'000**
Available for sale: Pooled Investment Funds	Level 1	Unadjusted quoted prices in active markets for identical shares	£33,988

Financial Instruments – Risks

The Council has adopted CIPFA's Code of Practice on Treasury Management (and subsequent amendments) and complies with the Prudential Code for Capital Financing in Local Authorities (revised December 2017). The Council approved a Capital Strategy in February 2019.

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 the funds available to meet its financial commitments.
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in interest rates and equity prices.

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. Policies and procedures to minimise risk are set out in the annual Treasury Management Strategy Statement and Annual Investment Strategy and Capital Strategy both of which are approved by the Council. These policies cover principles for overall risk management, as well as covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

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

This 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. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category. The credit criteria in respect of financial assets held by the Council are as detailed below:

- The Council uses the creditworthiness service provided by its treasury advisors, Arlingclose, to assist its selection of suitable counter-parties. This service aims to assess the credit quality of counter-parties and investment instruments by reference to major rating agencies including Fitch, Moody's and Standard and Poor's. This information is also supplemented by credit default swaps data which provides a market indication of the perceived credit risk for individual institutions. This information may give investors advance warning of credit rating downgrades.
- All credit ratings are generally monitored monthly although the Council is alerted to changes in credit ratings by its treasury advisors, as they are released to the market. Downgraded counter-parties are immediately withdrawn from future use. Investments that no longer meet the Council's minimum criteria are reported to the Deputy Chief Executive (CFO) although where these investments are fixed term deposits, no effective action can be taken until the deposits mature.
- The Council will not solely rely on the service provided by their treasury advisors but it will also make use of other sources of generally available information when considering counter-party credit risk. These may include the use of the quality financial press, market data (including credit default swaps, share price, annual reports, statements to the market etc), information on government support for banks and the credit ratings of that government support.

- The Council will only invest in approved counterparties within the UK or approved counter-parties from countries with a minimum sovereign rating of A- from Fitch Ratings or the equivalent Moody's or Standard and Poor's rating.

The Council's maximum exposure to credit risk in relation to investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's investments and deposits, but there was no evidence as at 31 March 2018 that this was likely to happen.

No formal assessments are generally carried out in respect of individual customers. However, in the event of a significant commitment financial checks would be carried out to minimise the Council's exposure to loss and default.

The Council does not generally allow criteria for customers but the following table shows an analysis of balances that are due past their payment date.

31 Mar 18	Credit for customers	31 Mar 19
£'000		*£'000*
2,085	Less than three months	1,376
392	Three to six months	299
141	Six months to one year	399
594	More than six months	594
3,212	Total	2,668

In addition, the Council made a provision for impairment of debt of £675K for the year 2018/19 (£555K 2017/18).

Liquidity Risk

The Council has comprehensive cash flow management procedures in place to ensure that cash is available when required. If unexpected movements happen, the Council has ready access to borrowing from the money markets and there is no significant risk that it will be unable to raise finance to meet its commitments. Borrowing facilities are used for day to day cash flow requirements and all loans are currently less than one year duration. All trade and other payables are due to be paid in less than one year.

Interest Rate Risk

The Council is exposed principally to risk in terms of its exposure to interest rate movements on its borrowing and investments. The Council is heavily reliant on investment income to support expenditure and has several strategies in place for managing such risk.

An external treasury advisor has been retained to provide analysis of market movements and to assist in investment decisions based on their knowledge of current market conditions and interest rate forecasting. Investments are usually for fixed terms and during the year the maturity profile of the Council's portfolio shortened considerably due to the adverse conditions in global financial markets.

The Council currently has no variable rate investments.

Price Risk

The Council's currently invests in pooled investment funds including three equity funds, two corporate bond funds and one property fund. There is an element of price risk because there is an active market for these instruments so the Council could be exposed to losses arising from movements in the share prices.

Details of the Council's investments in these funds including the purchase price and market value as at 31st March 2019, are set out below. The date of purchase is shown after the name of the fund:

Market value at 31 Mar 18 £'000	Pooled Investment Fund	Date of purchase	Purchase cost £'000	Market value at 31 Mar 19 £'000
1,964	Threadneedle Investment Services	8 Sep 16	2,000	1,991
1,025	Schroders Income Maximiser Fund	26 Aug 16	1,000	998
2,908	Investec Diversified Income	25 Aug 16	3,000	2,883
1,947	M&G Extra Income Fund Sterling	15 Aug 16	2,000	1,961
965	Schroders Income Maximiser Fund	24 Jul 15	1,000	939
1,761	M&G Optimal Income Sterling	13 Apr 15	1,691	1,720
1,140	CCLA Property Fund	30 Apr 14	1,000	1,159
1,996	CCLA Property Fund	31 Mar 13	1,500	2,030
1,187	Schroders Income Maximiser Fund	6 Jul 12	1,000	1,156
1,574	M&G Global Dividend Fund	27 Jun 12	1,000	1,707
783	Charteris Elite Income Fund	11 May 12	800	739
1,703	Schroders UK Corporate Bond Fund	11 May 12	1,500	1,720
0	M&G Global Dividend Fund	20 Feb 19	3,000	3,025
0	Investec Diversified Income	20 Feb 19	1,500	1,501
0	Threadneedle Investment Services	21 Feb 19	1,500	1,474
0	Threadneedle Global Equity Fund	21 Feb 19	1,500	1,509
0	Kames Diversified Monthly Income Fund	21 Feb 19	3,000	3,021
0	UBS Multi-Asset Income Fund	22 Feb 19	1,500	1,516
0	Schroders Income Maximiser Fund	25 Feb 19	3,000	2,926
18,952			32,491	33,975

Foreign Exchange Risk
The Council has no financial assets or liabilities denominated in foreign currencies and thus have no exposure to loss arising from movements in exchange rates.

16. Receivables

2017/18 £'000	Short term receivables	2018/19 £'000
12,749	General receivables	14,293
1,027	Payments in advance	1,904
(2,132)	Provisions for impairment	(2,997)
11,644	Balance at 31st March	13,200

17. Cash and Cash Equivalents

The balance of cash and cash equivalents is made up as follows:

2017/18 £'000	Cash & cash equivalents	2018/19 £'000
5	Cash held	5
2,795	Bank accounts	11,482
2,675	Cash Equivalents	14,257
5,475	Balance at 31st March	25,744

18. Assets Held For Sale

There are currently no properties classified as held for sale.

19. Payables

2017/18 £'000	Short term payables	2018/19 £'000
(29,878)	General payables	(21,543)
(11,029)	Receipts in advance	(56,115)
(40,907)	Balance at 31st March	(77,658)

20. Provisions

Business Rates Appeals

In 2018/19 Spelthorne Borough Council participated along with all the other Surrey borough and district councils and Surrey County Council in a 100% Business Rates retention pilot. The 100% retention applies to business rates income achieved above the baseline set by Government. During the pilot borough councils in Surrey such as Spelthorne retained 30% of business rates income and Surrey Council 70%. The tariffs payable by participating councils were adjusted by Government.. Business Rate payers have the right to appeal against the rateable value that has been assigned to their premises by the Central Government Valuation Office Agency (VOA). The VOA then assesses the case and if the appeal is reasonable reviews the rateable value. This provision allows for the Council's potential liability in relation to refunds that could be made following successful appeals. The total provision raised at 31st March 2019 is £4.700m (£5.178m 2017/18) (included in the Collection Fund) and the Council's share of this liability is £1.641m (£2.089m 2017/18) (included in the Council's Accounts). This has been calculated based on appeals outstanding at the 31st March adjusted for historical trends and success rates.

2017/18 £'000	Short term provisions	2018/19 £'000
(150)	Municipal Mutual Insurance	(150)
(2,089)	Business Rates Appeals	(1,641)
(2,239)	Balance at 31st March	(1,791)

The insurance provision includes amounts in relation to Municipal Mutual Insurance. In January 1994, the Council's then insurer, Municipal Mutual Insurance (MMI) made a Scheme of Arrangement with its creditors. Under this scheme, claims are initially paid out in full, but if the eventual winding up of the company results in insufficient assets to meet all liabilities, a clawback clause will be triggered, which can affect claims already paid.
The rate of Levy may be adjusted by the Scheme Administrator if, following a review of the financial position MMI, he determines that the rate requires to be increased or decreased. Any such adjustment would be applied to the carried forward gross payments at the time.

21. Unusable Reserves

2017/18 £'000	Unusable Reserves	2018/19 £'000
(25,054)	Revaluation Reserve	(26,451)
(1,652)	Available for Sale Reserve	(1,675)
12,616	Capital Adjustment Account	20,462
(14,544)	Deferred Capital Receipts Reserve	(3,725)
44,860	Pension Reserve	50,583
2,115	Collection Fund Adjustment Account	(1,142)
224	Accummulated Absences Account	258
18,565	Balance at 31st March	38,310

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

- Re-valued downwards or impaired and the gains are lost.
- Used in the provision of services and the gains are consumed through depreciation.
- Disposed of and the gains are realised.

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

2017/18 £'000	Revaluation Reserve	2018/19 £'000
(20,538)	Balance at 1st April	(25,054)
(5,342)	Changes in valuations	(3,982)
(464)	Depreciation written down on revaluation	0
1,291	Difference between fair value and historic cost depreciation	2,585
(25,053)	Balance at 31st March	(26,451)

Available-For-Sale Financial Instruments Reserve
The Available-For-Sale Financial Instruments Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted prices. The balance is reduced when investments with accumulated gains are:

- Revalued upwards/downwards or impaired and the gains are lost.
- Disposed of and the gains are realised.

2017/18 £'000	Available for Sale Financial Instruments Reserve	2018/19 £'000
(1,968)	Balance at 1st April	(1,652)
317	Revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	(23)
(1,651)	Balance at 31st March	(1,675)

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling posting 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 the accumulated gains and losses on investment properties and also - contains revaluation gains accumulated on property, plant and equipment before 1st April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 7 (Adjustments between Accounting Basis and Funding Basis under Regulations) provides details of the source of all transactions posted to the account, apart from those involving the Revaluation Reserve.

2017/18 £'000	Capital Adjustment Account	2018/19 £'000
(2,377)	Balance at 1st April	12,616
	Reversal of items relating to capital debited or credited to the Comprenhensive Income and Expenditure Statement	
2,644	Charges for depreciation	3,705
3,735	Changes in the valuation of Property, Plant and Equipment	5,312
14,759	Changes in the valuation of Investment Property	8,430
1,266	Revenue Expenditure funded from Capital under Statute	1,242
45	Amounts of non-current assets written off on disposal, derecognition or sale as part of the Gain or Loss on disposal	1,815
	Adjusting amounts written of to the Revaluation Reserve	(2,585)
22,449	*Total of amount of items reversed*	17,919
	Capital financing applied in the year	
(3,109)	Use of Capital Receipts Reseve to finance new capital expenditure	(381)
0	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(1,100)
170	Capital Expenditure charged againt the General Fund Balance	(747)
(4,517)	Minimum revenue provision	(7,845)
(7,456)	*Total of amount of capital financing*	(10,073)
12,616	Balance at 31st March	20,462

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. This reserve relates to the Elmsleigh Centre finance lease

2017/18 £'000	Deferred Capital Receipts Reserve	2018/19 £'000
(14,544)	Balance at 1st April	(14,544)
0	Lease written back	14,544
	Loans to KGE in respect of assets transferred	(3,725)
(14,544)	Balance at 31st March	(3,725)

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pay any pension for which it is directly responsible. The 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 £'000	Pension Reserve	2018/19 £'000
44,129	Balance at 1st April	44,860
(1,491)	Remeasurement of net defined benefits liabilities/(assets)	3,211
2,222	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	2,512
44,860	Balance at 31st March	50,583

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 Comprehensive Income and Expenditure Statement as it falls due from council tax payers and business rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

The Collection Fund is accounted for on an agency basis, the Council being the agent in relation to the collection of Council tax and Business rates. The balance showing below reflects the Council's share of the Collection Fund balance at the end of the financial year.

2017/18 *£'000*	Collection Fund Adjustment Account	2018/19 *£'000*
(3,384)	Balance at 1st April	2,115
5,499	Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	(3,254)
	Amount by which Business Rates income credited to the Comprehensive Income and Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	(3)
2,115	Balance at 31st March	(1,142)

Accumulated Absences Account

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

2017/18 *£'000*	Accummulated Absences	2018/19 *£'000*
190	Balance at 1st April	224
34	Adjustment in-year	34
224	Balance at 31st March	258

22. Statement of Cash Flows – Operating Activities

The cash flows for operating activities include the following items:

2017/18 £'000	Income, expense, gains and losses	2018/19 £'000
10,089	Interest payable	18,851
(1,015)	Interest receivable	(332)
(869)	Dividends received	(878)

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

2017/18 £'000	Operating Activities - non-cash movements	2018/19 £'000
(2,645)	Depreciation	(3,705)
(4,466)	Impairment and downward valuations	(13,742)
(6)	Increase/(decrease) in Inventories	(31)
8,006	Increase/(decrease) in Receivables	(181)
(1,810)	Increase/(decrease) in impairment for bad debts	(865)
(20,225)	Increase/(decrease) in Payables	(39,715)
(70)	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(8,019)
(14,629)	Changes in the valuation of Investment Property	(8,430)
(536)	Increase/(decrease) in Provisions	449
(2,222)	Movement in Pension Liability	(2,512)
0	Other non-cash items charged to the net (Surplus)/Deficit on the Provision of Services	(10,627)
(38,603)	Cash & Cash Equivalents at the end of the reporting period	(87,378)

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

2017/18 £'000	Operating Activities - investing or financing items	2018/19 £'000
2,167	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	591
0	Other items for which the cash effects are investing or financing cash flows)	1,100
2,167		1,691

23. Statement of Cash Flows – Investing Activities

2017/18 £'000	Investing Activities	2018/19 £'000
272,072	Purchase of property, plant and equipment, investment property and intangible assets	380,954
0	Purchase of short-term and long-term investments	545,900
0	Other payments for investing activities	4,651
(1,250)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(591)
0	Proceeds from short-term and long-term investments	(488,832)
(917)	Other receipts from investing activities	(1,100)
269,905		440,982

24. Statement of Cash Flows – Financing Activities

2017/18 £'000	Financing Activities	2018/19 £'000
(476,837)	Cash receipts of short- and long-term borrowing	(417,569)
(52)	Other receipts from financing activities	0
5,645	Other payments for financing activities	0
226,937	Repayments of short- and long-term borrowing	27,612
0	Other payments for financing activities	0
(244,307)		(389,957)

25. Members Allowances

The Council paid £335k to members of the Council during the year.

26. Senior Officers' Remuneration

The Council paid to its senior officers £423,507 (including pensions contributions) during the year:

2018/19

Senior Employees			2018/19
Title	Pay, fees and allowances £	Pension contributions £	Total £
Chief Executive	114,344	18,938	133,282
Deputy Chief Executive & Chief Financial Officer	88,667	14,781	103,448
Deputy Chief Executive	88,630	14,781	103,411
Head of Corporate Governance	71,681	11,685	83,366

2017/18

Senior Employees			2017/18
Title	Pay, fees and allowances	Pension contributions	Total
	£	£	£
Chief Executive (note A)	61,456	10,308	71,764
Chief Executive (note A)	57,872	9,271	67,143
Deputy Chief Executive & Chief Financial Officer	85,876	14,093	99,969
Deputy Chief Executive	85,749	14,093	99,842
Head of Corporate Governance	73,701	11,485	85,187

Note A: following the departure of the previous incumbent, a new Chief Executive was appointed in September 2017

Taxable pay is a net figure reflecting additional voluntary contributions, the figures do not therefore in all cases reflect underlying salaries.
The Council’s other employees receiving more than the £50,000 remuneration for the year (excluding pension contributions) were paid the following amounts:

2017/18	Remuneration banding		2018/19
no	£	£	*no*
1	70,000	74,999	5
3	60,000	64,999	2
1	55,000	59,999	4
5	50,000	54,999	8
13			19

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit packages per cost band (including special paymnts		Number of compulsory redundancies		Number of other departures agreed		Number of exit packages by cost band		Total cost of exit packages in each band	
		2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
£	£	*no*	*no*	*no*	*no*	*no*	*no*	£	£
20,001	40,000				1	1		38,166	23,500
		0	0	0	1	1	0	38,166	23,500

The Council terminated the contract of one employee in 2018/19 incurring liabilities of £23,500 (£38,166 in 2017/18) as set out above.

27. External Audit Costs

The Council has incurred the following cost in relation to the audit of the Statement of Accounts, Certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditor:

2017/18 £'000	External Audit Costs	2018/19 £'000
48	Fees payable to KPMG with regard to external audit services carried out by the appointed auditor for the year	41
8	Fees payable to KPMG for the certification of grant claims and returns for the year	7
56	Total for the year	48

28. Grant Income

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

2017/18 £'000	Grant income	2018/19 £'000
	Credited to Services	
(378)	Grants and contributions	(2,724)
(31,221)	Benefit Subsidy	(29,800)
(31,599)	Total Credited to Services	(32,524)
	Taxation and Non-specific grant income	
(3,343)	Non-ringfenced grants and contributions	(1,899)
(1,121)	Capital grants and contributions	(1,100)

29. Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government has significant influence over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, providing a significant amount of funding in the form of grants and it prescribes the terms of many of the transactions the Council has with other parties (e.g. housing benefits). Details of balances with government departments are set out in notes 16 and 19 above and details of cash received from government grants is set out in note 28 above.

Members of the Council have direct control over the Council's financial and operating policies. During 2018/19 there were no material related party transactions between the Council and Council members. Any declarations of interest are properly recorded in the Register of member's Interests, which is open to public inspection. Senior officers also have the ability to influence the Council and during 2018/19 there were no related party transactions between the Council and senior officers.

Applied Resilience
Applied Resilience is a new Public Service Mutual Company set up in 2015/16 to provide risk and resilience services. The Council invested £10,000 in the company at launch equating to a 10% holding. The Council entered into a 3 year agreement with the company for the provision of emergency planning and resilience services at a cost of £55,000 a year. In 2018/19 the Council went out to market for a new contract which was won by Applied Resilience on similar terms.

Knowle Green Estates Ltd
Knowle Green Estates Ltd was set up as a subsidiary company of the Spelthorne Borough Council in May 2016 to provide Housing accommodation services to the Council. The company is 100% owned by Spelthorne Borough Council. Note 36 provides more detailed disclosure on Knowle Green Estates Limited. The following Council representatives hold office in the Company:

- Terry Collier, Deputy Chief Executive - Director
- Councillor Tony Harman - Director

30. Capital Expenditure and 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:

2017/18 *£'000*	Capital Expenditure and Financing	2018/19 *£'000*
413,264	Opening Capital Financing Requirement	678,998
	Capital Investment	
13,520	Property, Plant and Equipment	19,831
	Heritage Assets	
258,229	Investment Property	360,990
370	Intangible Assets	132
1,241	Revenue Expenditure funded from Capital under Statute	1,242
	Loans to Knowle Green Estates Limited	
273,360	*Total Capital Investment*	382,195
	Sources of Finance	
(1,250)	Capital Receipts	(381)
(1,021)	Capital Grants and Contributions	(1,046)
(838)	Revenue Contributions	(747)
(4,517)	Repayment of Debt	(7,845)
(7,626)	*Total Sources of Finance*	(10,019)
678,998	Closing Capital Financing Requirement	1,051,174

31. Leases

Council as lessee
Operating Leases

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

31 Mar 18	Council as Lessee	31 Mar 19
£'000		*£'000*
762	Not later than one year	762
2,076	Later than one year and not later than five years	1,314
	Later than five years	
2,838	Balance at 31st March	2,076

Council as Lessor
Operating Leases
The Council leases out property and equipment under operating leases for the following purposes:

- For the provision of the community services, such as sports facilities, tourism services and community centres.
- For economic development purposes to provide to suitable accommodation for local businesses.

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

31 Mar 18	Council as Lessor	31 Mar 19
£'000		*£'000*
31,665	Not later than one year	43,524
125,945	Later than one year and not later than five years	170,756
338,745	Later than five years	310,061
496,355	Balance at 31st March	524,341

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rents reviews.

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

32. Impairment Losses

Paragraph 4.7.4.2(1) of the Code requires disclosure by class of assets of the amounts for impairment losses and impairment reversals charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure. These disclosures are consolidated in note 11 reconciling the movement over the year in the Property, Plant and Equipment and Intangible Asset balances.

33. Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, 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 needs to be disclosed at the time the employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme (LGPS), administered locally by Surrey County Council. This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

Arrangements for the award of discretionary post- retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognise when awards are made. However, there are no investment assets built up to meet these pension liabilities and cash has to be generated to meet actual pension payments as they eventually fall due.

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 post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

2017/18 *£'000*	IAS19 CI&ES & MiRS	2018/19 *£'000*
	Comprehensive Income & Expenditure Statement	
	Cost of Services:	
3,892	Current service cost	4,223
8	Past service cost	
	Financing & Investment Income & Expenditure:	
1,116	Net interest expense	1,183
5,016	Total post-employment benefits charged to the (Surplus)/Deficit on the provision of services	5,406
	Other Comprehensive Income & Expenditure	
601	Return of plan assets	(3,586)
(2,044)	Acturial gains & losses arising on changes in assumptions	6,675
(48)	Changes in demograohic assumptions	122
	Other remeasurement of defined liability	
3,525	***Total post-employment benefits charged to CI&ES***	8,617
	Movement in Reserves Statement	
(5,016)	Reversal of new charges made to the (Surplus)/Deficit on the Provision of Services for post-employment benfits in accordance with the code	(5,406)
	Actual amount charged against the General Fund Balance for pensions in-year	
2,794	Employer's contribution to the scheme	2,894

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:

31 Mar 18 £'000	Net liability	31 Mar 19 £'000
78,106	Fair value of plan assets	83,098
(122,966)	Present value of the defined benefit obligation	(133,681)
(44,860)	Net liability arising from defined benefit obligation	(50,583)

Reconciliation of the Movements in the fair value of the scheme plan assets

2017/18 £'000	Scheme assets	2018/19 £'000
77,497	***Opening fair value of scheme assets***	78,106
1,927	Interest income	2,021
	Remeasurement gain/loss:	
(601)	Return on plan assets, excluding the amount included in net interest expense	3,586
2,601	Contribution from employer	2,894
618	Contribution from employees into the scheme	694
(3,936)	Benefits paid	(4,203)
78,106	***Closing fair value of scheme assets***	83,098

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

2017/18 £'000	Scheme liabilities	2018/19 £'000
(121,626)	***Opening value of scheme liabilities***	(122,966)
(3,892)	Current service cost	(4,223)
(8)	Past Service cost	
(3,043)	Interest cost	(3,204)
3,936	Benefits paid	4,203
(618)	Contributions from scheme participants	(694)
2,044	Acturial gains & losses arising on changes in assumptions	
193	Liabilities assumed on entity combinations	
48	Changes in demographic/financial assumptions	(6,675)
0	Other changes in liablities	(122)
(122,966)	***Closing value of scheme liabilities***	(133,681)

Local Government Pension Scheme assets comprised:

31 Mar 18 £'000	Asset category	31 Mar 19 £'000
	Equity securities	
6,336.7	Consumer	2,250.2
5,744.1	Manufacturing	1,443.9
3,148.9	Energy and utlilities	1,280.5
5,525.4	Financial institutions	1,289.1
2,087.1	Health and care	1,101.0
4,399.1	Information technology	2,460.4
159.1	Other	219.4
	Debt securities	
2,711.4	Corporate bonds (investment grade)	
171.2	Corporate bonds (non-investment grade)	
159.1	Government	
358.0	Other	
	Private equity	
3,278.2	All	4,925.6
	Real estate	
4,441.0	UK property	3,941.4
28.9	Overseas property	1,441.8
	Investment Funds and Unit Trusts	
21,659.1	Equities	45,549.3
8,537.6	Bonds	13,880.7
0.0	Other	
	Derivatives	
(2.3)	Interest rate	
110.7	Foreign exchange	485.0
	Cash & cash equivakents	
9,252.7	All	2,829.7
78,106.0	***Total assets***	83,098.0

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 are payable in future years dependant on assumptions about mortality rates, salary levels etc.

Hymans Robertson LLP is the appointed actuary for the Surrey Superannuation Fund which the Council is a member of. For estimating liabilities, the actuary has selected iBOXX Sterling Non-Gilt Index, one of the five main sterling corporate indices, to determine the discount rate to place a value on the fund’s liabilities.

The principal assumptions used by the actuary have been:

2017/18	Principal assumptions	2018/19
%		%
	Long-term expected rate of return on assets in the scheme	
4.5	Equity investments	4.5
4.5	Bonds	4.5
4.5	Property	4.5
	Cash	
years	***Mortality assumptions***	*years*
	Longevity at 65 for current pensioners	
22.5	- Men	22.5
24.6	- Women	24.6
	Longevity at 65 for future pensioners	
24.1	- Men	24.1
26.4	- Women	26.4
%	***Other assumptions***	
2.5	Rate of inflation (Consumer Price Index)	2.5
2.7	Rate of increase in salaries	2.8
2.4	Rate of increase in pensions	2.5
2.6	Rate of discounting scheme liabilities	2.4
25.0	Rate of discounting scheme liabilities	25.0
0.0	Take-up of option to convert annual pension to retirement lump sum	0.0

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 decrease for men and woman. 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 did not change from those used in the previous period.

		Increase in assumption	Decrease in assumption
	%	£'000	£'000
Rate of increases in salaries	0.5	1,315	
Rate of increases in pensions	0.5	10,571	
Decrease in rate for discounting scheme liabilities	0.5		12,054

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. Funding levels are monitored on an annual basis. The last triennial revaluation was valued as at 31st March 2016.

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 and the other main existing public services schemes may not provide benefits in relation to service after 31st March 2016 (or service after 31st March 2017 for other main existing public service pension schemes in England and Wales). 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 Council anticipated to pay £2.695m expected contributions to the scheme in 2019/20.

The weighted average duration of the defined benefit obligation for scheme members is 15.7 years for 2018/19 (15.7 years 2017/18).

34. Contingent Liabilities

Mortgage guarantees on shared ownership properties which will only occur if the mortgagees default on payment and any charge to the Council will be accounted for at that time. No specific provision has been made in the accounts for this.

35. Contingent Assets

The Council may be able to recover compound interest from HMRC for VAT repayments already received for sports and leisure activities in respect of the Fleming case. No specific provision has been made for this in the accounts.

36. Knowle Green Estates Limited

INCORPORATION AND ACCOUNTING PERIOD

Knowle Green Estates Limited is a 100% owned subsidiary of Spelthorne Borough Council. The company was incorporated on 9 May 2016.

DIRECTORS

T M Collier was appointed as a director on 9 May 2016 and held office during the whole of the period from then to the date of this report.

H R D Williams was appointed as a director on 14 June 2016 and held office during the whole of the period from then until 3 May 2019.

FINANCIAL PERFORMANCE

For the financial year to 31 March 2019, the company's major asset, the property Harper House, was valued at £2,720,000 after depreciation. In March 2019 3 affordable houses at Churchill Way, Sunbury and 8 affordable flats following completion of development were transferred from the Council to Knowle Green. At the same time Knowle Green Estates acquired two houses within the Borough for provision of affordable housing. These transactions were financed by a loan from the Council to Knowle Green Estates totalling £4.7m. Accounts are being finalised, and amounts quoted below are provisional outturn figures.

Income

Income of £282,000 for the year was received by the Company from the Council.

Expenditure

Expenditure of £422,000 was incurred during the year, including £37,000 for work relating to the Company carried out by Council staff.

37. Post Balance Sheet Events

Since the Balance Sheet date of these Statement of Accounts of 31/3/19, no post balance sheet events have been identified.

Group Accounts

Introduction
For a variety of legal, regulatory and other reasons, a local authority chooses (or is required) to conduct their activities not through a single legal entity but through two or more legal entities which fall under its ultimate control. For this reason the financial statements of the local authority do not necessarily, in themselves, present a full picture of its economic activities or financial position. Because of this, The Code of Practice requires a local authority to prepare group accounts if it has a control over one or more other legal entities. The aim of the group accounts is to give an overall picture of the extended services and economic activity that is under the control of the local authority.

Spelthorne Borough Council (the reporting authority) has one subsidiary company:
Knowle Green Estates Limited (KGE)
The Council owns 100% of the shares in KGE which was formed in May 2016. The purpose of the company is to hold investments in residential property around the borough.

Basis of consolidation
The Group Movement in Reserves Statement, the Group Comprehensive Income & Expenditure Statement, the Group Balance Sheet and the Group Cash Flow Statement have been prepared by consolidating the accounts of the Council and its subsidiary on a line by line basis. The accounts of the subsidiary have been prepared using similar accounting policies and practices to that of the Council. However, some accounting policies and practices do differ in some respects from the Council's due to legislative requirements. The accounts of the subsidiary have been prepared in accordance with the provisions of Section 1A "Small Entities" of Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice). Any material differences are highlighted within the accounts themselves.
The financial statements of the subsidiary have been prepared under the historical cost convention modified by revaluation of non-current assets.

Accounting policies
There are no material differences between the accounting policies that have been adopted by the subsidiary and those adopted by the Council as set out from page 18. Where there are differences the impact of applying a consistent policy would not lead to a material change in the group accounts.

Group Movement in Reserves Statement

Movement in Reserves Statement	General Reserves	Capital Receipts Reserves	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Reserves	Council's share of Associate's reserves	Total Group Reserves
2018/19	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance brought forward 1st April	(18,802)	0	(216)	(19,018)	18,566	(452)	(3,081)	(3,533)
Movements in-year								
Total Comprehensive Income & Expenditure	14,392			14,392	(795)	13,597		13,597
Adjustments between KGE & SBC							310	310
Net before adjustments	14,392			14,392	(795)	13,597	310	13,907
Adjustments between accounting & funding basis under regulations	(20,328)	(211)	0	(20,539)	20,539	0	0	0
(Increase)/Decrese in-year	(5,936)	(211)	0	(6,147)	19,744	13,597	310	13,907
Balance carried forward 31st March	(24,738)	(211)	(216)	(25,165)	38,310	13,145	(2,771)	10,374

Group Comprehensive Income & Expenditure Statement

2017/18 Expenditure	2017/18 Income	2017/18 Total	CI&ES	2018/19 Expenditure	2018/19 Income	2018/19 Total
£'000	£'000	£'000		£'000	£'000	£'000
1,448	(279)	1,169	Leader	1,555	(254)	1,301
786	0	786	Deputy Leader	625	(7)	618
2,206	(1,124)	1,082	Corporate Management	2,484	(787)	1,697
34,069	(32,655)	1,414	Housing	34,572	(32,434)	2,138
2,688	(15)	2,673	Finance	2,996	(10)	2,986
3,018	(404)	2,614	Customer Service, Estates & Transport	3,189	(412)	2,777
8,052	(1,147)	6,905	Planning and Economic Development	6,943	(3,801)	3,142
10,285	(4,047)	6,238	Environment and Compliance	11,715	(5,076)	6,639
4,241	(2,297)	1,944	Community and Wellbeing	9,404	(2,125)	7,279
66,793	(41,968)	24,825	**Cost of Services**	73,483	(44,906)	28,577
70	(1,250)	(1,180)	Other Operating Income & Expenditure	16,359	(4,316)	12,043
25,890	(22,442)	3,448	Financing & Investment Income & Expenditure	30,992	(40,838)	(9,846)
0	(14,065)	(14,065)	Taxation & Non-specific Grant Income	13,618	(29,697)	(16,079)
92,753	(79,725)	13,028	**(Surplus)/Deficit on the Provision of Services**	134,452	(119,757)	14,695
		(5,678)	(Surplus)/Deficit on revaluation of Property, Plant & Equipment			(3,983)
		317	(Surplus)/Deficit from investments in equity instruments designated at fair value through other comprehensive income			(23)
		(1,491)	Remeasurement of the the defined net defined benefit liability/(asset)			3,211
			Tax loss on Company loss			7
		(6,852)	**Other Comprehensive Income & Expenditure**			(788)
		6,176	**Total Comprehensive Income & Expenditure**			13,907

When the above is compared to the Comprehensive Income and Expenditure Statement on page 15 it can be seen that the total Comprehensive Income & Expenditure above is £310k less than the core statements. This reflects an accounting loss for financial year 2018/19 for Knowle Green Estates (mainly relating to impairment on assets).

Group Balance Sheet

31 Mar 18 £'000	Balance Sheet	31 Mar 19 £'000
59,699	Property, Plant & Equipment	74,613
147	Heritage Assets	144
635,745	Investment Property	991,910
638	Intangible Assets	771
20,951	Long-term Investments	36,323
14,700	Long-term Receivables	296
731,880	**Long-term Assets**	1,104,057
0	Short-term Investments	30,120
52	Inventories	21
11,714	Short-term Receivables	12,825
5,539	Cash & Cash Equivalents	25,983
17,305	**Current Assets**	68,949
(13,965)	Short-term Borrowing	(10,114)
(35,156)	Short-term Payables	(77,645)
(2,239)	Short-term Provisions	(1,791)
(51,360)	**Current Liabilities**	(89,550)
0	Long-term Provisions	0
(650,600)	Long-term Borrowing	(1,043,247)
(44,860)	Other Long-term Liabilities	(50,583)
(695,460)	**Long-term Liabilities**	(1,093,830)
2,365	**Net Assets**	(10,374)
(19,059)	Usable Reserves	(25,250)
16,694	Unusable Reserves	35,624
(2,365)	**Total Reserves**	10,374

Compared t the Balance Sheet on page 16 it can be seen that the total reserves shown above are £2.7m more than on the core statements, this reflects the reserve balances as at 31/3/19 of Knowle Green Estates.

Group Cash Flow Statement

2017/18 £'000	Cash Flow	2018/19 £'000
13,028	Net (Surplus)/Deficit on the Provision of Services	14,355
(38,731)	Adjustments to net (surplus)/deficit on the Provision of Services for non-cash movements	(87,563)
2,167	Adjustments to net (surplus)/deficit on the Provision of Services that are Investing and Financing Activities	1,691
(23,536)	Net Cash Flow from Operating Activities (note xx)	(71,517)
269,872	Investing Activities (note xx)	445,687
(244,307)	Financing Activities (note xx)	(394,616)
2,029	Net (increase)/decrease in Cash & Cash Equivalents	(20,446)
7,567	Cash & Cash Equivalents at the beginning of the reporting period	5,538
(2,029)	Net increase/(decrease) in Cash & Cash Equivalents	20,445
5,538	Cash & Cash Equivalents at the end of the reporting period	25,983

Collection Fund

The Collection Fund reflects the statutory obligation for billing Councils to maintain a separate Collection Fund. The statement shows the transactions of the billing Council in relation to the collection from taxpayers and distribution to local Councils and the Government of council tax and non-domestic rates.

Total 2017/18 £'000	Collection Fund	Business rates 2018/19 £'000	Council tax 2018/19 £'000	Total 2018/19 £'000
	Income			
(68,849)	Council tax receivable		(73,696)	(73,696)
(45,476)	Business rates receivable	(51,902)		(51,902)
(617)	Transitional protection	(491)		(491)
	Contribution received based on Deficit			
	Spelthorne Borough Council	(1,963)		
	Surrey County Council	(491)		
	Central Government	(2,453)		
	Demand, precepts and shares			
26,998	Spelthorne Borough Council	14,113	7,755	21,868
56,686	Surrey County Council	32,930	55,436	88,366
8,737	Surrey Police & Crime Commisioner		9,293	9,293
24,388	Central Government			
	Contribution paid based on Surplus			
1,071	Spelthorne Borough Council		48	48
1,359	Surrey County Council		333	333
197	Surrey Police & Crime Commisioner		56	56
1,129	Central Government			0
	Charges to the Collection Fund			
516	Increase/(decrease in Bad Debt Provision	519	737	1,256
2,065	Increase/(decrease) in Provision for Appeals	400		400
129	Cost of Collection	126		126
8,333	(Surplus)/Deficit arising during the year	(9,212)	(38)	(4,343)
	Movement on the Collection Fund			
(3,383)	(Surplus)/Deficit brought forward	5,416	(466)	4,950
8,333	(Surplus)/Deficit arising during the year	(9,212)	(38)	(9,250)
4,950	(Surplus)/Deficit carried forward	(3,796)	(504)	(4,300)

Council Tax

The Tax Base is the number of banded properties that the Council uses to set the Council Tax. It is the total number of properties in the borough weighted by reference to the Council Tax bands, which range from A to H. The Tax Base is calculated using the equivalent number of Band D dwellings. The tax base as at 1 April 2019 was:

Valuation band	Number of dwellings on Valuation List	Number of chargeable dwellings	Ratio to band D	Band D equivalents
A-		2	5/9	1
A	435	314	6/9	209
B	1,633	1,076	7/9	837
C	8,823	6,513	8/9	5,789
D	14,530	12,291	9/9	12,291
E	9,986	9,051	11/9	11,062
F	4,599	4,238	13/9	6,122
G	2,127	1,998	15/9	3,330
H	111	98	18/9	197
Total	42,244	35,581		39,838
	Number of band D equivalents in lieu			40
	Allowance for losses on collection and appeals		1.50%	(598)
	Council Taxbase for 2018/19			39,280

Non-Domestic Rates

Non-domestic rates receivable are based on local rateable values multiplied by a national non-domestic rate multiplier. The total non-domestic rateable value as at 31 March 2019 was £116,881,576 and the national non-domestic rate multiplier for 2018/19 was £0.493 and £0.480 for small business.

ANNUAL GOVERNANCE STATEMENT 2018-19

Introduction

As Leader and Chief Executive we are acutely aware that everything the Council does relies upon a foundation of solid governance. We are charged by government to run the Council efficiently, effectively and economically. As a resident, you will want reassurance that proper systems are in place, not only to deliver the vital services on which you depend, but also that everything in the background is running properly, as it should.

We present this Annual Governance Statement to explain how we deliver on these expectations, to outline what we have achieved in the last year and tell you about the improvements we are currently working on. We hope that in reading this Statement you will be encouraged to explore further the work of your Council. You can read all of the documents to which we refer on our website. You can visit a Council Committee to see how we do business. You can discuss any of these matters with your local councillor.

The Council's vision for the Borough

The Council has a Corporate Plan. The last plan covered a considerable period of change from 2016-2019 and it put Housing to the top of the Council's list of priorities. We have delivered on the aspirations of the last Corporate Plan and we published an Annual Review document last year to explain in plain English and infographics the work which we have done.

The Corporate Plan feeds into the business plans of the different Council Services so that the organisation pulls in the same direction.

A new Council was elected in May 2019 and we will now proceed to produce a new Corporate Plan. However, there are a number of big issues which we are currently dealing with and all of these contribute to the way the Borough will look and feel in the future:

- **Housing**. We have a serious ongoing problem to provide our residents with affordable housing. We have started to address the problem by building houses and by setting up a new housing company Knowle Green Estates Ltd. We will review the purpose, corporate structure and governance of this company in the next year.

- **The Local Plan**. This is being reviewed and we encourage you to find out more about the changes this could bring. The Government is asking us to house more people and build more properties than ever before. This is a huge challenge in an urban area with a lot of Green Belt. We have to consider if we build higher density developments in our town centres or give up some of our Green Belt.

- **Heathrow Airport expansion**. The implications of this development are enormous. If you have not reviewed the information published by Heathrow Airport then we would encourage you to do so. This is not just a third runway, there is a wholesale change in the way in which the Airport will operate. The scale of development is unprecedented. You will be affected one way or another no matter where you live in the Borough because the effects on transportation, congestion, pressure on housing, flight paths will be widespread. Although we have supported Heathrow's economic success in the past, we have always said it cannot come at any cost. We have issued a series of demands to Heathrow and we will continue to fight for you as the development enters its next stage of consultation.

- **Southern Light Rail**. For years the infrastructure needed for improved rail transport into Heathrow has not been delivered by the Airport or Network Rail. The Council now believes there is a credible and affordable option to promote a sustainable light railway to link Staines station to Heathrow. We think this option could be privately funded without taxpayer subsidy. If this could be built, this would encourage more people to leave their cars at home and provide better transport links for Airport workers. We will continue to explore this with Heathrow, Network Rail and the Department of Transport.

- **Town Centre Regeneration**. It is clear that there are changes in the way people shop and spend their time in town centres. We are determined that our town centres will not suffer. We will take steps to plan for the vibrant places you will want to visit. In the last Council we made improvements in smaller shopping parades as these also mean a lot for the quality of life of local people who use them.

- **Sustainability.** We have an Energy & Water Efficiency Policy (2015-2020). We have increased our renewables capacity with solar PV installations on 2 of our Day Centre's – produces 15% of the energy used by both sites. We are looking to install PV on other sites in the future. We have a continuing requirement on all new development to source 10% of the energy used onsite from renewable generation. We have provided EV charging provision at two of our public car parks (and one for staff at Council Offices) we are actively seeking opportunities for further funding to roll out charging infrastructure across the Borough. We continue to support residents in Fuel Poverty through the utilisation of Energy Company Obligation (ECO) Grant funding and a small capital fund (£30,000). The funding enables households in fuel poverty to cut their bills and reduce carbon emissions through installing energy efficiency measures. We have a developed a Single-use Plastics Policy & Strategy being put forward for approval in June 2019

How we run the Council

The Council is managed by professional staff and governed by democratically elected councillors. There is a clear demarcation of roles and numerous systems and processes in place to make sure that things get done properly:

- **Constitution**. The Council reviewed its primary governing document during the last administration. It remains a modern and effective document. We will review it again during the course of this administration.

- **Policy Framework**. We have a number of important policies which are changed only by a majority of all councillors. These are reviewed regularly. The most important policy is the Local Plan and this is being reviewed at the present time.

- **Governance Framework**. We adhere to standards jointly published by the Society of Local Authority Chief Executives (SOLACE) and the Chartered Institute of Public Finance and Accountancy (CIPFA). These standards are adopted by most councils. We reviewed the framework in 2018 and we will keep it under review during the new Council administration.

- **Scrutiny of decisions**. Although the majority of decisions are made by the Cabinet or delegated to staff there are structures in place to hold these to account. We have an Overview and Scrutiny Committee and an Audit Committee which have cross party representation to review our performance and the quality of our decisions. As we have become financially self-sufficient as a result of our commercial property investments there is now more focus on how these decisions are made and the risks around property management. We will review or approach to this during the new administration.
- **Knowle Green Estates Ltd**. As our wholly owned company becomes more important in the delivery of our housing targets, we will ensure that it has independent auditors and that such audits feed into the Council's overall audit.

How we manage the finances

Nothing can happen in the Borough unless there is the money there to provide it. We have successfully delivered a programme of financial change. Our programme in the previous Council, *Towards a Sustainable Future*, delivered the sound basis on which we now proceed.

- **Commercial Property Investments.** Thirty percent of the money we need to run the Council and provide services for residents now comes from our commercial property investments. It is essential that these investments work for us and that we protect those investments for the long-term. We have a range of measures in hand to ensure that this happens. We have already strengthened our staff resources and implemented changes to our governance systems to ensure that we are proactively and professionally managing this £1billion portfolio. We will continue to do this. We have been open and transparent with residents' associations about what we are doing, why and how they are protected. We will continue this dialogue.

- **Capital Strategy.** In February 2019 we published our first Capital Strategy which is a plain English document explaining council borrowing and spending. It describes where we have come from, what we are doing with commercial property and how we are now subsidising provision of affordable housing. The Strategy also has a plain English Executive Summary to make it even more accessible for residents and it is backed up with technical appendices which explain the detail behind the strategy. We encourage you to read it. We will keep this document up to date so that it always explains what we are doing and how we are doing it.

- **Systems of internal control.** Apart from the headline making investments and the multi-million pound housing schemes, the Council has to have adequate systems in place to effectively manage risks, ensuring the day-to-day running of the business and the sound management of cash-flow. Managers are responsible for operating adequate systems of internal control to effectively manage risks within their Services, giving due consideration to fraud risks. We have a Chief Finance Officer (CFO) who oversees these systems and they are regularly audited. Internal Audit findings are raised with management, and recommendations reported to the Audit Committee. There is regular budget monitoring by the Cabinet and Overview and Scrutiny and these papers are published on our website for you to read. We have a Medium Term Financial Plan and we review our finances against this. The CFO is a member of the Council Management Team.

How we ensure we are listening to you

- **Consultation with residents**. Many of our policy changes require formal consultation with residents. In other cases we consult informally to understand residents' priorities. In the last year we changed our approach on the building of a new replacement leisure centre as a result of public feedback. As we develop new facilities we will continue to consult with the most appropriate methods. We will publish details of all consultations on our website.

- **Channels of communication**. The Council has a number of ways it can engage with residents. We are always reviewing the most appropriate ways to communicate. We have appointed a new Communications Manager and will review our approach in this next year.

How we are accountable

The Council is a democratic body and the powers which we exercise are derived from the electors. There are numerous systems in place to allow members of the public to get information, ask questions, challenge the Council and get involved. Ultimately the entire organisation is governed by residents just like you. This gives the Council tremendous strength in deciding what needs to be done in the Borough and how we prioritise scarce resources for best effect. You can consider some of the many ways to get involved:

- Speak to your ward councillor or the Cabinet member responsible for the issue

- Complain about services you think are not performing (our complaints policy was reviewed and updated in 2017/18)
- Request information through Freedom of Information
- Ask questions at Council
- Present petitions
- Speak at Planning Committee about applications in your neighbourhood
- Join your local residents association

Almost all of the information you need can be found on our website and we only restrict publication of very limited material where there is good reason such as data protection rights of individuals or commercial confidentiality.

How we promote high standards in public office

The Council has a dedicated Members' Code of Conduct Committee. This Committee is guided by an Independent Chairman and Vice-Chairman. In the last year we also have recruited Independent Persons who are consulted on any complaints against councillors to say whether they should be investigated.

We have numerous policies and procedures in the Constitution to back up a strong ethical approach to local government. In the last year we received two complaints about councillors. One was considered insufficiently serious to warrant the expenditure of public funds on further investigation. One was referred for independent investigation and the outcome is awaited.

In the last year we have reviewed the Council's policy on Gifts, Hospitality and Sponsorship which applies to both staff and councillors.

How we learn and improve

Internal audit
The Council has an internal audit team which provides independent assurance to management and the Audit Committee on the adequacy of Council Services, systems and processes. This team has an internal audit plan which is discussed and agreed each year by the Audit Committee. The internal team operates to the Public Sector Internal Audit Standards. The effectiveness of internal audit is reviewed annually and an external quality assessment undertaken once every five years, with a review being undertaken in 2018/19.
The internal audit team works closely with the Council's external auditors.

Every year, the Internal Audit Manager issues an independent opinion in an annual report on the adequacy of the authority's internal control environment. This comments on the risks facing the Council and the adequacy of the Council's arrangements to manage those risks. It represents one of the key assurance statements the Council receives.

During 2018/19 the Internal Audit Manager reported on ten areas of which one was deemed 'effective' (satisfactory) and five were assessed as requiring 'some improvement', these five all being core financial systems. Of the remaining four areas reviewed, a total of 2 areas were identified as high risk or requiring 'major improvement', neither of which relate to core financial systems. For two out of the ten areas reviewed no assurance opinion is provided as they relate to Audit status reports (include audit recommendations) or Audit Needs Assessment to inform future work programmes.

The Internal Audit Managers opinion for 2018/19 is that the Council's internal control environment and systems of internal control in the areas audited were generally adequate, with the exception of the areas where improvements were recommended to address medium to high risks

The Council maintains a Corporate Risk Register, which is coordinated by Internal Audit and which is reported regularly to Management Team, Cabinet and Audit Committee. The Corporate Register identifies and evaluates the key corporate risks facing the Council, the mitigating measures in place, and tracks outstanding issues to address risks.

In 2018/19 this review highlighted the following areas which we will work on next year to improve the situation.

- **Policies and Procedures**. Some are out of date and need to be updated.
- **Housing Benefit Overpayments**. This is a challenging and complex area to recover money which is owed to the Council and so a number of measures to improve monitoring have been identified
- **System administrators**. There is an issue with segregation of duties which exposes the Council to risk if not mitigated by offsetting measures.
- **Independent review of key financial reconciliations and management oversight**. There needs to be improved controls to ensure discrepancies and miscodings are promptly identified, investigated and addressed.
- **Project management**. A range of improvements are required on culture, training and methodology.
- **Rent management system for Bed and Breakfast homeless bookings**. System issues are leading to a significant level of aged debts and financial losses.
- **Procurement**. A range of improvements have been identified for this area which has recently been restructured.
- **Authorisation of large value payments**. An issue was highlighted on authorisation limits and payment processing .
-

Full details of these findings and the management response to them are to be found on the Audit Committee pages on our website (July 2019). .

External audit
In February 2019 we received the long-overdue KMPG report on the 2016/17 accounts. The Council complained to KMPG about the way in which this audit was conducted and the time taken to complete it. KMPG did not give us any satisfaction on this complaint.

The external auditor made an adverse finding about our Value for Money arrangements in 2016/17. Whilst we usually want to agree all audit findings and offer a way forward for improvement we were forced to take issue with KMPG on this occasion. The auditor picked up four points in relation to the way that the Council bought the BP campus in 2016. Notwithstanding the validity or otherwise of these comments, the Council did not agree that together they affected the overall Value for Money offered by the Council.

Full details of the Auditor's report and the Council's response can be found on our Audit Committee webpage for February 2019.

KMPG have still not delivered a Value for Money opinion on the 2017/18 accounts and this matter is also overdue. The Council has repeatedly pressed KMPG for this matter to be resolved as a new auditor (BDO) has now been appointed for the Council by the independent Public Sector Audit

Appointments body BDO will take over the audit of the Council's accounts for 2018/19 and we look forward to a positive working relationship with them.

How we learn from complaints and feedback

The Council is always keen to hear from residents and staff about how it can deliver better services to residents. We have a number of procedures in place for this.

- Our Complaints procedure is working well after a review in recent years.
- We have a staff whistleblowing procedure which will be reviewed in the next year.

Our annual feedback letter from the Local Government and Social Care Ombudsman reveals that we have a static low level of the more serious type of complaints which are referred to the Ombudsman.

How we will deal with significant governance issues

We consider that these are the major issues for us to deal with in the next year:

- **Investment Assets portfolio management**. We have a £1bn property portfolio and we need proper staff capacity and resource in place to manage it, reduce risk and deliver the benefits from it. We will continue to increase the team and strengthen governance.

- **Building the homes residents need**. We will strengthen all aspects of procurement and project management to ensure that we can deliver the projects which are envisaged by the Capital Strategy. We will ensure there is appropriate oversight and scrutiny of these projects.

- **Delivery of local government**. Given the cuts made by Surrey County Council and the financial position of our key partner, we will continue to monitor their cuts on delivery of services to our residents. We will continue to speak up for Spelthorne.

Conclusion

We think that Spelthorne is a special and unique place. We are dedicated to providing the very best public services for you. In the last five years the Council has changed. We have evolved from a medium sized borough council reliant on central government funding, to become a leader in our sector. We have secured the financial future of the Council. We have protected you from cuts to services and also shielded you from cuts made by Surrey County Council. We now "punch above our weight" and we think that this is something you can take pride in. As we deal with the challenges of the next five years you can be assured that we are doing so from a solid foundation. We have the finances, the people, the systems in place to deliver for you. We encourage you to find out more.

....	....
Cllr Ian Harvey	Daniel Charles Mouawad
Leader of the Council	Chief Executive

AUDITORS REPORT TO FOLLOW (PAGE 1)

AUDITORS REPORT TO FOLLOW (PAGE 2)

GLOSSARY OF TERMS

ACCOUNTING POLICIES

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through:
(i) recognising,
(ii) selecting measurement bases for, and
(iii) presenting assets, liabilities, gains, losses and changes to reserves.
Accounting policies do not include estimation techniques.
Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the accounts it is to be presented.

ACCRUALS

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

ACTUARIAL GAINS AND LOSSES

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:
(a) events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
(b) the actuarial assumptions have changed.

BUDGET

The Council's aims and policies set out in financial terms against which performance is monitored. Both revenue and capital budgets are prepared.

CAPITAL EXPENDITURE

Expenditure on the acquisition of a fixed asset or expenditure, which adds to and not merely maintains the value of an existing fixed asset.

CAPITAL ADJUSTMENT ACCOUNT

An account that reflects the extent to which fixed assets have been financed from revenue contributions or capital receipts, and the provision for the repayment of external loans. This account replaced the Capital Financing Account from 1st April 2007.

CAPITAL RECEIPTS

The proceeds from the sale of (or reduction in our interest in) capital assets such as land, buildings and equipment.

CIPFA

The 'Chartered Institute of Public Finance and Accountancy' is the professional body for people in public finance. CIPFA shows the way in public finance by standing up for sound public financial management and good governance.

CODE

The *'Code of Practice on Local Authority Accounting in the United Kingdom'* (the Code) is based on International Financial Reporting Standards (IFRSs) and has been developed by the CIPFA/LASAAC Code Board under the oversight of the Financial Reporting Advisory Board. It constitutes a 'proper accounting practice' under the terms of Section 21(2) of the Local Government Act 2003.

COLLECTION FUND
A separate account maintained by the Council recording the amounts collected and distributed in relation to council tax and non-domestic rates.

COMMUNITY ASSETS
The council also owns assets classified as community assets. This includes land in cemeteries and parks which is held for community use in perpetuity, has no determinable useful life and may have restrictions on disposal. These assets are generally valued at historic cost and are not shown in the Balance Sheet as the historic cost is de-minimus.

CONSISTENCY
The concept that the accounting treatment of like items within an accounting period and from one period to the next is the same.

CONTINGENCY
A situation, which exists at the Balance Sheet date, where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

CONTINGENT LIABILITIES
A potential liability that is uncertain because it depends on the outcome of a future event.

CORPORATE AND DEMOCRATIC CORE
The corporate and democratic core comprises all activities which local Councils engage in specifically because they are elected, multi-purpose Councils. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

COUNCIL TAX
A local tax levied by local Councils on its residents.

CURRENT ASSET
An asset that is realisable or disposable within less than one year without disruption to services.

CURRENT LIABILITY
A liability that is due to be settled within one year.

CURRENT SERVICE COST (PENSIONS)
The increase in present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

CURTAILMENT
For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:
(a) termination of employee's services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business; and
(b) termination of, or amendment to, the terms of a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

DEFINED BENEFIT SCHEME
A pension or other retirement benefit scheme into which an employer pays regular contributions (fixed as an amount or as a percentage of pay) and will have a legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current prior periods.

DEPRECIATION
The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, passage of time, obsolescence or other changes.

DISCRETIONARY BENEFITS
Retirement benefits which the employer has no legal, contractual or constructive obligation to award and are awarded under the Council's discretionary powers, such as The Local Government (Discretionary Payments) Regulations 2006.

DOUBTFUL DEBT
A debt that the Council is unlikely to recover. A provision is made in the accounts for doubtful debts each year based on how long debts have been outstanding.

EXPECTED RATE OF RETURN ON PENSION ASSETS
For a funded defined benefit scheme, 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.

EXPERIENCE GAINS/LOSSES
These are a type of actuarial gain/loss within the valuation of the pension fund. See actuarial gains/losses.

FINANCE LEASE
A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. Such a transfer of risks and rewards may be presumed to occur if at the inception of the lease the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.

FINANCIAL REPORTING STANDARD (FRS)
Accounting standards governing the treatment and reporting of income and expenditure in an organisation's accounts.

FIXED ASSETS
Tangible assets that benefit the local Council and the services it provides for a period of more than one year.

GENERAL FUND
The division of the Council's accounts covering services paid for by the precept on the Collection Fund (Council Tax).

GOING CONCERN
The concept that the Council will remain in operational existence for the foreseeable future, in particular that the revenue accounts and Balance Sheet assume no intention to curtail significantly the scale of operations.

GOVERNMENT GRANTS
Government assistance whether in the form of cash or transfers of assets in return for compliance with certain conditions relating to the activities of the Council.

HERITAGE ASSETS

Heritage asset are assets with historic, artistic, scientific, technological, geophysical or environmental qualities held and maintained principally for its contribution to knowledge and culture.

IMPAIRMENT

A reduction in the value of a fixed asset below its carrying amount in the Balance Sheet.

INFRASTRUCTURE ASSETS

Fixed assets that are inalienable, expenditure that is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

Accounting practices recommended by the major accounting bodies and applied internationally.

INVESTMENTS

A long-term investment that is intended to be held for use on a continuing basis in the activities of the Council.

INVESTMENT PROPERTIES

Interest in land and/or buildings in respect of which construction work and development have been completed and which is held for its investment potential.

LASAAC

The Local Authority (Scotland) Accounts Advisory Committee (LASAAC) is an independent committee that develops and promotes proper accounting practice for local government in Scotland.

LIQUID RESOURCES

Current asset investments that are readily disposable by the Council without disrupting its business and are either: readily convertible to known amounts of cash at or close to the carrying amount, or traded in an active market.

LONG-TERM ASSET

A fixed asset that may be held indefinitely for the provision of services or is realisable over a longer period than one year.

LONG-TERM BORROWING

A loan repayable in more than one year from the Balance Sheet date.

LONG-TERM CONTRACTS

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken to complete the contract is such that the contract activity falls into different accounting periods. Some contracts with a shorter duration than one year should be accounted for as long-term contracts if they are sufficiently material to the activity of the period.

LONG-TERM RECEIVABLE
An individual or body that owes money to the Council that is not due for payment within one year from the Balance Sheet date.

NATIONAL NON-DOMESTIC RATE (NNDR)
Business rate levied on companies and other businesses etc.

NET ASSETS
The amount by which assets exceed liabilities (same as net worth).

NET BOOK VALUE
The amount at which fixed assets are included in the Balance Sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation.

NET CURRENT LIABILITIES
The amount by which current liabilities exceed current assets.

NET CURRENT REPLACEMENT COST
The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

NET EXPENDITURE
Total expenditure for a service less directly related income.

NET REALISABLE VALUE
The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

NET WORTH
The amount by which assets exceed liabilities (same as net assets).

NON-DISTRIBUTED COSTS
Overheads for which no direct user benefits and which are therefore not apportioned to services.

NON-OPERATIONAL ASSETS
Fixed assets held by a local Council but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

OPERATING LEASES
A lease other than a finance lease.

OPERATIONAL ASSETS
Fixed assets held and occupied, used or consumed by the local Council in the direct delivery of those services for which it has either a statutory or discretional responsibility.

PAST SERVICE COST
For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

PAYABLE
An individual or body to which the Council owes money at the Balance Sheet date.

POST BALANCE SHEET EVENTS

Those events, both favourable and unfavourable, which occur between the Balance Sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.

PROJECTED UNIT METHOD

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:
(a) the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependents, allowing where appropriate for future increases; and
(b) the accrued benefits for members in service on the valuation date.

The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not.

PROVISIONS

An estimated figure within the accounts for liabilities that are known to exist, but that cannot be measured accurately.

RECEIVABLE

An individual or body that owes money to the Council at the Balance Sheet date.

REDUCING BALANCE DEPRECIATION

Depreciation on an asset is charged at a higher percentage rate in the earlier years of an asset and the amount of depreciation reduces as the life of the asset progresses.

RELATED PARTIES

Two or more parties are related parties when at any time during the financial period:
(i) one party has direct or indirect control of the other party; or
(ii) the parties are subject to common control from the same source; or
(iii) one party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
(iv) the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

RELATED PARTY TRANSACTION

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made.

REMUNERATION

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by either employer or employee are excluded.

RESIDUAL VALUE

The net realisable value of an asset at the end of its useful life. Residual values are based on prices prevailing at the date of the acquisition (or revaluation) of the asset and do not take account of expected future price changes.

RETIREMENT BENEFITS

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either (i) an employer's decision to terminate an employee's employment before the normal retirement date or (ii) an employer's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

REVALUATION RESERVE

Unrealised gains and losses on revaluation of fixed assets.

REVENUE EXPENDITURE/INCOME

The cost or income associated with the day-to-day running of the services and financing costs.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

Revenue expenditure funded from capital under statute represent spending which may properly be capitalised, but where no tangible fixed asset is created e.g. improvement grants and social housing grants.

REVENUE SUPPORT GRANT

Government financial support that does not have to be spent on a particular service. It is based on the Government's assessment of the Council's spending need, its receipt from national business rates, and its ability to generate income from the council tax.

SCHEME LIABILITIES

The liabilities of a defined scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflects the benefits that the employer is committed to provide for service up to the valuation date.

SERVICE REPORTING ACCOUNTING CODE OF PRACTICE (SeRCOP)

The code of practice containing a standard definition of services and total cost so that spending comparisons can be consistent between local Councils.

SETTLEMENT

An irrevocable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:

(a) a lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits;

(b) the purchase of an irrevocable annuity contract sufficient to cover vested benefits; and

(c) the transfer of scheme assets/liabilities relating to a group of employees leaving the scheme.

STOCKS

The amount of unused or unconsumed stocks held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises. Stocks comprise the following categories:

(a) goods or other assets purchased for resale;

(b) consumable stores;

STRAIGHT-LINE BASIS

Dividing a sum equally between several years.

USEFUL LIFE

The period over which the local Council will derive benefits from the use of a fixed asset.

VESTED RIGHTS

In relation to a defined benefit scheme, these are:
(a) for active members, benefits to which they would unconditionally be entitled on leaving the scheme;
(b) for deferred pensioners, their preserved benefits;
(c) for pensioners, pensions to which they are entitled.

Vested rights include where appropriate the related benefits for spouses or other dependents.