



Spelthorne Borough Council

Draft Statement of Accounts

2019/20

28th August 2020

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. Prior to the COVID-19 pandemic it combined a vibrant economy with an attractive environment. The aviation, airport and logistics sectors are particularly important to the local economy, so there is a particular focus on understanding the longer term impacts of the Pandemic on the economy and the Council's taxbase. The Council's Economic Development team are pulling together an Economic Recovery plan. 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 2019 (most recent available figure at time of publication) mid year estimate is 99,844 which is a 4.4% increase since the last Census in 2011. There are 40,194 households with the average household size being 2.5 people.

Our population continues to age with 18% 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 5,295 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. As commented above the impact of the Pandemic on economic activity relating to Heathrow is a key concern. 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 2019/20 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 17
Liberal Democrat Party 7
United Spelthorne Group 6
Labour Party 4
Greens 2
Independents 3

The Council has adopted the Leader and Cabinet model as its political management structure. The Council is currently reviewing the option of moving to a Committee governance structure. 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 2019/20 has been undertaken by either:

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

The current Leader, Cllr John Boughtflower, has been leader since June 2020 along with the Deputy Leader, Cllr Jim McIlroy.

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 2020 the Council employed 389.39 FTE equivalent staff (prior year 366.14 FTE)

The financial year 2019/20 has been overshadowed by the impact of COVID-19 at the end of the financial year with a national lockdown being declared in March 2020. The impact of the pandemic on financial year 2019-20 was limited as lockdown period commenced in the last two weeks of the financial year. The impact was further limited, as the Council had outperformed its main income budgets for the year. The Council for the fourth year running received no Revenue Support Grant (RSG) from Central Government.. The Council achieved collection rates in line with or better than the budget target, achieving 98.4% for Council Tax and 99.2% for Business Rates. The Council achieved a significant underspend on its revenue budget which enabled the level of reserves at the end of 2019-20 to be increased. This has strengthened the Council's balance sheet ahead of the impact of COVID-19. In 2019-20 the

Council increased its sinking funds reserves for its commercial assets. The sinking funds are designed to provide a cushion against variations in commercial rental income. The sinking funds have increased from £11m to £20m.

Capital strategy and assets

In February 2020 the Council approved its updated Capital Strategy. (<https://www.spelthorne.gov.uk/capitalstrategy>) The strategy outlines the Council's commercial and regeneration capital plans to ensure a sustainable financial future for the Council for both residents, businesses and employment within the Borough. It focuses on the delivery of for residents and driving regeneration of the built environment within the Borough. The Strategy sets out how the Council manages risk. Over the next five years the Council aims to deliver between 600 and 1,000 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. The Council In February 2020, the Council purchased the long leasehold of the Elmsleigh Centre in Staines-upon-Thames. The Council already owned the freehold of the retail centre and the acquisition was in order to enable the Council to pursue a long term regeneration plan to protect the prosperity of the town centre by directly investing in the diversification of mix of uses in the centre.

During 2019/20 no further residential properties transferred from Spelthorne to Knowe Green Estates.

The Council as at the 31st March had a commercial asset portfolio valued at £992m and receives a commercial rental income stream as set out in the table below. At end of 2019-20 the overall occupancy rate for the Council's commercial assets was 91.6% by floor area. The table demonstrates that after debt financing and setting aside prudent provisions for future refurbishment of the assets, the net commercial return of approximately £10m per annum provides additional funding to support the provision of services to residents. The commercial assets are delivering after financing costs, annual repayments of principal, set asides towards sinking funds and management costs a net contribution towards services of 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.

Investment Property forecast	forecast	actual	forecast
	2019/20	2019/20	2020/21
	£'000	£'000	£'000
Rental income from properties	(50,647)	(51,079)	(50,196)
Minimum revenue provision (MRP)	11,005	11,052	11,515
Interest on borrowing	23,074	23,328	23,018
Sinking fund contributions	6,405	6,796	5,090
Set aside	630	630	630
	<u>(9,533)</u>	<u>(9,273)</u>	<u>(9,943)</u>
Additionally from revenue underspending in 2019/20, a further contribution of £2m towards sinking funds was made		2,000	

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. The Council's valuers have highlighted that due to Covid-the lack of a liquid market operating in during March 2020 they have qualified their valuation of the the Council's Investment portfolio as the economic situation in March 2020 meant there was not a liquid market in properties and led to material uncertainties in their judgements of the valuations of the Council's property assets. This is an issue facing all Councils. If a small regeneration acquisition in 2019/20 is excluded , overall there was an underlying reduction of approximately 1.7% in the value of the Council's Investment Assets. This is referred to in the Annual Governance Statement (page 74).

The Council's diversified treasury management portfolio continued to produce good resulting in £32.49m of pooled funds (backed by equities, assets or corporate bonds) returning on average just of 3.97%. Due to the impact of COVID19 during March the balance sheet values of these funds initially fell by £4.267m but have subsequently as at the time of these Statements recovered by £1.881m.

The Statement of Accounts is presented in accordance with the Code of Accounting Practice on Local Council Accounting in the United Kingdom 2019-20 as required by the Accounts and Audit Regulations 2020.

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 15)
- Comprehensive Income and Expenditure Statement (page 16)
- Balance Sheet (page 17)
- Statement of Cash Flows (page 18)
- Expenditure Funding Analysis (page 33)

The **Movement in Reserves Statement** (page 15) 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 2019-20 shown on the movement in year on Total Comprehensive Income and Expenditure of a deficit of £6.067m (Prior Year (PY) surplus of £5.869m) 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 £18.486m (PY a transfer of usable reserves of £5.462m). Total cash backed reserves as at end of 2019/20 total £42.966m as also shown on the Balance Sheet (PY £24.480m).

The **Comprehensive Income and Expenditure Statement** (page 16) 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 £6.786m reflects a deficit on the provision of services of £6.067m and a deficit of £0.719m on other items which is brought about by a surplus on the re-measurement of the net defined pension benefit offset by a deficit in investments in equity instruments at fair value. Full details are shown on the Comprehensive Income and Expenditure Statement.

The **Balance Sheet** (page 17) shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net liabilities £1.120m (PY assets of £5.66m) 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 2020 totalling £42.996m), 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 (PY £24.480m). 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 2020 totalling £44.086m) - note these are non cash accounting reserves and have a negative value (PY £18.814m). 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 18) 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 £19.871m (£71.243m, in 2018-19) 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 2019-20 was set at £202.44 per Band D property (a 2.5% increase on the previous year) and a transfer of £0.019m, out of the Collection Fund following higher than expected collection rates for Council Tax during the previous year.. There was a deficit of £4.338m on business rates. On council tax there was a deficit of £0.405m.

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 2019-20 Harper House an asset of Knowle Green Estates was demolished and transferred to Spelthorne Borough Council, this was prior to new modern temporary housing accommodation for families to be constructed on the site with assistance of funding from Homes England..

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 2019-20 was £78.13m and a breakdown of the schemes making up this spend can be found in note 30 (page 61). The majority of this related to further property acquisitions for regeneration purposes. The acquisitions were financed by borrowing from the Government's Public Works Loan Board (PWLB) at fixed low rates of interest. The following statement shows the total gross capital expenditure for the year and how it has been financed.

Appendix C

Statement of Accounts 2019/20

2018/19 £'000	Total Capital Expenditure	2019/20 £'000
<u>382,195</u>	Total Capital Expenditure	<u>78,130</u>
	Financed by:	
(381)	Capital Receipts	(565)
(1,100)	Grants and Contributions	(784)
(747)	Revenue Resources	(750)
(379,967)	Borrowing	(76,031)
<u>(382,195)</u>	Total Capital Financing	<u>(78,130)</u>

Future capital expenditure and resources are as follows:

Future Capital Investment Plans and Resources	Estimate	Estimate	Estimate	Estimate
	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
Capital Programme	<u>66,468</u>	<u>103,666</u>	<u>55,326</u>	<u>24,566</u>
Resources				
Capital Grants/Contributions & Capital Receipts	(3,331)	(1,581)	(1,581)	(1,581)
Revenue Contributions (including Reserves)	(2,511)	(665)	(663)	(662)
Borrowing	(60,626)	(101,420)	(53,082)	(22,323)
	<u>(66,468)</u>	<u>(103,666)</u>	<u>(55,326)</u>	<u>(24,566)</u>

Capital receipts generate investment income for the Council, The Council strategy is in the near term to finance capital spending which generates ongoing income streams from borrowing on a prudential basis. In future years commencing the Council will use revenue contributions 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 63 to 67)

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 2020, showing a deficit of £49.574m for this Council, which represents a £1.554m reduction relative to 2018-19.

- The deficit has reduced due to a number of factors the main one being a reduction in the present value of the defined benefit obligations by £11.139 million, which is more than the offset the £9.585m reduction 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 2018-19. The valuation report from the actuaries for the latest triennial Valuation as at 31 March 2019 valuation has confirmed an increase in both the primary and secondary contribution employer rates for Spelthorne to take effect from April 2020, in part the increase in rates reflect the growth in number of staff employed by the Council since 2016. The Council by choice has decided to bear upfront in 2020-21, rather than spread over three years, all of the secondary (past service) contribution. The liabilities of £49.574m 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 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 £35m to finance its housing delivery and regeneration programme including asset purchases with a balance of long term total debt outstanding of £1,054m as at 31 March 2020 on the Balance Sheet. The balance is offset by the value of the assets acquired on the balance sheet. The financing charges on long-term borrowing consisted of £32m interest and principal repayments 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 and expenditure identifying major variances from the original budget is shown below.

Comparison of Revenue Budget to Revenue Outturn	Revenue Budget 2019/20 £'000	Revenue Outturn 2019/20 £'000	Variance Outturn to Budget £'000
Gross Expenditure	68,159	71,672	3,513
Gross Income	(43,034)	(57,084)	(14,050)
	25,125	14,588	(10,537)
Asset Acquisition income	(50,629)	(51,079)	(450)
Interest on balances	(1,290)	(2,351)	(1,061)
Transfers (from)/to Earmarked Reserves	4,623	18,211	13,588
Interest on repayments	23,028	24,219	1,191
Debt repayment	11,052	11,052	0
Capital expenditure financed from revenue	880	750	(130)
	12,789	15,390	2,601
Financed by:			
Non-ringfenced grants and contributions	(1,736)	(2,100)	(364)
Net receipts from Business Rates	(3,000)	(5,486)	(2,486)
Council Tax (Demand on Collection Fund & Surplus)	(8,053)	(8,053)	0
(Surplus)/deficit for the year	0	(249)	(249)

The Revenue Outturn figures included in the above table were reported to Cabinet in June. Since that meeting some figures have been amended (as reflected in the following statements) and this will be reported after the revised final accounts have been presented to the Audit Committee.

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 2019-20 the strategy was updated to reflect loss of Revenue Support Grant and introduction of Negative Revenue Support Grant. The period from April 2021 is uncertain with respect to local government funding. These uncertainties include the impact of COVID-19 on local government finance, the autumn Comprehensive Spending Review being undertaken to determine overall financial allocations to government departments. In addition the proposed "Fair Funding" review which will update the formula funding model which drives the allocation of grants and base amounts for retained business rates, together with the proposed national transition to 75% retained business rates is now being postponed a further year to 2021-22. 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:
 - How to manage risk with respect to existing income generating assets and delivery of housing and regeneration schemes across the Council

- Keeping the Business Plan of Knowle Green Estates under review
- Identification and delivery of new income sources such as commercial waste service
- Maximising income from the assets the Council owns. Continuing to diversify the Council's investment (treasury management) 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 - with a particular focus on asset related expenditure and developing appropriate frameworks
- 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 –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

Whilst the COVID-19 pandemic began during 2019-20 financial year the majority of its impact on the UK and the global economy will be felt subsequent to the balance sheet date. The lockdown and the unwinding of the lockdown resulted in a dramatic reduction in council income streams such as car parking. The Government has announced some emergency funding support for councils including partial reimbursement for fees and charges income loss. It is likely that it is going to take some time potentially well beyond 2020-21 for its fees and charges income to return to previous levels. The Council also incurred additional unplanned emergency expenditure particularly with respect to supporting vulnerable residents and the homelessness. In May 2020 the Council held an Extraordinary Council meeting which approved a supplementary Revenue Estimate of upto £2.2m to be funded from Reserves to cover anticipated net revenue impact of COVID19 on the Council's 2020-21 Revenue Budget. Currently, on the basis on budget monitoring, and in part due to the Council receiving £2m COVID-19 grant support from the Government, the £2,2m supplementary estimate appears more than sufficient to cover any 2020-21 COVID-19 adverse impact on the Revenue Budget.

There will be potential impacts on the 2021-22 Revenue Budget arising from COVID-19 as a result of potential council tax and business rates deficits which will need to be apportioned with major

precepting bodies. The Council is also awaiting the outcome of the autumn Comprehensive Spending Review.

At the time of writing the Council has received more than 95% of the commercial rent due for the first six months of 2020-21 for its commercial assets and all but 0.5% of the remaining balance is covered by deferral agreements with tenants. The Council anticipates it will collect 99.98% of the commercial assets rent due for the first six months of 2020-21. As highlighted above the Council is undertaking regular updating of its worst case scenario modelling for its sinking funds. It also continuously monitors the financial health of its tenants.

The Government in response to COVID-19 announced 12 months exemptions from business rates for retail, leisure and hospitality sector businesses and also provided £15m of funds for the Council to administer in 2020-21 as business support grants for local businesses impacted by the Pandemic.

With respect to its retail tenants in the Elmsleigh the Council is facing a more significant rental shortfall of possibly upto £3m in 2019-20 however this can be met from surplus commercial assets funds to ensure no impact on the Revenue Budget.

In July 2020 Surrey County Council announced a bid for a single unitary authority for the county of Surrey. Surrey districts and boroughs will be putting forward alternative proposals to Government. At this stage it is not certain what the outcome of the process will be or how long it will take. It does potentially mean in either 2022-23 or 2023-24 Spelthorne Borough Council will be replaced by some form of unitary council.

Summary

The next few years will continue to be extremely challenging, with a post Brexit future adding to the enormous uncertainties created by the COVID-19 Pandemic. Additionally we await the outcome of a further multi-year public sector Spending Review in autumn 2020 following the one year 2019 Spending Review, the completion of the Fair Funding Review and the implementation in 2021-22 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. The Council in its Outline Budget projections is anticipating that in future it will be allowed to retain a smaller proportion of business rates generated locally. At this stage it is uncertain what the impact of furlough scheme ending nationally will be and the extent of a second wave of the pandemic and how these will affect, the 2020-21 collection rates for council tax and business rates and the consequent impact on the 2021-22 Revenue Budget.

The additional ongoing revenue income from the enlarged commercial property portfolio enabled the Council to set a balanced budget for 2019-20 and placed it in a good position to respond to the challenges of COVID-19. The Council has added significantly (£18m) to its reserves, particularly sinking funds which should help Spelthorne withstand the economic shocks of COVID19. The Council is regularly updating 10 year worst case scenario modelling of its sinking funds. This suggests it has more than sufficient funds to protect the Revenue Budget over the next 10 years. The Council continues to be focused on delivering efficiencies and growing its commercial income. 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, and the outcome of the December 2019 General Election, the impact on the Council of the UK leaving the European Union 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;
- with the Code of Accounting Practice on Local Council Accounting in the United Kingdom 2019-20 as required by the Accounts and Audit Regulations 2020 .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 2020.

Mr Terry Collier, CPFA, CA
Chief Finance Officer

Date: xxth November 2020

Councillor Lawrence Nichols
Chair of Audit Committee

Date: xxth November 2020

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 2018/19 figures are shown for comparison.

Movement in Reserves Statement	General Reserves	Capital Receipts Reserves	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Reserves
2019/20	£'000	£'000	£'000	£'000	£'000	£'000
Balance brought forward 1st April	(24,053)	(211)	(216)	(24,480)	18,814	(5,666)
Movements in-year						
Total Comprehensive Income & Expenditure	6,067			6,067	719	6,786
Adjustments between accounting & funding basis under regulations (note 7)	(24,527)	211	(237)	(24,553)	24,553	0
(Increase)/Decrease in-year	(18,460)	211	(237)	(18,486)	25,272	6,786
Balance carried forward 31st March	(42,513)	0	(453)	(42,966)	44,086	1,120

Movement in Reserves Statement	General Reserves	Capital Receipts Reserves	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Reserves
2018/19	£'000	£'000	£'000	£'000	£'000	£'000
Balance brought forward 1st April	(18,802)	0	(216)	(19,018)	26,674	7,656
Movements in-year						
Total Comprehensive Income & Expenditure	(5,869)			(5,869)	(7,453)	(13,322)
Adjustments between accounting & funding basis under regulations (note 7)	618	(211)	0	407	(407)	
(Increase)/Decrease in-year	(5,251)	(211)	0	(5,462)	(7,860)	(13,322)
Balance carried forward 31st March	(24,053)	(211)	(216)	(24,480)	18,814	(5,666)

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 15).

2018/19		CI&ES		2019/20		
Expenditure	Income	Total		Expenditure	Income	Total
£'000	£'000	£'000	Notes	£'000	£'000	£'000
1,459	(254)	1,205	Leader	1,874	(258)	1,616
4,056	(22)	4,034	Deputy Leader	3,481	(17)	3,464
1,481	(816)	665	Corporate Management	940	(74)	866
34,827	(32,551)	2,276	Housing	31,472	(28,613)	2,859
2,092	(1,322)	770	Planning	2,653	(3,730)	(1,077)
10,286	(5,076)	5,210	Environment and Compliance	11,032	(4,830)	6,202
50,621	(42,240)	8,381	Investment Portfolio and Mgmt	17,351	(16,835)	516
1,620	(2,077)	(457)	Community and Wellbeing	5,595	(2,352)	3,243
3,169	(345)	2,824	Economic Development, Customer Servic	3,880	(376)	3,504
109,611	(84,703)	24,908	Cost of Services	78,278	(57,085)	21,193
415	(5,144)	(4,729)	Other Operating Income & Expenditure	14,679	(354)	14,325
30,335	(41,174)	(10,839)	Financing & Investment Income & Expenditure	45,297	(60,926)	(15,629)
14,310	(29,519)	(15,209)	Taxation & Non-specific Grant Income	18,621	(32,443)	(13,822)
154,671	(160,540)	(5,869)	(Surplus)/Deficit on the Provision of Services	156,875	(150,808)	6,067
		(10,641)	(Surplus)/Deficit on revaluation of Property, Plant & Equipment			(56)
		(23)	Impairment Losses on non-current assets charged to the Revaluation Reserve			
			(Surplus)/Deficit from investments in equity instruments designated at fair value through other comprehensive income			5,752
		3,211	Remeasurement of the the defined net defined benefit liability/(asset)			(4,977)
		(7,453)	Other Comprehensive Income & Expenditure			719
		(13,322)	Total Comprehensive Income & Expenditure			6,786

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 19	Balance Sheet		31 Mar 20
£'000		Notes	£'000
75,489	Property, Plant & Equipment	11	134,644
230	Heritage Assets	12	229
989,353	Investment Property	13	991,689
541	Intangible Assets	14	357
36,659	Long-term Investments		30,928
19,350	Long-term Receivables		4,702
<u>1,121,622</u>	Long-term Assets		<u>1,162,549</u>
30,120	Short-term Investments		35,209
21	Inventories		25
7,796	Short-term Receivables	16	7,488
25,744	Cash & Cash Equivalents	17	16,608
<u>63,681</u>	Current Assets		<u>59,330</u>
(10,114)	Short-term Borrowing		(59,291)
(73,025)	Short-term Payables	19	(57,310)
(2,123)	Short-term Provisions	20	(3,295)
<u>(85,262)</u>	Current Liabilities		<u>(119,896)</u>
(1,043,247)	Long-term Borrowing		(1,053,529)
(51,128)	Other Long-term Liabilities		(49,574)
0	Long-term Grants received-in-advance - Capital		
<u>(1,094,375)</u>	Long-term Liabilities		<u>(1,103,103)</u>
5,666	Net Assets/(Net Liabilities)		(1,120)
(24,480)	Usable Reserves	MIRS	(42,966)
18,814	Unusable Reserves	21	44,086
<u>(5,666)</u>	Total Reserves		<u>1,120</u>

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.

2018/19 £'000	Cash Flow	Notes	2019/20 £'000
(5,869)	Net (Surplus)/Deficit on the Provision of Services	Cl&ES	6,067
(67,065)	Adjustments to net (surplus)/deficit on the Provision of Services for non-cash movements	22	(26,350)
1,691	Adjustments to net (surplus)/deficit on the Provision of Services that are Investing and Financing Activities	22	412
(71,243)	Net Cash Flow from Operating Activities		(19,871)
440,930	Investing Activities	23	83,549
(389,957)	Financing Activities	24	(54,542)
(20,270)	Net (increase)/decrease in Cash & Cash Equivalents		9,136
5,474	Cash & Cash Equivalents at the beginning of the reporting period		25,744
20,270			(9,136)
25,744	Cash & Cash Equivalents at the end of the reporting period	17	16,608

Statement of Accounting Policies

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year-end of 31st March 2020. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2020, 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 2019/20 (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 2019/20, the Council has £1,054m long term 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 down 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. During the year the Council revised its MRP policy slightly so that on multi-year development schemes MRP will commence in the first full year following completion of the development.

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 annual leave 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 annual leave is charged to revenue in the financial year in which the annual leave 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.
 - Unutilised 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

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes, benefits and government grants, do not give rise to financial instruments.

Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.

The majority of the Council's financial liabilities held during the year are measured at amortised cost and comprised:

- long-term loans from the Public Works Loan Board
- short-term loans from other local authorities
- trade payables for goods and services received.

Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council. The financial assets held by the Council during the year are accounted for under the following three classifications:

- **Amortised cost** (where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flow) comprising:
 - cash in hand
 - bank current and deposit accounts with Lloyds bank
 - loans to other local authorities
 - loans to small companies
 - loans to Council subsidiary Knowle Green Estates Limited made for service purposes
 - trade receivables for goods and services provided.
- **Fair value through other comprehensive income, FVOCI**, (where cash flows are solely payments of principal and interest and the Council's business model is to both collect those cash flows and sell the instrument; and equity investments that the Council has elected into this category) comprising:
 - pooled bond, equity and property funds managed by eight fund managers, held as strategic investments

- equity investments in Council subsidiary Knowle Green Estates Limited, held for service purposes
- **Fair value through profit and loss, FVPL**, (all other financial assets) comprising:
 - money market funds managed by four fund managers.

Financial assets held at amortised cost are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council.

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.

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. 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.

A review of compliance with the Accounting Code led to changes in the carrying values of property, plant and equipment from 1st April 2017. From that date:

- some assets have been categorised as community assets and are now held at depreciated historic cost with an opening value of £1 – this has reduced the carrying amounts by more than £6 million, the balance on the Revaluation Reserve has been cleared and Capital Adjustment Account was restated at £1 for each asset categorised giving a new opening balance of £68;

- the historic cost values for the remaining Land and Buildings assets have been restated and the balance on the Revaluation Reserve transferred to the Capital Adjustment Account – as a result, there is no change in the carrying amounts of these assets with the Capital Adjustment Account bearing the cumulative financing amount.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2017 in accordance with the previous paragraph. 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 policies 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 and notes.

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.

Adjustments between Funding and Accounting Basis 2019/20:

Adjustments from General Reserves to arrive at the Comprehensive Income and Expenditure Statement amounts	2019/20			Total £'000
	Adjustments for Capital Purposes (Note i)	Net change for Pensions Adjustments (Note ii)	Accumulated Absences (Note iii)	
	£'000	£'000	£'000	
Leader	0	117	1	119
Deputy Leader	0	185	2	188
Corporate Management	0	55	1	55
Housing	0	245	2	247
Planning	0	224	2	227
Environment and Compliance	684	735	7	1,425
Investment Portfolio and Mgmt	776	67	1	843
Community and Wellbeing	2,563	250	2	2,815
Economic Development, Customer Service, Estates & Transport	417	266	3	686
Cost of Services	4,440	2,144	21	6,605
Other income and expenditure	0	0	29,724	29,724
	4,440	2,144	29,745	36,329

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 2018/19:

Adjustments from General Reserves to arrive at the Comprehensive Income and Expenditure Statement amounts	2018/19			Total £'000
	Adjustments for Capital Purposes (Note i)	Net change for Pensions Adjustments (Note ii)	Other differences (Note iii)	
	£'000	£'000	£'000	
Leader	1	75	2	78
Deputy Leader	33	122	541	696
Corporate Management		41	589	630
Housing		154	114	268
Planning		143	0	144
Environment and Compliance	2,117	446	(1,421)	1,142
Investment Portfolio and Mgmt	3,874	42	1,781	5,696
Community and Wellbeing	161	156	(1,216)	(898)
Economic Development, Customer Service, Estates & Transport	146	150	(44)	251
Cost of Services	6,332	1,329	346	8,007
Other income and expenditure			(33)	(33)
	6,332	1,329	313	7,974

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

Expenditure and Income Analysis	2018/19	2019/20
	£'000	£'000
Expenditure		
Employees	16,573	18,143
Other running expenses	76,210	68,270
Business Rate tariff paid to central government	11,577	15,783
Capital Charges including interest paid	50,311	54,679
Total Expenditure	154,671	156,875
Income		
Fees, charges, rents and other service income	(97,094)	(78,009)
Income from Council Tax and Business Rates	(26,695)	(29,322)
Interest and investment income	(1,537)	(2,351)
Grants and contributions	(35,214)	(41,126)
Total Income	(160,540)	(150,808)
(Surplus) or Deficit on the Provision of Services	(5,869)	6,067

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 2019 for 2019/20,

For this disclosure, the standards introduced by the 2019/20 Code include:

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

These will be incorporated into the Statement of Accounts for 2020/21. 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 and with respect to the impacts of COVID-19. 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 2019/20.

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 2020 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	<p>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.</p> <p>Impact of the COVID-19 lockdown in March 2020 meant there was not a liquid market in assets for valuers to base their valuations of assets as at end of March 2020. So there is material uncertainty as to asset valuations as at 31 March and the valuers have highlighted this in their reports.</p>	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.
Pensions Liability	<p>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.</p>	The effect on the net pension's liability of changes in individual assumptions can be measured. However, the assumptions interact in complex ways.
Arrears	<p>At 31 March 2020, the Council had a balance of Short Term Receivables of £7.488m and has made a provision of £4.939m for impairment of doubtful debts.</p> <p>Collection rates are more uncertain currently with COVID-19. In the early part of 2020-21 normal recovery procedures were suspended by Government.</p>	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £4.9m to be set aside as an allowance.
Business Rates Appeals	<p>A provision of £2.821m has been included in the accounts to reflect the Council's share (40%) of the estimated impact of business rate payers successfully appealing the</p>	The Council will be required to reimburse all rate payers who are successful with their

	rateable value assigned to their properties. This is based on the number of appeals outstanding as at 31 st March 2020 and the historical success rate of all appeals since 2010.	appeals, and this will also impact upon business rates receivable in future years.
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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 £ 26.347m in 2019/20 (£30.0m 2018/19). However, this expenditure is largely recovered by the receipt of subsidy from central Government, £25.438m in 2019/20 (£29.8m 2018/19), so the net cost to the Council is minimal. In addition, a net £51m 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 2019/20 and the prior year 2018/19:

Appendix C

Statement of Accounts 2019/20

Adjustments between Accounting and Funding Basis under Regulations 2019/20	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	(3,423)			(3,423)	3,423
Council tax	(96)			(96)	96
Business rates	(2,742)			(2,742)	2,742
Holiday pay	(21)			(21)	21
Reversal of entries included in the (Surplus)/Deficit on the Provision of Services in relation to Capital Expenditure	(15,915)			(15,915)	15,915
- REFCUS	(963)			(963)	963
Capital Grants and Contributions Unapplied credited to the Comprehensive Income and Expenditure Statement	237		(237)	0	0
Capital Grants and Contributions received and applied for capital financing	784			784	(784)
Transfer of deferred sale proceeds credited as part of gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0			0	0
Writing out finance lease on surrender	(14,544)			(14,544)	14,544
Total Adjustments to Revenue Resources	(36,683)		(237)	(36,920)	36,920
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	354	(354)		0	0
Statutory provision for the repayment of debt	11,052			11,052	(11,052)
Capital expenditure financed from revenue balances	750			750	(750)
Total Adjustments between Revenue and Capital Resources	12,156	(354)	0	11,802	(11,802)
Adjustments to Capital Resources					
Use of the Capital Receipts Reserve to finance Capital Expenditure		565		565	(565)
Total Adjustments to Capital Resources	0	565	0	565	(565)
Balance carried forward 31st March	(24,527)	211	(237)	(24,553)	24,553

Appendix C

Statement of Accounts 2019/20

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	(3,057)			(3,057)	3,057
Council tax	(79)			(79)	79
Business rates	3,254			3,254	(3,254)
Holiday pay	(34)			(34)	34
Reversal of entries included in the (Surplus)/Deficit on the Provision of Services in relation to Capital Expenditure	(12,224)			(12,224)	12,224
REFCUS	(1,250)			(1,250)	1,250
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	0			0	0
Total Adjustments to Revenue Resources	(12,290)			(12,290)	12,290
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	4,316	(591)		3,725	(3,725)
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 Capital Resources	12,908	(591)	0	12,317	(12,317)
Adjustments to Capital Resources					
Use of the Capital Receipts Reserve to finance Capital Expenditure		380		380	(380)
Total Adjustments to Capital Resources	0	380	0	380	(380)
Balance carried forward 31st March	618	(211)	0	407	(407)

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 2019/20.

Earmarked Reserves	31 Mar 19	Transfers to Reserves	Used in revenue funding	31 Mar 20
	£'000	£'000	£'000	£'000
Revenue Grants unapplied	(1,700)	(655)	30	(2,325)
Capital Fund	(1,443)	0	0	(1,443)
Insurance Fund	(50)	0	0	(50)
Planned Spending Funds	(8,731)	(2,959)	395	(11,295)
Funds for acquired properties	(10,809)	(12,736)	0	(23,545)
Youth Fund	(20)	0	0	(20)
Local Environmental Assessment Fund	(300)	(17)	0	(317)
Contributions from Developers	0	(2,269)	0	(2,269)
Earmarked Reserves 31st March	(23,053)	(18,636)	425	(41,264)
General Fund Balance	(1,000)	(249)	0	(1,249)
Balance carried forward 31st March	(24,053)	(18,885)	425	(42,513)

9. Financing and Investment Income and Expenditure

2018/19			Financing and Investment Income and Expenditure	2019/20		
Expenditure	Income	Total		Expenditure	Income	Total
£'000	£'000	£'000	Notes	£'000	£'000	£'000
20,727	0	20,727	Interest payable and similar charges	24,219	0	24,219
1,190	0	1,190	Net interest on the net defined benefit liability (asset)	1,279	0	1,279
0	(1,537)	(1,537)	Interest receivable and similar income	0	(2,351)	(2,351)
8,417	(39,636)	(31,219)	Income and expenditure in relation to investment property	19,799	(58,575)	(38,776)
30,334	(41,173)	(10,839)	Financing and Investment Income and Expenditure	45,297	(60,926)	(15,629)

10. Taxation and Non Specific Grant Income

2018/19			Taxation and Non-Specific Grant Income	2019/20		
	Income	Total		Expenditure	Income	Total
	£'000	£'000	Notes	£'000	£'000	£'000
	(11,058)	(11,058)	Council Tax Income	102	(8,053)	(7,951)
14,310	(15,637)	(1,327)	Non-domestic Rates Income and Expenditure	18,519	(21,269)	(2,750)
	(1,724)	(1,724)	Non-ringfenced government grants	0	(2,100)	(2,100)
	(1,100)	(1,100)	Capital Grants and Contributions	0	(1,021)	(1,021)
14,310	(29,519)	(15,209)	Total Taxation and Non-Specific Grant Income	18,621	(32,443)	(13,822)

11. Property, Plant and Equipment Movement on Balances in 2019/20:

Property, Plant and Equipment	Land & Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Assets under Construction	Total Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000
Cost or Valuation					
At 1st April 2019	45,935	3,694	68	28,699	78,396
Additions	41,500	425	78	20,504	62,507
Revaluation increases/(decreases) recognised in the Revaluation Reserve	50	0	0	0	50
Other movements in cost or valuation	0	(135)	0	0	(135)
At 31st March 2020	87,485	3,984	146	49,203	140,818
Accumulated Depreciation and Impairment					
At 1st April 2019	(1,257)	(1,650)	0	0	(2,907)
Depreciation charge	(2,758)	(508)	(1)	0	(3,267)
At 31st March 2020	(4,015)	(2,158)	(1)	0	(6,174)
Net Book Value					
At 31st March 2020	83,470	1,826	145	49,203	134,644
At 31st March 2019	44,678	2,044	68	28,699	75,489

Movement on Balances in 2018/19:

Property, Plant and Equipment	Land & Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Assets under Construction	Total Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000
Cost or Valuation					
At 1st April 2018	37,652	3,476	0	12,491	53,619
Additions	1,152	455	68	18,148	19,823
Revaluation increases/(decreases) recognised in the Revaluation Reserve	10,641	0	0	0	10,641
Revaluation increases/(decreases) recognised in the (Surplus)/Deficit on the Provision of Services	(3,077)	0	0	0	(3,077)
De-recognition - disposals	0	0	0	(1,940)	(1,940)
De-recognition - other	(95)	(386)	0	0	(481)
Other movements in cost or valuation	(338)	149	0	0	(189)
At 31st March 2019	45,935	3,694	68	28,699	78,396
Accumulated Depreciation and Impairment					
At 1st April 2018	(2,943)	(1,446)	0	0	(4,389)
Depreciation charge	(1,632)	(616)	0	0	(2,248)
Depreciation written out to the (Surplus)/Deficit on the Provision of Services	3,318	0	0	0	3,318
Other movements in depreciation and impairment	0	412	0	0	412
At 31st March 2019	(1,257)	(1,650)	0	0	(2,907)
Net Book Value					
At 31st March 2019	44,678	2,044	68	28,699	75,489
At 31st March 2018	34,709	2,030	0	12,491	49,230

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 a number of major capital commitments at 31 March 2020 – totalling £17.4m including works at Ceaser Court, Harper House, White House and the West Wing at Knowle Green.

Effect of Changes in Estimates

In 2019/20, 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:

2018/19 £'000	Heritage Assets	2019/20 £'000
256	Balance at 1st April	256
0	Revaluation increases/(decreases) recognised in the Revaluation Reserve	1
<u>256</u>	Balance at 31st March	<u>257</u>
	<i>Accumulated Depreciation and Impairment</i>	
(19)	Depreciation at 1st April	(26)
(7)	Depreciation	(7)
	Depreciation written out to the Revaluation Reserve	5
<u>(26)</u>	Balance at 31st March	<u>(28)</u>
	<i>Net Book Value</i>	
<u>230</u>	Balance at 31st March	<u>229</u>

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:

2018/19 £'000		2019/20 £'000
(39,636)	Rental income from properties	(51,079)
	Other income	(7,529)
635	Operating expenses	7,495
7,782	Changes in valuations	12,304
<u>(31,219)</u>	Balance at 31st March	<u>(38,809)</u>

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

2018/19 £'000	Investment Property	2019/20 £'000
636,145	Balance at 1st April	989,353
360,990	Additions	14,640
(7,782)	Net gains/losses from fair value adjustments	(12,304)
<u>989,353</u>	Balance at 31st March	<u>991,689</u>

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.

2018/19 £'000	Intangible Assets	2019/20 £'000
	Cost or Valuation	
776	Balance at 1st April	541
132	Additions	19
908	Balance at 31st March	560
	Accumulated Amortisation	
(137)	Amortisation at 1st April	
(230)	Amortisation written out to the (Surplus)/Deficit on the Provision of Services	(203)
(367)	Balance at 31st March	(203)
	Net Book Value	
541	Balance at 31st March	357

15. Financial Instruments

Financial Instruments - Balances

The financial liabilities disclosed in the Balance Sheet are analysed across the following categories:

Long-term 31 Mar 19 £'000	Short-term 31 Mar 19 £'000	Financial Liabilities	Long-term 31 Mar 20 £'000	Short-term 31 Mar 20 £'000
		<i>Loans at amortised cost:</i>		
1,039,639	10,792	Principal sum borrowed	1,059,011	50,628
	2,738	Accrued Interest		3,181
1,039,639	13,530	Total borrowing *	1,059,011	53,809
		<i>Liabilities at amortised cost:</i>		
	6,667	Trade Payables		6,999
	6,667	Total cash and cash equivalents		6,999

* The accrued interest in short-term borrowing represents accrued interest and principal repayments due within 12 months on long-term borrowing.

** The Short-term Payables line on the Balance Sheet includes £50,311,000 (2019: £63,408,000) that do not meet the definition of a financial liability as they relate to non-exchange transactions.

The financial assets disclosed in the Balance Sheet are analysed across the following categories:

Long-term 31 Mar 19 £'000	Short-term 31 Mar 19 £'000	Financial Assets	Long-term 31 Mar 20 £'000	Short-term 31 Mar 20 £'000
		<i>At amortised cost:</i>		
2,357	30,000	Principal	2,361	40,000
-	120	Accrued Interest	-	308
		<i>At FVOCI:</i>		
33,975	-	Equity instruments elected FVOCI	28,121	-
36,332	30,120	Total investments *	30,482	40,308
		<i>At amortised cost:</i>		
	11,493	Principal		5
	14,250	At FVPL		18,400
	25,743	Total cash and cash equivalents		18,405
		<i>At amortised cost:</i>		
-	3,744	Trade receivables	-	5,288
101	-	Loans made for service purposes	4,748	-
-	327	Accrued interest	-	332
101	4,071	Included in debtors **	4,748	5,620

* Accrued interest in short-term investments represents accrued interest and principal repayments due within 12 months on long-term investments.

** The Short-term Receivables lines on the Balance Sheet include £2,200,000 (2019: £4,052,000) short-term that do not meet the definition of a financial asset as they relate to non-exchange transactions.

Equity instruments elected to fair value through other comprehensive income

The Council has elected to account for the following investments in equity instruments at fair value through other comprehensive income because they are long-term strategic holdings and changes in their fair value are not considered to be part of the Council's annual financial performance.

Fair Value	Dividends*	Equity instruments elected to FVOCI	Fair Value	Dividends*
31 Mar 19	31 Mar 19		31 Mar 20	31 Mar 20
£'000	£'000		£'000	£'000
739	10	Charteris - Elite Premium Income Fund - Inst - Inc	574	14
1,704	16	Schroder UK Corporate Bond Fund - I - Inc	1,647	17
1,156	18	Schroder Income Maximiser Fund - Z - Inc	771	19
939	15	Schroder Income Maximiser Fund - Z - Inc	627	15
998	16	Schroder Income Maximiser Fund - Z - Inc	666	16
2,926	46	Schroder Income Maximiser Fund - Z - Inc	1,953	48
1,688	19	M&G Global Dividend Fund - I - Inc	1,358	21
2,991	33	M&G Global Dividend Fund - I - Inc	2,406	37
1,692	28	M&G Optimal Income Fund - I - Inc	1,542	19
1,961	17	M&G UK Income Distribution Fund - I - Inc	1,584	17
2,873	20	Investec Diversified Income Fund - I - Inc	2,604	18
1,496	10	Investec Diversified Income Fund - I - Inc	1,355	9
1,991	16	Threadneedle UK Equity Income Fund - Z - Inc	1,619	19
1,474	12	Threadneedle UK Equity Income Fund - Z - Inc	1,198	14
1,509	0	Threadneedle Global Equity Income Fund - Z - Inc	1,305	0
2,027	22	CCLA - LAMIT Property Fund - Inc	1,954	22
1,157	13	CCLA - LAMIT Property Fund - Inc	1,116	12
1,498	17	UBS Multi Asset Income Fund - L - Inc	1,307	16
3,008	13	Kames Diversified Monthly Income Fund - I - Inc	2,534	0

* Relate to dividends for the year that are unpaid as at year end.

Financial Instruments - Fair Values

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For assets, including shares in money market funds and other pooled funds, the fair value is taken from the market price.

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2020, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31st March.
- No early repayment or impairment is recognised for any financial instrument.

- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

Fair values are shown in the table below, split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

Balance sheet 31 Mar 19 £'000	Fair value 31 Mar 19 £'000	FV - Financial Liabilities	Fair value level	Balance sheet 31 Mar 20 £'000	Fair value 31 Mar 20 £'000
		<i>Financial liabilities held at amortised cost:</i>			
1,022,149	1,075,244	Long-term loans from PWLB	2	1,051,131	1,105,731
17,490	17,990	Other long-term loans	2	7,880	8,105
1,039,639	1,093,234	TOTAL		1,059,011	1,113,836
20,197		Liabilities for which fair value is not disclosed*		60,808	
1,059,836		TOTAL FINANCIAL LIABILITIES		1,119,819	
		<i>Recorded on balance sheet as:</i>			
10,792		Short-term borrowing		50,628	
1,039,639		Long-term borrowing		1,059,011	
9,405		Short-term creditors		10,180	
1,059,836				1,119,819	

* The fair value of short-term financial liabilities held at amortised cost, including trade payables, is assumed to approximate to the carrying amount.

The fair value of financial liabilities held at amortised cost is higher than their balance sheet carrying amount because the authority's portfolio of loans includes a number of loans where the interest rate payable is higher than the current rates available for similar loans as at the Balance Sheet date.

Balance sheet 31 Mar 19 £'000	Fair value 31 Mar 19 £'000	FV - Financial Assets	Fair value level	Balance sheet 31 Mar 20 £'000	Fair value 31 Mar 20 £'000
		<i>Financial assets held at fair value:</i>			
14,250		Money market funds	1	18,400	
33,975		Strategic pooled funds	1	28,121	
		<i>Financial assets held at amortised cost:</i>			
401	473	Long-term loans to companies	2	5,109	5,126
2,000	2,163	Long-term loan to housing association	2	2,000	2,104
50,626	50,861	TOTAL		53,630	53,751
45,742		Assets for which fair value is not disclosed*		45,933	
96,368		TOTAL FINANCIAL ASSETS		99,563	

* *The fair value of short-term financial assets held at amortised cost, including trade receivables, is assumed to approximate to the carrying amount.*

The fair value of financial assets held at amortised cost is higher than their balance sheet carrying amount because the interest rate on similar investments is now slightly lower than that obtained when the investment was originally made.

Financial Instruments - Risks

The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2017.

In line with the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Investment Strategy in compliance with the Ministry for Housing, Communities and Local Government's Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

The main risks covered are:

- *Credit Risk:* The possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the Council.
- *Liquidity Risk:* The possibility that the Council might not have the cash available to make contracted payments on time.
- *Market Risk:* The possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices.

Credit Risk: Treasury Investments

The Council manages credit risk by ensuring that treasury investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government, other local authorities, and organisations without credit ratings upon which the Council has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap and equity prices when selecting commercial entities for investment.

A limit of £5m is placed on the amount of money that can be invested with a single counterparty and £10m on secured investments with AAA rated banks and unlimited with UK government. For unsecured investments in banks, building societies and companies, lower limits apply (£2m for banks, £1m for corporates and registered providers).

Credit risk is not applicable to pooled funds where the Council has no contractual right to receive any sum of money.

Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies, adjusted for current and forecast economic conditions. A two-year delay in cash flows is assumed to arise in the event of default. Investments are determined to have suffered a significant increase in credit risk where they have been downgraded by three or more credit rating notches or equivalent since initial recognition, unless they retain an investment grade credit rating. They are determined to be credit-impaired when awarded a "D" credit rating or equivalent. At 31st March 2020, £24,600 (2018 equivalent: £5,230) of loss allowances related to treasury investments.

Credit Risk: Trade Receivables

The way in which the Council manages credit risk on receivables depends on the type of receivable and debtor. Receivables relating to investment properties is addressed in the next section.

For general trade debtors, departments are responsible for management of income. This process is strengthened through ongoing development of central debt management support and review of debtor accounts. 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 following analysis summarises the Council's trade and lease receivables, by due date. Only those receivables meeting the definition of a financial asset are included.

31-Mar-19 £'000	Credit for customers	31-Mar-20 £'000
2,085	Less than three months	2,667
392	Three to six months	2,043
141	Six months to one year	140
594	More than one year	717
<u>3,212</u>	Total	<u>5,567</u>

At 31st March 2020, £175,000 (2019 equivalent: £124,000) of loss allowances related to trade receivables.

Loss allowances on trade receivables have been calculated by reference to historic data on UK small to medium entities.

Credit Risk: Investment properties

For investment properties, where the rents are high value, various measures are taken to reduce the risk of rent loss. For potential tenants, the financial strength, viability and ability to pay is assessed by Deloitte which produces detailed reports on relevant companies. If necessary, where for example financial strength is not sufficiently high, guarantees from parent companies are obtained to cover potential rent default.

Rents are due from tenants on quarter days for the following three-month period and are paid within two weeks by all tenants of investment properties. Any delays are addressed directly with the tenants to ensure that rent is paid, with the option of ending the tenancy where appropriate. With these measures in place, the risk of default is therefore very low. In addition, as part of the acquisition process, expected vacancy rates (for example when a property has been recently developed) are built into purchase prices to ensure that voids are covered by the acquisition price for an agreed period. During the COVID-19 crisis, the Property Team liaised with tenants to make arrangements for monthly payment plans and payment deferrals. As a result, the rental performance in the short term was significantly better than seen elsewhere in the property sector since the COVID-19 lockdown.

On this basis, and in view of historic payments to date for investment properties, the expected credit loss is £nil.

Liquidity Risk

The Council has ready access to borrowing at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. It is however

exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates. This risk is managed by maintaining a spread of fixed rate loans.

Market Risks: Interest Rate Risk

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

- borrowings at variable rates – the interest expense will rise
- borrowings at fixed rates – the fair value of the liabilities will fall
- investments at variable rates – the interest income will rise
- investments at fixed rates – the fair value of the assets will fall.

Investments measured at amortised cost and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in the fair value of fixed rate investments measured at fair value will be reflected in Other Comprehensive Income or the Surplus or Deficit on the Provision of Services as appropriate.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be as follows:

Interest Rate Risk	31.3.2019 £'000	31.3.2020 £'000
Decrease in Fair Value of investments held at FVPL	(18)	(22)
Increase in interest receivable on investments	355	388
Impact on Surplus or Deficit on the Provision of Services	337	366
Decrease in Fair Value of investments held at FVOCI	(294)	(276)
Impact on Comprehensive Income and Expenditure	43	90
Decrease in Fair Value of loans and investments held at amortised cost*	(131)	(1,244)
Decrease in Fair Value of fixed rate borrowing*	(157,142)	(192,142)

*No impact on Comprehensive Income and Expenditure.

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Market Risks: Price Risk

The market prices of the Council's units in pooled bond funds are governed by prevailing interest rates and the price risk associated with these instruments is managed alongside interest rate risk.

The Council's investment in a pooled property fund is subject to the risk of falling commercial property prices. A 5% fall in commercial property prices at 31st March 2020 would result in a £171,000 (2019: £169,000) charge to Other Comprehensive Income and Expenditure which is then transferred to the Pooled Investment Funds Adjustment Account.

The Council's investment in a pooled equity funds is subject to the risk of falling share prices. A 5% fall in share prices at 31st March 2020 would result in a £780,000 (2019: £1,040,000) charge to Other Comprehensive Income and Expenditure which is then transferred to the Pooled Investment Funds Adjustment Account.

16. Receivables

2018/19 £'000	Short term receivables	2019/20 £'000
10,497	General receivables	10,443
1,027	Payments in advance	1,984
(3,728)	Provisions for impairment	(4,939)
<u>7,796</u>	Balance at 31st March	<u>7,488</u>

17. Cash and Cash Equivalents

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

2018/19 £'000	Cash & cash equivalents	2019/20 £'000
5	Cash held	5
11,481	Bank accounts	(6,797)
14,258	Cash Equivalents	23,400
<u>25,744</u>	Balance at 31st March	<u>16,608</u>

18. Assets Held For Sale

There are currently no properties classified as held for sale.

19. Payables

2018/19 £'000	Short term payables	2019/20 £'000
(449)	General payables	(2,302)
(72,576)	Receipts in advance	(55,008)
<u>(73,025)</u>	Balance at 31st March	<u>(57,310)</u>

20. Provisions*Business Rates Appeals*

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 2020 is £7.053m (£2018/19) (included in the Collection Fund) and the Council's share of this liability is £2.821m (£1.649m 2018/19) (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.

2018/19 £'000	Short term provisions	2019/20 £'000
(150)	Municipal Mutual Insurance	(150)
(324)	Expected Credit Loss	(324)
(1,649)	Business Rates Appeals	(2,821)
<u>(2,123)</u>	Balance at 31st March	<u>(3,295)</u>

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

2018/19 £'000	Unusable Reserves	2019/20 £'000
(10,698)	Revaluation Reserve	(10,754)
(1,674)	Financial Instrument Adjustment Reserve	4,077
(871)	Capital Adjustment Account	2,857
(18,269)	Deferred Capital Receipts Reserve	(3,725)
51,128	Pension Reserve	49,574
(1,060)	Collection Fund Adjustment Account	1,778
258	Accumulated Absences Account	279
<u>18,814</u>	Balance at 31st March	<u>44,086</u>

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.

2018/19 £'000	Revaluation Reserve	2019/20 £'000
(57)	Balance at 1st April	(10,698)
(10,641)	Changes in valuations	(56)
<u>(10,698)</u>	Balance at 31st March	<u>(10,754)</u>

Financial Instruments Revaluation Reserve

This 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.

Appendix C

2018/19 £'000	Financial Instruments Revaluation Reserve	2019/20 £'000
(1,651)	Balance at 1st April	(1,675)
(23)	Revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	5,752
<u>(1,674)</u>	Balance at 31st March	<u>4,077</u>

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.

2018/19 £	Capital Adjustment Account	2019/20 £
(4,272)	Balance at 1st April	(871)
	<i>Reversal of items relating to capital debited or credited to the Comprehensive Income and Expenditure Statement</i>	
2,485	Charges for depreciation and amortisation	3,476
3,077	Changes in the valuation of Property, Plant and Equipment	0
7,782	Changes in the valuation of Investment Property	12,304
(1,120)	Amounts of non-current assets written off on disposal, derecognition or sale as part of the Gain or Loss on disposal	135
	Adjusting amounts written of to the Revaluation Reserve	
<u>12,224</u>	<i>Total of amount of items reversed</i>	<u>15,915</u>
1,250	Revenue Expenditure funded from Capital under Statute	964
	<i>Capital financing applied in the year</i>	
(381)	Use of Capital Receipts Reserve to finance new capital expenditure	(565)
(1,100)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(784)
(747)	Capital Expenditure charged against the General Fund Balance	(750)
(7,845)	Minimum revenue provision	(11,052)
<u>(10,073)</u>	<i>Total of amount of capital financing</i>	<u>(13,151)</u>
<u>(871)</u>	Balance at 31st March	<u>2,857</u>

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

2018/19 £'000	Deferred Capital Receipts Reserve	2019/20 £'000
(14,544)	Balance at 1st April	(18,269)
0	Lease written back	14,544
(3,725)	Loans to KGE in respect of assets transferred	0
<u>(18,269)</u>	Balance at 31st March	<u>(3,725)</u>

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.

2018/19 £'000	Pension Reserve	2019/20 £'000
44,860	Balance at 1st April	51,128
3,211	Remeasurement of net defined benefits liabilities/(assets)	(4,977)
3,057	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	3,423
<u>51,128</u>	Balance at 31st March	<u>49,574</u>

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.

2018/19 £'000	Collection Fund Adjustment Account	2019/20 £'000
1,498	Balance at 1st April	(1,060)
(2,456)	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	96
(102)	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	2,742
<u>(1,060)</u>	Balance at 31st March	<u>1,778</u>

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.

2018/19 £'000	Accumulated Absences	2019/20 £'000
224	Balance at 1st April	258
34	Adjustment in-year	21
<u>258</u>	Balance at 31st March	<u>279</u>

22. Statement of Cash Flows – Operating Activities

The cash flows for operating activities include the following items:

2018/19 £'000	Operating Activities - interest	2019/20 £'000
(332)	Interest received	(517)
18,851	Interest paid	23,777
(878)	Dividends received	(1,605)

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

2018/19 £'000	Operating Activities - non-cash movements	2019/20 £'000
(12,225)	Items relating to Capital	(15,915)
(3,141)	Other non-cash items charged to the net (Surplus)/Deficit on the Provision of Services	(14,544)
(31)	Increase/(decrease) in Inventories	4
(3,213)	Increase/(decrease) in Receivables	(1,919)
(1,266)	Increase/(decrease) in impairment for bad debts	1,704
(42,998)	Increase/(decrease) in Payables	8,914
116	Increase/(decrease) in Provisions	(1,171)
(3,057)	Movement in Pension Liability	(3,423)
(1,250)	Revenue expenditure financed by Capital under Statute	0
	Other non-cash items charged to the net (Surplus)/Deficit on the Provision of Services	
<u>(67,065)</u>	Cash & Cash Equivalents at the end of the reporting period	<u>(26,350)</u>

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

2018/19 £'000	Operating Activities - investing or financing items	2019/20 £'000
591	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,375
1,100	Other items for which the cash effects are investing or financing cash flows)	(963)
<u>1,691</u>		<u>412</u>

23. Statement of Cash Flows – Investing Activities

2018/19 £'000	Investing Activities	2019/20 £'000
380,998	Purchase of property, plant and equipment, investment property and intangible assets	79,913
545,805	Purchase of short-term and long-term investments	5,011
4,650	Other payments for investing activities	0
(591)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	0
(488,832)	Proceeds from short-term and long-term investments	0
(1,100)	Other receipts from investing activities	(1,375)
<u>440,930</u>		<u>83,549</u>

24. Statement of Cash Flows – Financing Activities

2018/19 £'000	Financing Activities	2019/20 £'000
(417,569)	Cash receipts of short- and long-term borrowing	(71,500)
	Other receipts from financing activities	0
0	Other payments for financing activities	4,765
27,612	Repayments of short- and long-term borrowing	12,292
0	Other payments for financing activities	(99)
<u>(389,957)</u>		<u>(54,542)</u>

25. Members Allowances

The Council paid £343k to members of the Council during the year.

26. Senior Officers' Remuneration

The Council paid to its senior officers £447,936 (including pensions contributions) during the year:

2019/20

Senior Employees			2019/20
Title	Pay, fees and allowances £	Pension contributions £	Total £
Chief Executive	129,638	21,097	150,736
Deputy Chief Executive & Chief Financial Officer	95,875	15,648	111,523
Deputy Chief Executive	95,122	15,529	110,651
Head of Corporate Governance	65,034	9,992	75,026

Note: following the departure of the Head of Corporate Governance on 08-02 2020, an interim appointment was made.

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

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:

2018/19 <i>no</i>	Remuneration banding £		2019/20 <i>no</i>
	75,000	79,999	3
4	70,000	74,999	1
	65,000	69,999	4
2	60,000	64,999	1
4	55,000	59,999	6
8	50,000	54,999	6
<u>18</u>			<u>21</u>

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 payments)		Number of compulsory redundancies		Number of other departures agreed		Number of exit packages by cost band		Total cost of exit packages in each band	
£	£	2018/19 <i>no</i>	2019/20 <i>no</i>	2018/19 <i>no</i>	2019/20 <i>no</i>	2018/19 <i>no</i>	2019/20 <i>no</i>	2018/19 £	2019/20 £
20,001	25,000			1	0	1	0	23,500	
5,001	10,000			1	1	1	1	6,400	6,600
1	5,000			2		2		7,000	
		<u>0</u>	<u>0</u>	<u>4</u>	<u>1</u>	<u>4</u>	<u>1</u>	<u>83,900</u>	<u>6,600</u>

The Council terminated the contract of one employee in 2019/20 incurring liabilities of £6,600 (£36,900 in 2018/19) 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:

2018/19 £'000	External Audit Costs	2019/20 £'000
41	Fees payable to BDO with regard to external audit services carried out by the appointed auditor for the year	37
7	Fees payable to BDO for the certification of grant claims and returns for the year	7
<u>48</u>	Total for the year	<u>44</u>

28. Grant Income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2019/20:

2018/19 £'000	Grant income	2019/20 £'000
	<i>Credited to Services</i>	
(1,099)	Grants and contributions	(678)
(29,800)	Benefit Subsidy	(25,439)
<u>(30,899)</u>	Total Credited to Services	<u>(26,117)</u>
	<i>Taxation and Non-specific grant income</i>	
(1,724)	Non-ringfenced grants and contributions	(2,100)
<u>(1,724)</u>	Total Non-ringfenced grants and contributions	<u>(2,778)</u>
(1,100)	Capital grants and contributions	(1,021)
<u>(1,100)</u>	Total Capital grants and contributions	<u>(1,021)</u>

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 2019/20 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 2019/20 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 held office in the Company during 2019/20:

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

Note Councillor Harman stood down in February and was replaced by Cllr Jim McIlroy in June 2020.

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:

2018/19 £'000	Capital Expenditure and Financing	2019/20 £'000
678,998	Opening Capital Financing Requirement	1,051,121
	<i>Capital Investment</i>	
19,823	Property, Plant and Equipment	62,507
	Heritage Assets	
360,990	Investment Property	14,640
132	Intangible Assets	19
1,250	Revenue Expenditure funded from Capital under Statute	964
	Loans to Knowle Green Estates Limited	
382,195	<i>Total Capital Investment</i>	78,130
	<i>Sources of Finance</i>	
(380)	Capital Receipts	(565)
(1,100)	Capital Grants and Contributions	(784)
(747)	Revenue Contributions	(750)
(7,845)	Repayment of Debt	(11,052)
(10,072)	<i>Total Sources of Finance</i>	(13,151)
1,051,121	Closing Capital Financing Requirement	1,116,100

31. Leases

Council as lessee

Operating Leases

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

31 Mar 19 £'000	Council as Lessee	31 Mar 20 £'000
654	Not later than one year	676
1,422	Later than one year and not later than five years	1,492
	Later than five years	
<u>2,076</u>	Balance at 31st March	<u>2,168</u>

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 19 £'000	Council as Lessor	31 Mar 20 £'000
43,524	Not later than one year	49,933
170,756	Later than one year and not later than five years	209,067
310,061	Later than five years	253,350
<u>524,341</u>	Balance at 31st March	<u>512,350</u>

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.

2018/19 £'000	IAS19 CI&ES & MiRS	2019/20 £'000
	Comprehensive Income & Expenditure Statement	
	Cost of Services:	
4,223	Current service cost	5,239
538	Past service cost	0
	Financing & Investment Income & Expenditure:	
1,190	Net interest expense	1,279
5,951	Total post-employment benefits charged to the (Surplus)/Deficit on the provision of services	6,518
	Other Comprehensive Income & Expenditure	
(3,586)	Return of plan assets	8,841
6,675	Acturial gains & losses arising on changes in assumptions	(9,153)
122	Changes in demograohic assumptions	(3,033)
	Other remeasurement of defined liability	(3,584)
9,162	Total post-employment benefits charged to CI&ES	(411)
	Movement in Reserves Statement	
(5,951)	Reversal of new charges made to the (Surplus)/Deficit on the Provision of Services for post-employment benefits in accordance with the code Actual amount charged against the General Fund Balance for pensions in-year	(6,518)
2,894	Employer's contribution to the scheme	3,095

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 19 £'000		31 Mar 20 £'000
	Net liability	
83,098	Fair value of plan assets	73,513
<u>(134,226)</u>	Present value of the defined benefit obligation	<u>(123,087)</u>
<u>(51,128)</u>	Net liability arising from defined benefit obligation	<u>(49,574)</u>

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

2018/19 £'000		2019/20 £'000
78,106	Opening fair value of scheme assets	83,098
2,021	Interest income	1,966
	Remeasurement gain/loss:	
3,586	Return on plan assets, excluding the amount included in net interest expense	(10,793)
2,894	Contribution from employer	2,894
694	Contribution from employees into the scheme	779
<u>(4,203)</u>	Benefits paid	<u>(4,431)</u>
<u>83,098</u>	Closing fair value of scheme assets	<u>73,513</u>

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

2018/19 £'000		2019/20 £'000
(122,966)	Opening value of scheme liabilities	(134,226)
(4,223)	Current service cost	(5,239)
(538)	Past Service cost	0
(3,211)	Interest cost	(3,245)
4,203	Benefits paid	4,632
(694)	Contributions from scheme participants	(779)
	Actuarial gains & losses arising on changes in assumptions	3,033
	Liabilities assumed on entity combinations	
(6,675)	Changes in demographic/financial assumptions	9,153
(122)	Other changes in liabilities	3,584
<u>(134,226)</u>	Closing value of scheme liabilities	<u>(123,087)</u>

Local Government Pension Scheme assets comprised:

31 Mar 19	Asset category	31 Mar 20
£'000		£'000
	Equity securities	
2,250	Consumer	2,098
1,444	Manufacturing	1,566
1,281	Energy and utilities	569
1,289	Financial institutions	1,238
1,101	Health and care	1,266
2,460	Information technology	2,400
219	Other	42
	Debt securities	
	Corporate bonds (investment grade)	
	Corporate bonds (non-investment grade)	
	Government	4,157
	Other	
	Private equity	
4,926	All	5,881
	Real estate	
3,941	UK property	3,679
1,442	Overseas property	1,615
	Investment Funds and Unit Trusts	
45,549	Equities	38,682
13,881	Bonds	8,556
	Other	
	Derivatives	
	Interest rate	
485	Foreign exchange	(739)
	Cash & cash equivalents	
2,830	All	2,503
<u>83,098</u>	Total assets	<u>73,513</u>

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:

2018/19 %	Principal assumptions	2019/20 %
	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	22.1
24.6	- Women	24.3
	Longevity at 65 for future pensioners	
24.1	- Men	22.9
26.4	- Women	25.7
	Other assumptions	
2.5	Rate of inflation (Consumer Price Index)	2.5
2.8	Rate of increase in salaries	2.8
2.5	Rate of increase in pensions	1.9
2.4	Rate of discounting scheme liabilities	2.3
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 £'000	Decrease in assumption £'000
Rate of increases in salaries	0.5	828	
Rate of increases in pensions	0.5	9,283	
Decrease in rate for discounting scheme liabilities	0.5		10,187

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 2019.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the act, the Local Government Pension Scheme in England and Wales 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 £4.121m expected contributions to the scheme in 2020/21 (£2.695m in 2019/20).

The weighted average duration of the defined benefit obligation for scheme members is 15.7 years for 2019/20 (15.7 years 2018/19).

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.

The previous external auditors have provisionally highlighted proposed additional fee figures for work relating to the 2016/17 statement of accounts and on the Value for Money opinion. The Council has requested a breakdown in order to take a view as to whether there is a justification for these fees.

There may in the future be employment claims relating to employment periods prior to 31 March 2020 and similarly there may arise planning appeals. No specific provisions have been made to cover these possible eventualities.

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.

Councillor Tony Harman was appointed a Director on 10th May 2019. And served until February 2020

FINANCIAL PERFORMANCE

For the financial year to 31 March 2020, the company's major asset, the property Harper House, was valued at £2,270,000 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 £252,000 for the year was received by the Company from the Council.

Expenditure

Expenditure of £405,000 was incurred during the year, including £37,000 for work relating to the Company carried out by Council staff.

37. Post Balance Sheet Events

Whilst the COVID-19 pandemic began during 2019-20 financial year the majority of its impact on the UK and the global economy will be felt subsequent to the balance sheet date. The lockdown and the unwinding of the lockdown resulted in a dramatic reduction in council income streams such as car parking. The Government has announced some emergency funding support for councils including partial reimbursement for fees and charges income loss. It is likely that it is going to take some time potentially well beyond 2020-21 for its fees and charges income to return to previous levels. The Council also incurred additional unplanned emergency expenditure particularly with respect to supporting vulnerable residents and the homelessness. In May 2020 the Council held an Extraordinary Council meeting which approved a supplementary Revenue Estimate of upto £2.2m to be funded from Reserves to cover anticipated net revenue impact of COVID19 on the Council's 2020-21 Revenue Budget.

At the time of writing the Council has received more than 95% of the commercial rent due for the first six months of 2020-21 for its commercial assets and all but 0.5% of the remaining balance is covered by deferral agreements with tenants. As highlighted above the Council is undertaking regular updating of its worst case scenario modelling of its sinking funds. It also continuously monitors the financial health of its tenants.

The Government in response to COVID-19 announced 12 months exemptions from business rates for retail, leisure and hospitality sector businesses and also provided £15m of funds for the Council to administer in 2020-21 as business support grants for local businesses impacted by the Pandemic.

With respect to its retail tenants in the Elmsleigh the Council is facing a more significant rental shortfall of possibly upto £3m in 2019-20 however this can be met from surplus commercial assets funds to ensure no impact on the Revenue Budget.

In July 2020 Surrey County Council announced a bid for a single unitary authority for the county of Surrey. Surrey districts and boroughs will be putting forward alternative proposals to Government. At this stage it is not certain what the outcome of the process will be or how long it will take. It does potentially mean in either 2022-23 or 2023-24 Spelthorne Borough Council will be replaced by some form of unitary council.

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 single entity Reserves	Council's share of Associate's reserves	Total Group Reserves
2019/20	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance brought forward 1st April	(24,053)	(211)	(216)	(24,480)	18,814	(5,666)	(2,288)	(7,954)
Movements in-year								
Total Comprehensive Income & Expenditure	6,067			6,067	719	6,786		6,786
Adjustments between KGE & SBC							154	154
Net before adjustments	6,067			6,067	719	6,786	154	6,940
Adjustments between accounting & funding basis under regulations	(24,527)	211	(237)	(24,553)	24,553	0	0	0
(Increase)/Decrease in-year	(18,460)	211	(237)	(18,486)	25,272	6,786	154	6,940
Balance carried forward 31st March	(42,513)	0	(453)	(42,966)	44,086	1,120	(2,134)	(1,014)

Group Comprehensive Income & Expenditure Statement

2018/19		CI&ES		2019/20		
Expenditure	Income	Total		Expenditure	Income	Total
£'000	£'000	£'000	Notes	£'000	£'000	£'000
1,459	(254)	1,205	Leader	1,874	(258)	1,616
4,056	(22)	4,034	Deputy Leader	3,481	(17)	3,464
1,481	(816)	665	Corporate Management	940	(74)	866
35,461	(32,398)	3,063	Housing	31,523	(28,511)	3,012
2,092	(1,322)	770	Planning	2,653	(3,730)	(1,077)
10,286	(5,076)	5,210	Environment and Compliance	11,032	(4,830)	6,202
50,621	(42,240)	8,381	Investment Portfolio and Mgmt	17,351	(16,835)	516
1,620	(2,077)	(457)	Community and Wellbeing	5,595	(2,352)	3,243
3,169	(345)	2,824	Economic Development, Customer Servic	3,880	(376)	3,504
110,245	(84,550)	25,695	Cost of Services	78,329	(56,983)	21,346
415	(5,144)	(4,729)	Other Operating Income & Expenditure	14,679	(354)	14,325
30,335	(41,174)	(10,839)	Financing & Investment Income & Expenditure	45,297	(60,926)	(15,629)
14,310	(29,519)	(15,209)	Taxation & Non-specific Grant Income	18,621	(32,443)	(13,822)
155,305	(160,387)	(5,082)	(Surplus)/Deficit on the Provision of Services	156,926	(150,706)	6,220
		(10,641)	(Surplus)/Deficit on revaluation of Property, Plant & Equipment			(56)
		(23)	(Surplus)/Deficit from investments in equity instruments designated at fair value through other comprehensive income			5,752
		3,211	Remeasurement of the the defined net defined benefit liability/(asset)			(4,977)
		6	Tax loss on Company loss			1
		(7,447)	Other Comprehensive Income & Expenditure			720
		(12,529)	Total Comprehensive Income & Expenditure			6,940

When the above is compared to the Comprehensive Income and Expenditure Statement on page 16 it can be seen that the total Comprehensive Income & Expenditure above is £154,000 less than the core statements. This reflects an accounting loss for financial year 2019/20 for Knowle Green Estates.

Group Balance Sheet

31 Mar 19 £'000	Balance Sheet	<i>Notes</i>	31 Mar 20 £'000
82,414	Property, Plant & Equipment		141,495
230	Heritage Assets		229
989,353	Investment Property		991,689
541	Intangible Assets		357
36,659	Long-term Investments		30,928
14,645	Long-term Receivables		42
<u>1,123,842</u>	Long-term Assets		<u>1,164,740</u>
30,120	Short-term Investments		35,209
21	Inventories		25
7,764	Short-term Receivables		7,387
25,983	Cash & Cash Equivalents		16,817
<u>63,888</u>	Current Assets		<u>59,438</u>
(10,114)	Short-term Borrowing		(59,291)
(73,358)	Short-term Payables		(57,420)
(2,123)	Short-term Provisions		(3,295)
<u>(85,595)</u>	Current Liabilities		<u>(120,006)</u>
194	Long-term Payables		(55)
(1,043,247)	Long-term Borrowing		(1,053,529)
(51,128)	Other Long-term Liabilities		(49,574)
<u>(1,094,181)</u>	Long-term Liabilities		<u>(1,103,158)</u>
7,954	Net Assets		1,014
(24,522)	Usable Reserves		(42,853)
16,568	Unusable Reserves		41,839
<u>(7,954)</u>	Total Reserves		<u>(1,014)</u>

Compared to the Balance Sheet on page 17 it can be seen that the total reserves shown above are £2.1m more than on the core statements, this reflects the reserve balances as at 31/3/20 of Knowle Green Estates.

Group Cash Flow Statement

2018/19 £'000	Cash Flow	<i>Notes</i>	2019/20 £'000
(5,082)	Net (Surplus)/Deficit on the Provision of Services		6,220
(68,091)	Adjustments to net (surplus)/deficit on the Provision of Services for non-cash movements		(26,473)
1,691	Adjustments to net (surplus)/deficit on the Provision of Services that are Investing and Financing Activities		412
<u>(71,482)</u>	Net Cash Flow from Operating Activities		<u>(19,841)</u>
440,930	Investing Activities		83,549
(389,957)	Financing Activities		(54,542)
<u>(20,509)</u>	Net (increase)/decrease in Cash & Cash Equivalents		<u>9,166</u>
5,474	Cash & Cash Equivalents at the beginning of the reporting period		25,983
20,509	Net increase/(decrease) in Cash & Cash Equivalents		(9,166)
<u>25,983</u>	Cash & Cash Equivalents at the end of the reporting period		<u>16,817</u>

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	Collection Fund	Business rates	Council tax	Total
2018/19		2019/20	2019/20	2019/20
£'000		£'000	£'000	£'000
	Income			
(73,696)	Council tax receivable		(76,863)	(76,863)
(51,902)	Business rates receivable	(50,104)		(50,104)
(491)	Transitional protection	135		135
	Contribution received based on Deficit			
	Central Government	(1,228)		
	Demand, precepts and shares			
21,868	Spelthorne Borough Council	20,235	8,034	28,269
88,366	Surrey County Council	5,059	57,687	62,746
9,293	Surrey Police & Crime Commissioner		10,342	10,342
	Central Government	25,293		
	Contribution paid based on Surplus			
48	Spelthorne Borough Council	1,034	19	1,053
333	Surrey County Council	4,459	132	4,591
56	Surrey Police & Crime Commissioner		22	22
	Charges to the Collection Fund			
	Write-offs	8		
1,256	Increase/(decrease in Bad Debt Provision	995	1,536	2,531
400	Increase/(decrease) in Provision for Appeals	1,922		1,922
126	Cost of Collection	124		124
<u>(4,343)</u>	(Surplus)/Deficit arising during the year	<u>7,932</u>	<u>909</u>	<u>(15,232)</u>
	Movement on the Collection Fund			
5,152	(Surplus)/Deficit brought forward	(3,594)	(504)	(4,098)
(9,250)	(Surplus)/Deficit arising during the year	7,932	909	8,841
<u>(4,098)</u>	(Surplus)/Deficit carried forward	<u>4,338</u>	<u>405</u>	<u>4,743</u>

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 2020 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	311	6/9	207
B	1,633	1,086	7/9	845
C	8,823	6,812	8/9	6,055
D	14,530	12,454	9/9	12,454
E	9,986	9,010	11/9	11,012
F	4,599	4,233	13/9	6,114
G	2,127	2,018	15/9	3,363
H	111	100	18/9	201
Total	42,244	36,026		40,252
	Number of band D equivalents in lieu			40
	Allowance for losses on collection and appeals			(604)
	Council Taxbase for 2019/20			39,688

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 2020 was £114,966,261 and the national non-domestic rate multiplier for 2019/20 was £0.504 and £0.491 for small business.

Annual Governance Statement 2019-2020

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.

We present this Annual Governance Statement to explain how we deliver on these expectations, to outline what has been achieved in the last year and tell you about the improvements we are currently working on. With the new municipal year having commenced and the new Cabinet and Committees in place, we will be bringing forward some reviews to be carried out by working groups, bearing in mind the changes to all our residents' lives as a consequence of the Covid-19 pandemic. We will also be engaging in a Local Government Peer Review this year, which will bring an added external view on the Council's work in the future.

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 view Council meetings online 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 had a Corporate Plan for the period 2016-2019 and a new one for 2020-2023 is currently under preparation.

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

The Corporate Plan will take account of the following types of issues for the residents of Spelthorne:

- **Housing.** We have a serious ongoing problem providing our residents with affordable housing. We have started to address this issue by building homes and by setting up a housing company, Knowle Green Estates Ltd. We have reviewed the purpose, corporate structure and governance of this company and a new Business Plan has been approved.
- **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 current expansion plans have been the subject of High Court decisions. Although we have supported Heathrow's economic success in the past, we have always said it cannot come at any cost. The Council will continue to participate in and further discussions about the future of Heathrow Airport. The Covid-19 pandemic has had a significant impact on the airport and the Council will work with partners to seek to mitigate the economic impacts.

- **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, which have been accelerated as a result of Covid-19. 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. This included purchasing the Elmsleigh Centre's long leasehold in Staines-upon-Thames to enable us proactively invest in regeneration projects.
- **Sustainability.** A cross party Climate Change working group has been set up and an Action Plan will be developed as part of its work. 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 – these produce 15% of the energy used by both sites. We have installed Photo Voltaic (solar) panels on our West Wing affordable housing development at the Council offices site in Knowle Green and are looking to install Photo Voltaic on other sites in the future. We have provided EV charging provision at two of our public car parks and the same facility is available for staff at the 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 developed a Single-use Plastics Policy & Strategy.

How we run the Council

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

- **Constitution.** This document remains a modern and effective document. We will review it again during the course of the next year as amendments need to be made in the light of recent events and changes in legislation.
- **Policy Framework.** We have a number of important policies which are approved 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.
- **Scrutiny of decisions.** Although the majority of decisions are made by the Cabinet or delegated to staff, there are structures and processes 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, influence policy and review our decisions. 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. A new sub-committee of Cabinet has been set up to deal with certain decisions relating to the investment portfolio, to enable timely decision-making.

- **Knowle Green Estates Ltd.** As our wholly owned company becomes more important in the delivery of our housing targets, we have ensured that it has independent auditors and that such audits feed into the Council's overall Statement of Accounts. Further work on the appointment of independent non-executive directors will be done in the coming year.

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 previous, *Towards a Sustainable Future* programme, 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. The impact of Covid-19 will also need to be factored in for the new financial year 2020-21 and beyond.
- **Capital Strategy.** In February 2020 the Council approved its updated 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 specific overview of the Council's investments and housing schemes, we 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 and accountable 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), also known as the s151 Officer, who oversees these systems and they are regularly audited proportionate to the level of risk. 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's senior Management Team.
- Improving the usefulness and readability of financial reporting. We will be inviting in an independent Local Government Association Peer review team to act as critical friends and review our financial and property management arrangements.

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. We also undertook extensive consultations on our Housing and

Homelessness Strategies. As we develop new facilities we will continue to consult using 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, from formal statutory consultations through to the Council's use of social media. Using a range of different communication channels has been key during the pandemic.

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
- Request information under the Freedom of Information Act and the Environmental Information Regulations.
- Ask questions at the Council and the Spelthorne Joint Committee
- 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 the publication of a very limited quantity of material where there is good reason, such as the need to respect the 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. A Panel of Independent Persons is now in place. They 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 five complaints about councillors. One was considered by the Assessment Hearings Panel which decided not to take any further action. The other complaints were rejected by the Monitoring Officer, one of which was reviewed by the Local Government Ombudsman who upheld the Monitoring Officer's decision.

Training was given to Councillors on Probity and Decision Making in Planning.

The Council has in place a policy on Gifts, Hospitality and Sponsorship which applies to both staff and councillors. There also policies dealing with Anti-Fraud and Corruption and Whistleblowing.

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 annual 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 the last external review being undertaken in 2018.

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 2019/20 the Internal Audit Manager reported on twelve areas and noted a number of assignments that are work in progress, of which two were deemed 'effective' (satisfactory), five were assessed as requiring 'some improvement'. The remaining areas reviewed were identified as high risk or requiring 'major improvement'.

The Internal Audit Managers opinion for 2019/20 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 the Internal Audit Manager and which is reported regularly to Management Team, Cabinet and Audit Committee. The Corporate Risk Register identifies and evaluates the key corporate risks facing the Council, the mitigating measures in place, and tracks outstanding issues to address risks. As part of refreshing the Council's approach to Risk Management, the format and structure of the Corporate Risk Register has been reviewed and the proposed changes shared with Audit Committee. The revised register aims to focus on a smaller number of corporate risks relating directly to delivery of the Corporate Plan Priorities/Objectives. It also aligns to methodology set out in the revised Corporate Risk Management Policy. The Policy and guidance has been fully refreshed and reviewed this year.

The internal audit team has carried out a number of audits in accordance with the agreed annual plan. Full details of these findings and the management response to them, as well as any key themes arising from Internal Audits work for 2019/20 are to be found on the Audit Committee pages on our website (Annual Audit report 2019/20).

External audit

KMPG have still not delivered a Value for Money opinion on the 2017/18 accounts and this matter is overdue. The Council has repeatedly pressed KMPG for this matter to be resolve. BDO has now been appointed for the Council by the independent Public Sector Audit Appointments body. BDO took over the audit of the Council's accounts for 2018/19 and 2019/20 and we look forward to concluding all outstanding matters.

Audit Committee

Terms of reference are set out in Constitution. There are regular meetings and work plan is published.

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 also have feedback questionnaires for some services. We have a number of procedures in place:

- Our Complaints procedure is working well after a review in recent years. However, we are always looking at ways to improve it and are currently undertaking a Root and Branch Review of the complaints process.
- We have a staff whistleblowing procedure which has been reviewed in the past year. No issues were identified but we are considering a number of suggestions for improvement to our procedures.

The Local Government and Social Care Ombudsman has reported to the Council for the year 2019/20. The Annual Letter advises that none of the complaints that they investigated against Spelthorne Borough Council were upheld.

FOI/GDPR

The step up from the requirements of the 1998 Data Protection Act to the requirements of the GDPR presented a challenge to the Council and our long term project to ensure compliance with the General Data Protection Regulations and improve the Council's information governance arrangements continues. This project has already delivered, and will continue to deliver, significant improvements in the Council's information governance arrangements.

The Group Head of Commissioning and Transformation is the Council's Senior Information Risk Owner who has responsibility for managing information risk across the council.

The Council's full time Data Protection Officer is responsible for overseeing data protection strategy and implementation.

The Council has clear processes for managing Freedom of Information Act, Environmental Information Regulations, and Data Protection Act requests. The aim of the process is to promote transparency across the organisation and deliver an efficient approach to handling requests.

Staff continue to ensure compliance with the Freedom of Information Act / Environmental Information Regulations, Data Protection Act, and Privacy and Electronic Communication Regulations. An audit of GDPR has been undertaken.

Monitoring includes reports to Management Team, internal and external audits and Information Commissioner reviews as appropriate.

Covid-19 has brought unprecedented challenges due to the need to share information quickly and adapt the way the Council's essential services work. Data protection staff are assisting colleagues to ensure that the Council only collects as much personal data as is

strictly necessary for the relevant purposes and to continue to comply with Data Protection legislation.

How we will deal with significant governance issues

Review of significant governance issues:

- **Investment Assets portfolio management.** We have a £1bn property portfolio and we have put in place staff capacity skills and resource to manage it, reduce risk and deliver the benefits from it. We will continue to invest in the team and internal expertise (and look at the balance between internal expertise and external advisers) and review our governance arrangements. There is also a framework involving councillors: reports to Property Investment sub-committee, Cabinet, Full Council and Overview and Scrutiny Committee, as appropriate.
- **Building the homes residents need.** We have strengthened all aspects of procurement and project management to ensure that we can deliver the projects which are envisaged by the Capital Strategy. We have ensured there is appropriate oversight and scrutiny of these projects, as they are delivered either by the Council directly, Knowle Green Estates or other third party developers.
- **Delivery of local government.** Given the cuts made by Surrey County Council and the financial position of our key partner, we have monitored their cuts on delivery of services to our residents. We will continue to speak up for Spelthorne.

Significant issues for the year 2020/21:

- **Covid-19 implications:** An Extraordinary Full Council meeting held on 21 May 2020 received a detailed report setting out the Council's response to date on the Covid-19 pandemic. There is no doubt there is a significant impact on the delivery of council services as well as financial costs and anticipated income shortfall. There will be further reporting to Cabinet, Overview and Scrutiny Committee and Audit Committee as events unfold during the coming year. Risks and opportunities which continue to emerge and evolve through various stages of the pandemic (and beyond recovery phase) will be identified, prioritised, managed and monitored. If there are any wider lessons learnt these will be considered to ensure continuous improvement of crisis management, emergency and business continuity planning and organisational resilience. The Council has undertaken a comprehensive analysis of the risks facing the Council arising from the Covid-19 pandemic. The opportunities may include an emphasis on climate change and sustainability issues.
- **Property portfolio:** The Council will continue to keep actively manage its property portfolio. A new Asset Management Plan will come forward setting out how this will be done. As flagged, the Peer review team will review our approach to managing assets.
- **Review of the Constitution:** this is planned for the new municipal year, as resources permit and will be overseen by the Monitoring Officer and the Members Code of Conduct Committee.
- **Role of KGE in delivering housing:** the delivery of housing in the Borough will be kept under constant review.
- **Setting up of trade waste company:** this is a new commercial venture for the Council and again will be overseen by Cabinet.

Conclusion

As we deal with the challenges of the next few years in the light of the impact of Covid-19 on our economy, health and safety and well-being, you can be assured that we are doing so from a solid foundation with proper systems of internal control.

.....
Cllr John Boughtflower
Leader of the Council

.....
Daniel Charles Mouawad
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 discretionary 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.