



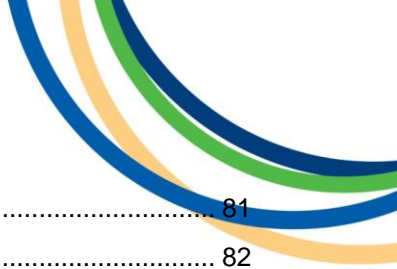
# **DRAFT ANNUAL FINANCIAL REPORT**

**Incorporating the Statement of Accounts**

**for the year ended 31 March 2023**

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## NARRATIVE REPORT

The purpose of this Statement of Accounts (the Accounts) is to summarise the Council's financial position for the year ending 31 March 2023. This Narrative Report aims to provide some context, analysis and performance of the Council during the financial year.

### OVERVIEW AND EXTERNAL ENVIRONMENT

#### Our Borough

Reigate & Banstead covers an area of 12,914 hectares situated towards the east of the County of Surrey. The Borough contains mixed rural and urban land coverage, with the majority of the population living in the towns of Reigate, Redhill, Banstead and Horley.

#### Our People

According to the 2021 Office for National Statistics (ONS) census, Reigate & Banstead's population has increased to nearly 151,000 some 13,000 (or 9.5%) more than recorded in 2011 and makes it the most populated authority in the county.

#### Our Environment

The external issues we face in line with many other local authorities across the country are:

- Challenging and uncertain financial environment; including ongoing demand pressures caused by cuts in public sector spending in the period following 2010;
- Ageing population with associated demands on local services;
- Increasing demand for housing outstripping supply; whilst at the same time land supply is constrained by policy and environmental designations;
- Rising cost of housing, particularly in the private rental market;
- High demand for affordable housing and increasing levels of homelessness; and
- Ensuring the necessary social and physical infrastructure to keep pace with the scale of growth.

The local economy is diverse, with a strong local service sector, a large contingent of city workers, trades, a developed public education sector and several farms concentrated towards cereal and root vegetable agriculture.

There is an extent of woodland management. Several employers with an international renown are found in force in and around the two most commercial town centres of Reigate and Redhill: including Willis Towers Watson, Travelers Group (insurance), AXA Insurance breakdown, esure, Fidelity International Just and Toyota. Pfizer UK headquarters is by the M25 motorway in Walton-on-the-Hill, and Kimberly Clark are now based on the same campus. Notably Sutton and East Surrey Water is headquartered in Redhill and SGN in Horley. A choice of hotels exists in and around Horley particularly, reflecting its proximity to London Gatwick Airport.

## **Housing Need**

There are around 65,000 homes in the borough. Unlike some Surrey authorities, Reigate & Banstead disposed of its housing stock several years ago and now has the highest number of homes owned by private registered providers of affordable housing in the county. Information about levels of home ownership (Census in 2021) suggests that levels of owner occupation in the borough are similar to those across Surrey as a whole, at around 71%, with 15.7% of households renting privately and 12% of households in social rented housing. In comparison to the national average, Reigate & Banstead has a higher proportion of home ownership and a lower proportion of both private sector and social rented accommodation. The average house price is above the Southeast average but below the Surrey average.

## **COVID-19 Pandemic**

During 2022/23 the Council continued to support residents and businesses as the country emerged from the global pandemic. Our staff continue to work in a hybrid way, both working from home and in the office. Whilst all pandemic restrictions are now lifted, the Council has ensured that residents and businesses received continued support where required.

The impacts of the reduction in car park income during 2021/22 continued in 2022/23.

The Council's investment property income did not suffer a significant reduction as a consequence of the pandemic; where necessary lease payments were rescheduled but the risk of bad debts remained low.

For other debts the Council has reflected the increased level of risk in the current economic climate in the credit loss and business rates appeals provisions.

As a billing authority the Council's cash flow was initially subject to pressure as we continued to pay precepting authorities their share of budgeted business rates and council tax income despite a slowdown in income receipts. The Government has continued its short-term measures to provide relief and daily cash flow monitoring has helped to support early identification of pressure points. Over the medium term, ongoing pressures remain a risk

following the reduction/winding-up of these short-term support and financial stimulus measures.

The Medium-Term Financial Plan (MTFP) forecasts reported to Executive during 2022/23 budget-setting set out the potential ongoing impact of the significant reduction in income from the parking service.

The Capital Programme 2022/23 to 2026/27 was approved in February 2022. No material changes to forecast expenditure or capital receipts were identified as a consequence of the pandemic, however some slippage occurred during the year due to various factors which are noted within the Capital Outturn section of this report.

In summary, the Council's Reserves are expected to remain sufficient to accommodate the residual financial impacts of the pandemic, but there will be a consequent requirement to rebuild Reserves over the medium term. There is therefore no immediate significant risk to the financial sustainability of the Council.

## **REIGATE & BANSTEAD BOROUGH COUNCIL**

We carry out a wide range of services and activities to benefit those who live in, work in, and visit the borough.

- Waste and recycling collection;
- Street cleaning;
- Council car parks and parking enforcement;
- Council green spaces and allotments;
- Housing register and homelessness services;
- Collection of local taxes and counter-fraud services;
- Cultural and community centres;
- Local Plan and planning applications;
- Community safety;
- Licensing and environmental health; and
- Community development and family support

During 2022/23 a typical (band D) household paid £242.46 a year to this borough for Council Tax - less than £5 per week, covering all services provided.

### **Our Plans**

Our corporate five-year plan (Reigate & Banstead 2025) sets out the Council's priorities for 2020-2025 and explains how we will focus our resources and deliver services to those living, working and spending time in the borough. It was developed taking account of the borough's

local characteristics, the needs of our residents and businesses, and the wider context in which we operate (for example, new and changing government legislation and regulation). We developed it in consultation with local councillors, residents, businesses and other organisations with an interest in what happens in the borough.

## **GOVERNANCE**

### **Political Leadership**

The political leadership of the Council during the financial year 2022/23 was through the Executive which consisted of the Leader, Deputy Leader and a further eight Portfolio holders. There were 15 wards and 45 Councillors representing the Borough. The political composition of the Council at 31 March 2023 was:

- 23 Conservative group members;
- 6 Residents' Association group members;
- 11 Green Party group members;
- 3 Liberal Democrat members;
- 1 Labour; and
- 1 Independent

### **Management Structure**

The management team comprises the Senior Management Team (Head of Paid Service, two Corporate Directors and a Strategic Head of Service) supported by 14 Heads of Service.

### **Council Employees**

At the end of 31 March 2023, the Council had 514 employees.

### **Governance Arrangements**

Member / officer relations are underpinned by a Protocol which form part of the Council's Constitution. Regular briefings between senior officers and Portfolio holders ensure that Executive members are up to date with developments, can discuss future reports and provide officers with political direction. Council strategies are member-led allowing officers to focus on operational delivery.

The Constitution is subject to regular review and the Monitoring Officer reports to Council each year if they consider that it requires revision.

Members other than Executive Portfolio holders sit on groups that consider key Council business. The Overview & Scrutiny Committee consider all reports with financial or budget

implications ahead of their debate at Executive. This Committee also has an important and defined role in the budget setting process and contributes to its formulation prior to consideration by Executive.

The Council has an established Audit Committee with responsibility for considering the Annual Governance Statement, risk and audit reports and approving the Annual Statement of Accounts.

Further details on the Council's governance arrangements can be found within the Annual Governance Statement published with these Accounts.

## **OPERATING MODEL AND PERFORMANCE**

### **Corporate Plan Achievements**

The Corporate Plan 2025 ensures that our work and resources have been directed towards the issues that matter the most to our residents whilst also ensuring that we fulfil our statutory responsibilities.

To ensure transparency, and to demonstrate the progress we are making, we report annually on the success measures set out in the Plan.

Some examples of key objectives within our corporate plan, which are contributing towards a sustainable council and borough for the future include:

**Climate Change** - the Corporate Plan commits us to operate in an environmentally responsible way. An Environmental Sustainability Strategy was adopted during 2020/21. It explains how we can help achieve positive change as an organisation and across the borough, working with residents, communities, businesses and other partners.

**Housing Delivery** - during 2019/20 a Housing Delivery Strategy was adopted and positive progress is now being made to implement it, supported by £18.866m in revenue reserves allocated for investment in new affordable housing schemes.

**Funding Our Services** – the Corporate Plan recognises that to be financially self-sustaining and continue to fund high quality services, we need to generate more income to fill the gap left from the removal of Government grant. The Council has adopted a Commercial Strategy which explains how we will embed more commercial ways of working to contribute to this objective.



## PERFORMANCE MANAGEMENT

The Council has an established Performance Management Framework. Key Performance Indicators (KPIs) are reviewed annually and monitored and reported to the Overview & Scrutiny Committee and Executive each quarter to ensure that policy objectives are achieved and that we focus on key priorities and those aspects that need to be monitored more closely, e.g. for service improvement purposes. Progress on the delivery of the Corporate Plan is reported annually to the Overview & Scrutiny Committee and the Executive.

The outturn performance against 2022/23 KPIs was reported to the June 2023 Executive meeting. Of the Key Performance Indicators reported, all were on target or within the agreed tolerance.

KPI ref	KPI definition	Outturn 2021/22	Target 2022/23	Outturn 2022/23
KPI 1	Council tax collection	97.9%	98.8%	98.6%
KPI 2	Business rates collection	99.8%	99.8%	99.8%
KPI 3	Staff turnover	Q1 7% Q2 7% Q3 9% Q4 11%	12%	Q1 10% Q2 16% Q3 18% Q4 19%
KPI 4	Staff sickness	Q1 3.21 days Q2 3.36 days Q3 3.56 days Q4 4.13 days	4 days	Q1 3.95 days Q2 3.22 days Q3 3.21 days Q4 3.82 days
KPI 5	The % of positive homelessness prevention and relief outcomes	Q1 74% Q2 79% Q3 68% Q4 58%	55%	Q1 62% Q2 63% Q3 72% Q4 59%
KPI 6	Net housing completions (cumulative)	Q1 112 Q2 283 Q3 513 Q4 704	Q1 115 Q2 230 Q3 345 Q4 460	Q1 142 Q2 252 Q3 465 Q4 613
KPI 7	Net affordable housing completions (cumulative)	Q1 15 Q2 24 Q3 78 Q4 118	Q1 25 Q2 50 Q3 75 Q4 100	Q1 34 Q2 51 Q3 87 Q4 93
KPI 8	Performance in LEQ surveys	Q1 90.0% Q2 100.0% Q3 100.0% Q4 98.7%	90% of sites at grade B and above	Q1 97% Q2 100% Q3 96% Q4 99%
KPI 9	Number of bins missed per 1,000 collected	Q1 1.32 Q2 1.08 Q3 1.13 Q4 1.24	10	Q1 1.06 Q2 1.14 Q3 0.94 Q4 1.03

KPI ref	KPI definition	Outturn 2021/22	Target 2022/23	Outturn 2022/23
KPI 10	% of household waste that is recycled and composted	Q1 56.9% Q2 58.3% Q3 54.0% Q4 53.4%	60%	Q1 55.8% Q2 53.9% Q3 55.0% Q4 Data not available
KPI 11	Number of visits to the Council's leisure centres	974,646	1,200,000	1,100,000

## Risk Management

The Council has a well-established process for managing risks to assist in the achievement of its objectives. The Risk Management Strategy is regularly reviewed, and a methodology is in place which is adopted each year by the Executive and reviewed by the Audit Committee. Strategic and Operational Risks are identified and assigned a lead officer; strategic risks also have a lead Executive Member. All risks are scored, and mitigating actions recorded. The Executive and Audit Committee receive quarterly updates on risk management. Additionally, key risks are outlined within Executive reports.

Financial risks are also detailed separately within the Revenue Budget, Capital Programme, Capital Investment Strategy and Medium-Term Financial Planning reports.

## RESOURCE ALLOCATION

The Council has consistently planned its finances on a medium to long term basis ensuring reserves are maintained at a level which supports financial sustainability while protecting services from reductions.

### Medium Term Financial Plan

The current Medium Term Financial Plan (MTFP) extends the financial planning horizon to March 2028. The MTFP was reported to Overview and Scrutiny (O&S) and Executive in July 2022 and was updated in November 2022 and January 2023 and supported the budget setting proposals for 2023/24.

The MTFP is the Council's key financial planning document. It defines the financial resources needed to deliver corporate objectives and priorities and covers the financial implications of other key strategies. It also enables us to carry out an early assessment of the financial implications of its approved policies and strategies as well as emerging external financial pressures.



## Achieving Financial Sustainability

We aim to achieve financial stability through a commercial and collaborative approach. The objectives of the MTFP are to help us:

- Provide a robust financial framework to assist decision-making processes;
- Manage council finances within the context of a forward-looking service & financial planning framework;
- Prioritise resources to align spending plans with our vision and strategic objectives and resident priorities;
- Recognise the ongoing funding challenges that will need to be addressed through changes to how services are delivered, realising new sources of income and delivery of cashable budget savings, or a combination of all three;
- Maintain council tax resource levels;
- Maintain a balanced budget and continue to strengthen that position;
- Maintain the General Fund reserve at a minimum of 15% of the annual net Revenue Budget to cover significant unforeseen expenditure;
- Maintain Earmarked Revenue Reserves for specific purposes, consistent with achieving our priorities and managing risks. The use of Earmarked Revenue Reserves will be in line with the Reserves Policy and will be reviewed annually;
- Help confirm the affordable level of capital investment required to support our strategic and financial priorities while remaining within prudential borrowing limits;
- Ensure that fees and charges are set at an appropriate level and that they take into account comparative levels of charge and ability to pay, in line with the Fees & Charges Policy;
- Demonstrate probity, prudence and strong financial control;
- Manage financial risks;
- Continually review budgets to ensure resources are targeted on key objectives;
- Continue to improve our approach to commissioning and procurement to ensure value for money for local taxpayers;
- Support new ways to ensure financial sustainability and maximise income to deliver our priorities. This includes the development of commercial projects to capture both revenue income and capital growth opportunities;
- Pursue opportunities for securing external funding; and
- Support opportunities for working in collaboration with partners where this will support our priorities and improve service value for money.

At January 2023, the MTFP forecasted a cumulative funding gap of £2.403 million in 2024/25 rising to £4.123 million over the lifetime of the MTFP (2022/23 to 2026/27) if no action was taken to address these pressures.

Medium Term Revenue Budget Forecast (As at January 2022)	Approved Budget 2021/22 £m	Forecast Budget 2022/23 £m	Forecast Budget 2023/24 £m	Forecast Budget 2024/25 £m	Forecast Budget 2025/26 £m	Forecast Budget 2026/27 £m
<b>Forecast gap</b>	<b>Balanced</b>	<b>Balanced</b>	<b>2.403</b>	<b>2.633</b>	<b>3.373</b>	<b>4.123</b>
Annual increase in gap	-	<b>Balanced</b>	2.403	0.230	0.740	0.750
Gap as % of 2022/23 budget requirement	-	n/a	13.8%	15.1%	19.4%	23.7%

Financial planning for both revenue and capital expenditure is integrated with Treasury Management as part of the annual budget setting process. We have adopted a strategic and integrated approach to asset management with an Officer Board and the Partner, Shareholder and Trustee Executive Sub-Committee overseeing the delivery of the Commercial Strategy.

Factors that will impact the Council’s financial sustainability over the medium term include:

- Economic conditions. The impact of the economic cycle will need to be considered particularly in relation to business growth, inflationary pressures, and interest rate movements. The impact of changes and any impact on public finances will need to be fully evaluated on the financial model;
- Legacy impacts of the COVID-19 Pandemic;
- Government Finance Legislation. There are key pieces of government legislation which will impact upon the future financial position of the Council. In particular the impact of the localisation of business rates and any additional responsibilities will need to be fully evaluated as well as the Government’s current Fair Funding Review of local Government finance;
- Other Government Legislation. There are a significant number of political initiatives particularly in relation to localisation and the role of local government. These will need to be assessed for their relevance to Reigate and Banstead and the impact on future finances;
- Buoyancy of Income Streams. These will be sensitive to changes in consumer confidence and the economy so will need to be closely monitored;
- Strategic Investments: We are looking to continue to pursue developments that produce financial returns while at the same time supporting the delivery of housing and regeneration priorities;
- Commercial Ventures: We will seek to take advantage of commercial opportunities wherever possible to cover costs and to review our fees and charges in order to

maximise income in line with corporate objectives. Commercial opportunities will be pursued in line with the guiding principles set out in the Commercial Strategy;

- A Financial Review of the historic budget outturn position and of our base budget to ensure maximum value is obtained from those resources already allocated – effectively to ensure financial discipline and good housekeeping are maintained;
- Using Reserves in a sustainable and prudent manner to support our strategies and priorities. This will be supported by the Reserves Policy. It is recognised that reserves can only be used on a ‘one off’ basis. However, they can play an important part in supporting initiatives or investments which can deliver future benefits;
- To maintain the Council’s financial standing, it is important that it continues its proactive approach to Service & Financial Planning and ensures that budget plans are deliverable and that investments are focussed on securing our financial health; and
- Continuing to monitor any potential financial impacts of new legislation.

## Financial Management

The objectives of the Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Management Code are “*to support good practice in financial management and to assist Local Authorities in demonstrating their financial sustainability*”. The Code is based upon a series of principles which are supported by specific standards of practice which CIPFA considers necessary for a strong foundation and builds upon the success of the CIPFA Prudential Code.

Work has been undertaken to review the Council’s compliance with this Code and this exercise has continued. An Action Plan has been prepared which continues to be progressed to ensure that the identified improvements are introduced, and that the wider organisation embraces the recommendations of the Code.

## Treasury Management

The importance of Treasury Management cannot be understated. As a key component of the of the Council’s operations, its main functions are:

- **Cash Flow Planning** - ensuring cash is available when needed and investing surplus balances in a low-risk way;
- **Funding Capital Plans** - the Capital Programme requires longer-term cash flow planning. This may involve arranging loans or using cash flow surpluses;
- **Borrowing** - at 31 March 2023 the Council had short-term borrowing of £7m; and
- **Investing** - at 31 March 2023 the Council had £7m of cash investments.

Cash flows can come from a variety of sources and are split between revenue, those that can fund day to day service provision, and capital which relates to investment in non-current assets such as buildings and vehicles.

The Council's Treasury Management Strategy contains a detailed examination of key treasury issues for the year ahead including the Investment and Borrowing strategies and Treasury Indicators. For 2022/23 the Strategy was approved by Council in April 2022. Treasury Management Performance is then reported to Executive and Council with further detailed reviews undertaken by the Audit Committee.

The Council's Treasury Investment Strategy sets the target for the benchmark average rate of return on Council investments. This pursuit of a target rate of return, is however balanced with the need to maintain sufficient cash reserves to operate on a day-to-day basis and the additional requirement that funds are invested with secure institutions.

The Treasury Management Strategy includes the Council's Minimum Revenue Provision (MRP) Policy Statement for 2022/23. This Policy requires the Council to set aside a prudent amount in order to fund the repayment of debt where the Council has borrowed to finance capital expenditure. The MRP Policy is set in line with Department for Levelling-Up, Housing, Communities and Local Government (DLUHC) guidance.

## **Capital Investment Strategy**

The Capital Investment Strategy was updated and approved by Council in July 2022. The purpose of the Strategy is to:

- Demonstrate how the Council's capital expenditure plans contribute to the achievement of corporate priorities;
- Confirm how the Council will ensure that the Capital Programme is affordable and sustainable;
- Describe the framework for decision-making and prioritisation relating to capital expenditure; and
- Set out the approach to evaluating and monitoring asset utilisation.

It is intended to be read in combination with the Treasury Management Strategy.

The Strategy covers:

- How the Council's capital investment plans will support delivery of corporate priorities and key strategies – including the Corporate Plan and Housing Delivery Strategy;
- How capital investment options are evaluated – to demonstrate effective governance, robust decision-making and compliance with new regulations and guidance;



- How the Council plans to achieve a balance between capital investment to support service delivery and investments that deliver a financial return to support the budget;
- How the Council's capital expenditure plans contribute to the achievement of corporate priorities;
- Confirm how the Council will ensure that the Capital Programme is affordable and sustainable;
- Describe the framework for decision-making and prioritisation relating to capital expenditure; and
- Set out the approach to evaluating and monitoring asset utilisation.

The Strategy is reviewed on an annual basis as part of service and financial planning.

### **Revenue Budget & Capital Programme**

The Draft Revenue Budget is considered by the Executive annually during the autumn along with initial Capital Programme proposals. Budgets are prepared with reference to Medium-Term Financial Plan forecasts and are the outcome of work by Senior Management Team and Heads of Service, supported by Finance and in consultation with Portfolio holders, to identify Revenue and Capital budget growth and savings proposals to be considered by Members in setting a balanced budget. This approach has enabled us to arrive at a sustainable budget position focused on Corporate Plan objectives.

A balanced Revenue budget was set for both 2022/23 and 2023/24. The outturn position for 2022/23 is set out below, in the financial performance section of this report.

### **Financial Monitoring**

We have a strong track record of managing spending within approved resources. Budget Managers are responsible for submitting projections against the agreed budget each quarter. This information is reviewed by Finance and reports are prepared to ensure all levels of the organisation (Managers through to Members) have a clear understanding of the financial position throughout the year. The information is shared on a regular basis with Directors and Heads of Service and is then reported to Overview & Scrutiny and Executive each quarter.

## FINANCIAL PERFORMANCE

### Revenue Budget Outturn

In February 2022 the Council approved a net Revenue Budget for 2022/23 of £19.980million.

Revenue Budget 2022/23	Approved Budget £m
<b>ORGANISATION</b>	
Communications / Customer Service	1.086
Finance	1.327
ICT	1.767
Organisational Development & HR	0.786
Corporate Policy, Projects & Performance (including Environmental Sustainability)	0.432
Legal & Governance	2.243
Property / Commercial	(1.232)
<b>PLACE</b>	
Economic Prosperity	0.274
Neighbourhood Operations	4.997
Place Delivery	0.355
Planning	0.653
<b>PEOPLE</b>	
Community Development	1.197
Housing	0.999
Revenue, Benefits & Fraud	0.718
Wellbeing & Intervention	0.484
Senior Management Team	0.939
<b>Total service budgets</b>	<b>17.025</b>
Central Budgets	2.955
<b>Net expenditure before employer past pension contribution</b>	<b>19.980</b>
Council Tax	15.222
National Non-Domestic Rates (NNDR)	1.710
Non- ringfenced Grants	1.271
Contributions from Earmarked Reserves	1.565
Use of funds from the General Fund Balance to support the Revenue Budget	0.212
<b>Net sources of income</b>	<b>19.980</b>

The final outturn for Service budgets and central budgets at the end of March 2023 was £18.313 million, (0.98%) lower than the management budget. The overall outturn, including Central Items, was £1.748 million (92.4%) lower than budget.





Revenue Budget Outturn 2022/23					
	Original Budget £m	In-Year Budget Adjustments £m	Management Budget £m	Year End Outturn £m	Year End Variance £m
Service budgets	18.023	(0.043)	17.980	18.156	0.176
Central Budgets	1.957	0.124	2.082	0.157	(1.924)
<b>Net expenditure</b>	<b>19.980</b>	<b>0.081</b>	<b>20.062</b>	<b>18.313</b>	<b>(1.748)</b>
Contributions to General Fund Balance / Earmarked Reserves					<b>1.748</b>
<b>Net outturn position</b>					<b>-</b>

The most significant Revenue Budget variances for the year are summarised below:

### Organisation:

- Property & Facilities - £0.419 million overspend due to lower than budgeted rental income and higher rates and property maintenance costs;
- Property & Facilities Energy Costs - £0.393 million overspend due to higher costs of electricity and gas;
- Legal Services - £0.158 million underspend due to vacancies.

### Place:

- Refuse & Recycling - £0.702 million underspend due to increased income from a higher volume of garden waste subscriptions & lower waste disposal costs;
- Car Parking - £0.352 million underspend due to higher-than-expected income from pay & display car parks;
- Environmental Health & JET – £0.140 million underspend due to successful court actions against landlords and higher income from EV charging points.

### People:

- Revenues, Benefits & Fraud - £0.833 million overspend due to net impact of lower subsidy and higher Housing Benefit costs partially offset by lower net staff costs and higher fees & charges income;
- Harlequin - £0.147 million underspend driven by higher income from amateur shows and lower staff costs due to vacancies.

## Senior Management Team

- £0.124m underspend driven by lower than budgeted costs as a result of a team restructure.

The service & financial planning process for 2023/24 will include an assessment of whether any budgets require realignment to reflect historic outturn trends.

## Central Budgets

The 2022/23 Original Budget for Central budgets approved by Council in February 2022 was £1.957m.

At 31 March the outturn was £0.157m against a management budget of £2.082m resulting in an underspend of £1.924m (92.4%).

This underspend is mainly as a result of lower treasury Management cost and a lower Minimum Revenue provision requirement (MRP).

## Revenue Budget Carry-Forwards

Revenue budgets are approved on an annual basis and there is no automatic carry over of unused budgets into the following year. However, circumstances sometimes arise beyond the control of the budget manager, where expenditure slips from the planned year to the next or funding has been received that could not be spend and needs to be carried forward for use in the next year.

The mechanism to achieve the carry-forward is to seek approval from Executive to agree to increase the previously approved service budgets for 2023/24, funded from the relevant budget underspend in 2022/23.

## Reserves

Earmarked Reserves are created by appropriating amounts from the General Fund Balance in the Movement in Reserves Statement. They are set aside to fund future policy delivery or to cover MTFP contingencies.

Where expenditure has been incurred which is to be financed from an earmarked reserve, the expenditure is charged to the relevant service within the Surplus or Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement.

The table below provides a summary of Reserves at 31 March 2023: see note 15 for further details.



Reserve Balances At 31 March 2023	Balance £m
<b>General fund balance</b>	3.500
Earmarked revenue reserves	28.590
<b>Total reserves at 31 March 2023</b>	<b>32.090</b>

## Collection Fund Outturn

The 2022/23 Budget included a forecast for income receipts from Council Tax and Business Rates. The outturn position is summarised in the table below.

Collection Fund Receipts 2022/23	Budget £m	Actual at 31.3.23 £m	Variance £m
Council Tax	15.222	14.992	(0.230)
Business Rates	1.710	0.290	(1.420)
<b>Net (deficit)/call on reserves</b>	<b>16.932</b>	<b>15.282</b>	<b>(1.650)</b>

The net deficit of £1.650m will be a call on Reserves at year-end. It reflects this Council's share of the historic brought-forward deficit on the business rates element of the Collection Fund that to be funded from Earmarked Reserve.

## Capital Programme Outturn

The table below summarises 2022/23 capital expenditure and how it was funded:

Capital Expenditure & Funding 2022/23	£m
Organisation	1.330
Place	17.174
People	2.173
<b>Corporate</b>	<b>0.813</b>
<b>Total</b>	<b>21.490</b>



Financed by:	£m
Capital Receipts	0.546
Grants & Other contributions	3.879
Council Resources	0.213
Borrowing	16.852
<b>Total</b>	<b>21.490</b>

The capital programme outturn for 2022/23 set out below.

Capital Outturn 2022/23	Original Capital Budget £m	Revised Capital Budget £m	Outturn £m	Variance £m
Organisation	2.107	9.076	<b>1.330</b>	(7.746)
Place	16.742	27.185	<b>17.174</b>	(10.011)
People	11.434	39.884	<b>2.173</b>	(37.711)
Corporate Capital Budget	-	0.813	<b>0.813</b>	-
<b>Total</b>	<b>30.283</b>	<b>76.958</b>	<b>21.490</b>	<b>(55.468)</b>

At 31 March 2023, the Capital Programme budget was £76.958m (including £36.980m of approved carry-forward capital allocations from 2021/22).

Full year expenditure against the Capital Programme at the end of Quarter 4 is £21.490m which is £55.470m (72%) below the approved Programme for the year. The variance is predominantly a result of slippage with a small net underspend.

The slippage is mainly due to:

- £30.000m against the Housing Delivery Strategy capital allocation;
- £6.95m against Temporary & Emergency Housing purchases (including LAHF round 1);
- £6.460m against the rolling property programme;
- £5.600m against the planned spend on the Marketfield Way development.

The net underspend is mainly as a result of:

- £0.100m underspend on the Vibrant Towns and Villages programme.

## **Council Investments – Interest in other Entities**

The Council held investments in two subsidiaries, a joint venture, and an associate during the year over which it had control or significant influence.

- Pathway for Care Limited - associate providing supported living care and accommodation to clients. The Council holds 10% ordinary and £1.100m of preference shares;
- Horley Business Park Development LLP - joint venture to promote the borough as a place to do business, securing resources to maintain and improve business related infrastructure and to create new jobs for our residents;
- Greensand Holdings Limited - wholly-owned subsidiary holding property for commercial income and regeneration purposes; and
- RBBC Limited - a dormant company.



## OUR PLANS

Looking to the future, the Corporate Plan, Reigate & Banstead 2025, sets out our priorities for the next five years, and how we will deliver services to those living, working and spending time in the borough. The Plan was developed looking at local evidence, resident feedback, and what has changed and is likely to change in the borough in the five years. We will continue to report on the progress against the Plan.

Some examples of our strategic plans which contribute towards a sustainable future include:

Climate Change	The Corporate Plan commits us to operate in an environmentally responsible way. An Environmental Sustainability Strategy was adopted during 2021/22. It explains how we can help achieve positive change across the borough, working with residents, communities, businesses and other partners.
Housing Delivery	Our Housing Delivery Strategy was adopted in 2019/20 and is now progressing to implementation over the next three years, supported by £18.866million of capital resources allocated for investment in new affordable housing schemes.
Regeneration	Recent activities have included continuing work on site at Marketfield Way which will help us to bring forward its mixed-use leisure scheme in Redhill town centre. Work was also in progress on the Cromwell Road and Pitwood Park housing schemes and improvements to Horley Town centre.



## STATEMENT OF ACCOUNTS

The Council's Finance Team aims to prepare the Statement of Accounts to the highest standards and in accordance with the guidance for local authorities in the UK. The Statement of Accounts provides information so that members of the public, residents of the borough, Council Members, partners, stakeholders, and other interested parties can have:

- A full and understandable explanation of the overarching financial position of the Council and the outturn for 2022/23;
- Confidence that the public money with which the Council has been entrusted has been used and accounted for in an appropriate manner; and
- Assurance that the financial position of the Council is sound and secure.

It is important to note that due to the impacts of the COVID-19 pandemic the statutory date for draft accounts to be published was extended by two months during the financial years 2020/21 & 2021/22 from 31 May to 31 July.

During this time and since, the local government sector as a whole has experienced significant delays in obtaining external audit opinions leaving many local authorities with several years of accounts outstanding for audit.

The Government is to address the external audit back log by implementing a 'back stop' which involves clearing the back log of historical audit opinions, up to and including the financial year 2022/23, by September 2024. However, it remains to be confirmed whether this date is achievable given the resources required from external audit firms and the additional pressures it places on local authority finance team capacity.

For 2022/23, the statutory deadline for publication of draft accounts has reverted to 31 May 2023.

The Accounts were published in draft and submitted to the external auditor on 10 June 2024, which is later than the deadline, however this enabled the finance team to address historical challenges around fixed asset register records and delays in unaudited previous years Financial Statements.

The Financial Service team strives to continuously improve its procedures and processes and we have taken on board the recommendations made by the External Auditor as part of previous years' audits.



## **Basis of Preparation and Presentation of the Accounts**

The Council prepares its Statement of Accounts on a going concern basis, on the assumption that it will continue in existence into the foreseeable future. Disclosures are included within the Statement of Accounts based on an assessment of their materiality. A disclosure is considered material if through an omission or a misstatement, the decisions made by users of the accounts would be influenced. This could be due to the value or the nature of the disclosure.

The Council considers disclosures against an internally calculated materiality threshold. When items of income or expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending how significant the items are to the authority's financial performance.

The assessment of materiality also influences the Council's decision to produce Group Accounts. Each year the Council makes an assessment of the entities it exerts control or significant influence over to identify which fall within the group boundary. If the value of transactions for the group as a whole is material, Group Accounts are produced.

## **Compliance with Guidance**

The Council has followed the guidance in the CIPFA Code of Practice on Local Authority Accounting (2022/23) and the CIPFA Bulletin 14 Closure of the Accounts 2022/23, to produce its 2022/23 Statement of Accounts. There has been no divergence from this guidance in preparing the 2022/23 Statement of Accounts.

## **Explanation of the Statements in the Accounts**

The Accounts and Audit Regulations 2015 (Revised) requires the Council to produce a Statement of Accounts for each financial year that includes specified information. The Accounts cover several key elements which are explained below.

**Statement of Responsibilities** - sets out the respective responsibilities of the Council, the Audit Committee and the Chief Finance Officer.

**Auditor's Report** - includes the auditor's opinion on the Statement of Accounts and assesses the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.





## Core Financial Statements

- **Comprehensive Income & Expenditure Statement (CIES)** - reports the cost of providing services in the year in accordance with International Financial Reporting Standards. The top part of the CIES provides an analysis by service and reflects the Council's local reporting format. The bottom half of the CIES covers corporate transactions and funding.
- **Movement in Reserves Statement** – a summary of the changes to the Council's reserves over the course of the year. Reserves are divided into 'useable', which can be invested in capital projects or service improvements, and 'unusable' which must be set aside for specific purposes.
- **Balance Sheet** - reports the value of the Council's assets, liabilities and reserves at a point in time.
- **Cash Flow Statement** - sets out changes in the Council's cash and cash equivalents during the year and quantifies the movements in balances attributable to day to day running of the Council (operating activities), investing activities or financing activities.
- **Collection Fund Statement** - records the transactions of the billing authority in relation to the collection from taxpayers of council tax and business rates and its distribution to precepting bodies. For Reigate & Banstead, council tax precepts are payable to Surrey County Council and for the Surrey Police and Crime Commissioner.
- **Group Accounts** - report the group position of the Council and its material subsidiaries. The Council considers the Group Statements to be of equal prominence to the single entity statements.

## FURTHER INFORMATION

Further information on this report may be obtained from the Chief Finance Officer at the Town Hall, Castlefield Road, Reigate, RH2 0SH.

On completion of the audit, a copy of the Statement of Accounts will be published on the Council's website at [www.reigate-banstead.gov.uk](http://www.reigate-banstead.gov.uk)

**Pat Main, CPFA**

**Chief Finance Officer**

## DRAFT ANNUAL GOVERNANCE STATEMENT

### SCOPE OF RESPONSIBILITY

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

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

This Council is committed to planning and delivering services to the residents of the borough in a way that demonstrates accountability, transparency, effectiveness, integrity and inclusivity.

The Council's Code of Corporate Governance outlines our governance principles:

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

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and provides value for money. It also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. That duty has grown in importance with the reduction in resources being made available for local government over recent years.

This Annual Governance Statement sets out how the Council has complied with the Code and also meets the Accounts and Audit (Amendment) Regulations 2022 which have revised the Accounts and Audit Regulations (England and Wales) 2015 this year.

In discharging this responsibility, the Council has put in place proper arrangements for the governance of its affairs, which include arrangements for the management of risk, whilst facilitating the effective exercise of its functions.

It has established governance arrangements which are consistent with the seven principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) Framework - Delivering Good Governance in Local Government.

It has adopted a Local Code of Corporate Governance which was refreshed during 2022/23 and is publicised on the Council's [website](#).

During 2019/20 the Councillor Code of Conduct was also reviewed and agreed by the Governance Task Group in March 2020, and subsequently approved by Council in July. A copy is available on the Council's [website](#).

These arrangements are supported by the Council's Risk Management Strategy which is also available on the [website](#).

## PURPOSE

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

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

## GOVERNANCE FRAMEWORK

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

These are summarised below:

- The Council's Corporate Plan and other documents contained in the Policy and Budget Framework set out priorities and intended outcomes for residents and service users.
- In December 2019 the [Corporate Plan](#) was adopted. The Corporate Plan is supported by supplementary strategies, including:
  - Housing Delivery Strategy (adopted December 2019);
  - Environmental Sustainability Strategy (adopted August 2020);
  - Commercial Strategy Part 1 (adopted November 2020) and Part 2 (adopted December 2021); and
  - IT Strategy (adopted March 2022);



- The Executive, Committees and Panels have been established to ensure democratic engagement and accountability and are central to our decision-making;
- The arrangements for oversight and scrutiny of decisions and policy development by Councillors;
- The Partner, Shareholder and Trustee Executive Sub-Committee whose terms of reference include:
  - To ensure compliance with and further each of the Charities' charitable objects, trust deeds and associated public benefit; including an annual review;
  - To ensure the completion and submission of Charity Annual Account returns and the Charity Annual Trustee Report to the Charity Commission;
  - To arrange a Trustee meeting to agree the accounts and Trustee's Annual Report within two months of the financial year ending;
  - To comply with best practice (Statement of Recommended Practice, SORP) to produce annual accounts and a report that includes an explanation of what the charity has done for the public benefit during the year;
  - To make strategic decisions including approving annual business plans, management agreements and leases;
  - To annually review the purposes of the Charities and make any required applications to amend the Charities' governing documents to support effective management of the Charities;
  - To approve and adopt a conflict of interest policy;
  - To approve disposals (leases, licences) in accordance with S117 of the 2011 Charities Act 2011 including:
    - To consult the public on the disposal of charity property where required to do so;
    - Issue public notices regarding proposed disposal of charity property where required to do so.
  - To approve the formation of management companies where considered to be a suitable mechanism for managing a charity. This could include the charity becoming a member of a management company where suitable to do so;
  - Consider and take decisions about the potential establishment of commercial ventures and the undertaking of other investment activities by the Council;
  - Exercise the function of the Council as a shareholder or partner, in relation to companies, partnerships or other commercial entities owned or part owned by the Council;
- The Audit Committee whose terms of reference during the year included:
  - Oversight of internal audit and governance, including risk management;
  - Oversight of treasury management performance;
  - Approval of the audited statement of accounts and external auditor's report; and
  - To report annually on Audit Committee activities to the Council.



- Delegation and authorisation arrangements which document the roles and responsibilities of Executive and non-Executive councillors and our statutory (and other senior) officer functions;
- Risk, performance and accountability arrangements that measure the quality of services - ensuring they are delivered in accordance with our objectives and that they represent the best use of resources. Commercial decisions are subject to a due diligence process and risk analysis;
- Business plans and associated resource plans, role profiles, organisation vision, values and behaviours and codes of conduct which underpin how Members and employees work;
- Arrangements for consultation and engagement with the community;
- Independent internal audit service arrangements which provide risk-based assurance as well as supporting wider audit requirements;
- Independent oversight and challenge provided by our external auditors, the Information Commissioner, Freedom of Information (Act 2000) requests for information, General Data Protection Regulations and the Local Government and Social Care Ombudsman, Housing Ombudsman; and
- Procedures and internal management processes for:
  - Financial management;
  - Procurement and contract management;
  - Project management;
  - Risk Management;
  - Information governance & data security;
  - Health & safety;
  - Decision making;
  - Whistleblowing;
  - Complaints handling; and
  - Anti-fraud & corruption.

## REVIEW OF EFFECTIVENESS

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

This includes considering decisions taken and matters considered by full Council, the Executive, the Management Team, the Overview & Scrutiny Committee, the Audit Committee, internal audits, work undertaken by the external auditor and the annual report of the Local Government and Social Care Ombudsman and Housing Ombudsman.



## **SELF-ASSESSMENT**

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

An internal audit review of our approach to Decision Making & Accountability was undertaken in 2019/20 and 2022/23. The latter review concluded with 'reasonable' assurance, with two management actions arising. One action has been completed, whilst another concerning the creation of a detailed employee code of conduct is in progress. In 2021/22 the Council's approach to compiling the Annual Governance Statement was also audited, with 'substantial' assurance received. Furthermore, the actions identified when the Council's approach to risk management was audited in 2020/21 were completed as part of the update to the risk management strategy, which was approved by Full Council in March 2023.

Each quarter Audit Committee and Executive Members review the Council's strategic risk register, as well as any 'red' rated operational risks.

The Audit Committee also annually reviews the Council's Code of Corporate Governance, which sets out how the Council adheres to the seven principles of good governance within CIPFA and SOLACE's framework for delivering good governance in local government.

## **FINANCIAL PLANNING AND MANAGEMENT**

The Medium-Term Financial Plan (MTFP) and Capital Investment Strategy were updated during the year and provide a framework within which budget and investment decisions can be assessed. The MTFP also includes a summary section that demonstrates compliance with the CIPFA FM Code. A key goal of the Code is to improve the financial resilience of organisations by embedding enhanced standards of financial management. There are clear links between the Financial Management Code and the Governance Framework, particularly with its focus on achieving sustainable outcomes.

An assessment has been conducted of this Council's compliance with the principles of the Financial Management Code and areas for development are being addressed, primarily with regard to further development of the approach taken to preparation of the annual Statement of Accounts and MTFP forecasts.

The Chief Finance Officer has continued to ensure that effective budget monitoring and reporting arrangements, involving the Management Team, Executive and Overview & Scrutiny Committee and the Corporate Governance Group have remained in place.

The Overview & Scrutiny Committee (and its Budget Scrutiny Panel) reviewed 2023/24 budget proposals in depth as part of the budget preparation process in late Autumn 2022.



The Committee concluded that the Council had a well-planned and effective budget for 2023/24.

## ACCOUNTABILITY

We have reviewed the Constitution to reflect legislative changes particularly in relation to procurement. We also continue to review the Scheme of Delegation for the Council and Executive responsibilities to reflect various legislative and organisational changes. The Scheme of Delegation and Finance Procedure Rules were reviewed and updated versions were approved by Council in December 2021 and further minor changes were made to the Scheme of Delegation in December 2022.

The Audit Committee has agreed the Audit Plan and is scheduled to receive an end of year report from Internal Audit.

## CONDUCT

The Standards Committee has operated in accordance with our published local arrangements, supported by the Monitoring Officer.

The Council has a locally adopted Code of Conduct and all Councillors are given training regarding the conduct requirements. The latest Code of Conduct was approved by Council in July 2020 and incorporated voluntary adoption of the Committee on Standards in Public Life's Ethical Standards report (2019) recommendations [Link](#)

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

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

## DECISION-MAKING

Our decision-making arrangements are one of our significant governance controls, linking to all of the governance principles that are set out in our Code of Corporate Governance. We

continue to review these key principles on an ongoing basis and will recommend consideration of changes to reflect new working arrangements as identified.

Positive assurances have been given by Directors, Heads of Service and by the Statutory Officers on risk management activities. Where operational risks were noted, action is being taken to address them.

## **SKILLS AND CAPACITY**

Prior to the COVID-19 pandemic, Management Team and the Employment Committee developed and agreed an Organisational Development (OD) Strategy which sets out the approach required to help ensure officers are engaged and committed to deliver the Council's priorities and services. Planned implementation of the Strategy action plan was deferred due to the pandemic.

The OD approach has been reviewed during 2022/23 which included an assessment of the organisational impacts of the pandemic on how we work and our organisation vision.

In the latter part of 2022/23, a now-combined OD & HR Strategy was drafted, with senior officer and Portfolio Holder / Member engagement commencing at the start of the 2023/24 municipal year.

The strategy is focused on five themes:

- 1) Financial sustainability & workforce planning
- 2) Performance & reward
- 3) Operational excellence
- 4) Culture, engagement, equality, diversity & inclusion
- 5) Effective use of data

Ensuring that our workforce has the skills, capability and capacity to meet the challenges facing the Council remains a priority and is captured under theme 1 above.

A combination of staff feedback methods are used (e.g. pulse surveys, detailed employee surveys and data gathering through team meetings) to provide quantitative and qualitative data to help inform how we develop, target and refresh the Council's approach to organisational development (theme 4 above). Feedback from staff will be sought in the first half of 2023/24 to help determine a baseline of views on the organisation and ultimately how engaged staff currently feel at work.

An induction and Member Learning and Development programme is in place for new and returning Councillors. This includes briefings on the requirements of the Member Code of Conduct, Data Protection Data Protection, communications protocol and Council finances



and is followed up with skills training for regulatory functions before Members take up places on the Planning, Licensing and Regulatory Committees. Tailored training is also provided to members of the Employment and Audit Committees. A variety of other learning events are arranged during the year to ensure that Councillors are briefed on new initiatives and legislative changes.

## ENGAGEMENT

Statutory and non-statutory consultation and engagement had taken place with local people and other stakeholders on a range of issues during the year to inform the plans and decisions taken by the Council. We regularly review our approach to engagement, to broaden the types of engagement undertaken and to improve use of digital channels. This is balanced with the needs of non-digital audience, to maximise our reach.

## INDEPENDENT REVIEW

The Chief Internal Auditor provides independent assurance on the adequacy and effectiveness of the system of internal financial control. The Internal Audit Annual Report for 2022/23 included the following conclusion:

*"I am satisfied that sufficient assurance work has been carried out to allow me to form a reasonable conclusion on the adequacy and effectiveness of the internal control environment.*

*In my opinion, frameworks of governance, risk management and control are 'Reasonable' and audit testing has demonstrated controls to be working in practice.*

*Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement."*

Southern Internal Audit Partnership, June 2023

Internal audit reviews undertaken in 2022/23 that were assessed as providing 'reasonable' or better assurance included: Decision Making & Accountability, Business Continuity, IT Database Management, Economic Prosperity, and Environmental Sustainability.

The ISA260 Report (from our external auditors - Deloitte LLP) summarises the finding of the audit of the Council each year. As the audit of the Council's 2020/21 and 2021/22 has not been completed; the Council and the external auditors have not agreed the audit findings.



## **ANNUAL REVIEW OF THE SYSTEM OF INTERNAL CONTROL**

An annual review has been conducted in compliance with the Regulations that govern preparation of the Annual Governance Statement. The purpose of the review was to consider the effectiveness of the system and provide the evidence to support it. During 2021/22 internal audit audited the approach taken to preparing the Annual Governance Statement and concluded that there was 'substantial assurance' that it meets the required standard.

Our approach to the review has been risk-based and it has been conducted on a continuous basis throughout the year. Risk registers have been subject to regular review and requests for additional audit assurance have been targeted at those areas impacted by the pandemic or where risks have increased as a consequence of it.

## **SIGNIFICANT GOVERNANCE ISSUES**

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

The governance matters worthy of specific mention are:

- The Statement of Accounts for 2020/21 was published in March 2022 the external audit is in progress but has not yet been finalised for approval by Audit Committee;
- The Statement of Accounts for 2021/22 was scheduled to be published in July 2023 and the audit is expected to commence by late summer 2023;
- The Statement of Accounts for 2022/23 is scheduled to be published in autumn 2023.

An extended timescale was agreed with the external auditor for publication and auditing of these accounts to allow time for completion of agreed actions by the Finance team to address historic shortcomings in the financial fixed asset register.

These issues do not call into question the accuracy of asset values in the accounts but they do give rise to significant challenges for the Finance team when assembling the supporting asset records and audit trail. It was therefore agreed that additional capacity and time would be dedicated to remedying these issues as part of end of year work.

- During the year the authority has resolved the issues that were raised in the 2021/22 Annual Governance Statement relating to a commercial joint venture.



- During the year work has commenced to address issues that have arisen with regard to the authority's investment in a second commercial entity. This activity is overseen by the statutory officers under the direction of the Partner, Shareholder and Trustee Committee and with support from external legal, financial and commercial advisors.

## SUMMARY

The Council has in place strong governance arrangements which protect its interests and provide necessary assurances to our residents and stakeholders. We are committed to continuing to review and develop the supporting arrangements and take action as necessary to ensure this continues.

.....

**Councillor Richard Biggs**

Leader of the Council

Date: 1 July 2023

.....

**Mari Roberts-Wood**

Managing Director

Date: 1 July 2023

## STATEMENT OF RESPONSIBILITIES

This statement is given in respect of the Statement of Accounts 2022/23.

### COUNCIL RESPONSIBILITIES

The Council is required to:

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

### CHIEF FINANCE OFFICER RESPONSIBILITIES

The Chief Finance Officer is responsible for the preparation of the Statement of Accounts (which includes the financial statements) in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ('the Code').

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

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the code;
- Kept proper accounting records which were up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

## **CERTIFICATION OF ACCOUNTS**

I confirm that the Statement of Accounts gives a true and fair view of the financial position of Reigate & Banstead Borough Council at 31st March 2023 and its income and expenditure for the year then ended.

Signed:

**Pat Main, CPFA**

**Chief Finance Officer**

Date: 10 June 2024

## **APPROVAL OF ACCOUNTS**

In accordance with the Accounts and Audit Regulations 2015, I certify that the Statement of Accounts was approved by the Audit Committee on [date TBC]

Signed:

**Chair, Audit Committee**

Date: [TBC]



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF REIGATE  
AND BANSTEAD BOROUGH COUNCIL**

[TO BE INSERTED FOLLOWING COMPLETION OF THE AUDIT]

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost of providing services, rather than the amount to be funded from taxation.

Comprehensive Income & Expenditure Statement	2021/22			2022/23		
	Gross Expenditure £000's	Gross Income £000's	Net Expenditure £000's	Gross Expenditure £000's	Gross Income £000's	Net Expenditure £000's
Organisation	27,458	(3,244)	24,214	20,641	(2,706)	17,935
Place	21,476	(8,417)	13,059	20,824	(8,717)	12,107
People	37,507	(31,818)	5,689	39,442	(31,376)	8,066
Senior Management	1,121	(8)	1,113	1,047	-	1,047
Central Items	6,888	(1,897)	4,991	4,908	(2,230)	2,678
<b>Cost of services</b>	<b>94,450</b>	<b>(45,384)</b>	<b>49,066</b>	<b>86,862</b>	<b>(45,029)</b>	<b>42,833</b>
Other operating expenditure (note 3)	470	(4,270)	(3,800)	507	(509)	(2)
Financing and investment income and expenditure (note 4)	5,502	(3,366)	2,136	6,567	(4,206)	2,361
Taxation and non-specific grant income and expenditure (note 5)	22,364	(47,061)	(24,697)	27,509	(58,852)	(31,343)
<b>Deficit or (surplus) on provision of services</b>	<b>122,786</b>	<b>(100,081)</b>	<b>22,705</b>	<b>121,445</b>	<b>(108,596)</b>	<b>12,849</b>
(Surplus) or deficit on revaluation of property, plant and equipment assets			(17,248)			(9,351)
Remeasurement of the net defined benefit liability/(asset)			(18,880)			(63,829)
Other comprehensive income and expenditure			<b>(36,128)</b>			<b>(73,180)</b>
<b>Total comprehensive income and expenditure</b>			<b>(13,423)</b>			<b>(60,331)</b>

## MOVEMENT IN RESERVES STATEMENT

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

Movement in Reserves Statement 2022/23	General Fund & Earmarked Reserves Balance £000's	Capital Receipts Reserve £000's	Capital Grants Unapplied Account £000's	Total Usable Reserves £000's	Total Unusable Reserves £000's	Total Reserves £000's
<b>Balance at 31 March</b>	(40,460)	(8,648)	(28,642)	(77,750)	(83,111)	(160,861)
<b>Movement in reserves during 2022/23</b>						
Total comprehensive income and expenditure	12,849	-	-	12,849	(73,180)	(60,331)
Adjustments between accounting basis and funding basis under regulations (note 14)	(4,479)	(537)	(4,433)	(9,449)	9,449	-
<b>Increase or decrease in 2022/23</b>	<b>8,370</b>	<b>(537)</b>	<b>(4,433)</b>	<b>3,400</b>	<b>(63,731)</b>	<b>(60,331)</b>
<b>Balance at 31 March</b>	<b>(32,090)</b>	<b>(9,185)</b>	<b>(33,075)</b>	<b>(74,350)</b>	<b>(146,842)</b>	<b>(221,192)</b>

Movement in Reserves Statement 2021/22	General Fund & Earmarked Reserves Balance £000's	Capital Receipts Reserve £000's	Capital Grants Unapplied Account £000's	Total Usable Reserves £000's	Total Unusable Reserves £000's	Total Reserves £000's
<b>Balance at 31 March</b>	<b>(50,214)</b>	<b>(5,885)</b>	<b>(27,637)</b>	<b>(83,736)</b>	<b>(63,702)</b>	<b>(147,438)</b>
<b>Movement in reserves during 2021/22</b>						
Total comprehensive income and expenditure	22,705	-	-	22,705	(36,128)	(13,071)
Adjustments between accounting basis and funding basis under regulations (note 14)	(12,951)	(2,763)	(1,005)	(16,719)	16,719	-
Other adjustments	-	-	-	-	-	-
<b>Increase or decrease in 2021/22</b>	<b>9,754</b>	<b>(2,763)</b>	<b>(1,005)</b>	<b>5,986</b>	<b>(19,409)</b>	<b>(13,423)</b>
<b>Balance at 31 March</b>	<b>(40,460)</b>	<b>(8,648)</b>	<b>(28,642)</b>	<b>(77,750)</b>	<b>(83,111)</b>	<b>(160,861)</b>



## BALANCE SHEET

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

Balance Sheet	31 March 2022 £000's	31 March 2023 £000's	Note
Property, plant and equipment	191,531	211,136	17
Heritage assets	960	957	19
Investment property	40,989	38,419	20
Long-term investments	13,382	12,188	22
Long-term debtors	98	108	27
<b>Long-term assets</b>	<b>246,960</b>	<b>262,808</b>	
Short-term investments	-	-	22
Inventories	197	210	-
Short-term debtors	6,696	8,950	26
Cash and cash equivalent	27,145	16,329	23
<b>Current assets</b>	<b>34,038</b>	<b>25,489</b>	
Short-term borrowing	-	(7,000)	22
Short-term creditors	(31,603)	(25,871)	28
<b>Current liabilities</b>	<b>(31,603)</b>	<b>(32,871)</b>	
Long term creditors	(81)	-	29
Provisions	(3,573)	(3,900)	30
Net pension liabilities	(81,767)	(27,265)	31
Long term borrowing	-	-	22
Grants receipts in advance	(2,916)	(2,919)	12
Other long-term liabilities	(197)	(150)	-
<b>Long-term liabilities</b>	<b>(88,534)</b>	<b>(34,234)</b>	
<b>Net assets</b>	<b>160,861</b>	<b>221,192</b>	
Usable reserves	<b>(77,750)</b>	<b>(74,350)</b>	15
Unusable reserves	<b>(83,111)</b>	<b>(146,842)</b>	16
<b>Total reserves</b>	<b>(160,861)</b>	<b>(221,192)</b>	

## CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents during the reporting period. It shows how the Council generated and used 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 through taxation and grant income or from income received from 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 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.

Cash Flow Statement	31 March 2022 £000's	31 March 2023 £000's
Net surplus or (deficit) on the provision of services	(22,705)	(12,849)
Adjustments to net surplus or deficit on the provision of services for non-cash movements	46,132	13,527
Adjustments to net surplus or deficit on the provision of services that are investing and financing activities	(2,945)	(5,782)
<b>Net cash flows from operating activities (note 32)</b>	<b>20,482</b>	<b>(5,104)</b>
Investing activities (note 33)	(19,771)	(12,712)
Financing activities (note 34)	(9,036)	7,000
<b>Net increase or decrease in cash and cash equivalents</b>	<b>(8,325)</b>	<b>(10,816)</b>
Cash and cash equivalents at the beginning of the reporting period	35,470	27,145
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>27,145</b>	<b>16,329</b>

## EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis demonstrates how the funding available to the Council for the year (i.e. Government grants, rents, Council Tax and Business Rates) has been used to provide services in comparison with those resources consumed or earned under generally accepted accounting practice (GAAP). The Expenditure and Funding analysis also shows how this expenditure is allocated for decision making purposes between the Council's services. Income and expenditure accounted for under GAAP is presented more fully in the Comprehensive Income and Expenditure Statement.

Expenditure & Funding Analysis	31 March 2022 £000's			31 March 2023 £000's		
	Net Surplus / Deficit on the Provision of Services £000's	Adjustments (note 6) £000's	Net Expenditure Chargeable to the General Fund £000's	Net Surplus / Deficit on the Provision of Services £000's	Adjustments (note 6) £000's	Net Expenditure Chargeable to the General Fund £000's
Organisation	24,214	(17,588)	6,626	17,935	(9,792)	8,143
Place	13,059	(6,962)	6,097	12,107	(6,521)	5,586
People	5,689	(1,680)	4,009	8,066	(3,618)	4,448
Senior Management Team	1,113	(223)	890	1,047	(169)	878
Central Items	4,991	777	5,768	2,678	849	3,527
<b>Cost of services</b>	<b>49,066</b>	<b>(25,676)</b>	<b>23,390</b>	<b>41,833</b>	<b>(19,251)</b>	<b>22,582</b>
Other income & expenditure	(26,361)	12,725	(13,636)	(28,984)	14,772	(14,212)
<b>(Surplus) or deficit</b>	<b>22,705</b>	<b>(12,951)</b>	<b>9,754</b>	<b>12,849</b>	<b>(4,479)</b>	<b>8,370</b>
<b>Opening general fund balance</b>			<b>(50,214)</b>			<b>(40,460)</b>
Add (surplus) or deficit on general fund balance in year			9,754			8,730
<b>Closing general fund balance at 31 March</b>			<b>(40,460)</b>			<b>(32,090)</b>

The Closing Balance is £32.090m (£40.460m in 2021/22) of which earmarked reserves for specific purposes is £28.590m at 31 March 2023 (£37.460m at 31 March 2022). The remainder is the General Fund balance of £3.500m (£3.000m at 31 March 2022) which is held as unallocated funds.

## NOTES TO THE ACCOUNTS

These notes support and supplement the information provided in the various statements. Accounting Policy details are disclosed below.

### 1. CRITICAL JUDGEMENTS AND ASSUMPTIONS

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

#### 1.1 Critical judgements in applying accounting policies.

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

##### **Classification of investment properties.**

The Council has classified its investment properties based on the IFRS criteria of being solely held for rental income or for capital appreciation. This review and assessment may be subject to interpretation.

##### **Valuation of Property, Plant and Equipment.**

The Council's non-current assets are valued on the Balance Sheet in accordance with the asset valuation principles and guidance notes issued by the Royal Institution of Chartered Surveyors (RICS):

- Properties classified as operational, excluding council dwellings are valued based on net realisable value in existing use or, where an open market did not exist, on the basis of depreciated replacement cost;
- Plant vehicles and equipment assets, community assets and Infrastructure assets are valued at depreciated historic cost; and
- Properties classified as non-operational have been valued on the basis of market value for highest and best use.

All other non-current assets, except for those valued at depreciated historic cost, are valued sufficiently regularly to ensure that their carrying amount is not materially different from their value at year end, but as a minimum every five years.

This review and assessment may be subject to interpretation.



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

The key estimates of uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within future financial years are as follows:

Key Material Judgements and Estimates	Details	Impact on the General Fund Reserves
Depreciation of Property, Plant and Equipment assets	Property, Plant and Equipment assets are depreciated based on an estimate of the asset's useful life, which is based on the level of maintenance incurred in relation to the assets. The current economic climate makes it uncertain that the Council will be able to continue with the level of maintenance expected; resulting in uncertainty in the useful lives assigned to the assets in discussion with the Council's Valuers. If the useful life reduces, the depreciation charge will be higher than estimated.	There is no impact on the Council's reserves, due to the capital regulations applicable to Local Government accounting.
Asset Valuations	Property, Plant and Equipment assets are revalued on a periodic basis and reviewed annually for indications of impairment. If actual results differ, the value of the Property, Plant and Equipment assets on the Council's Balance Sheet as at 31st March 2023 will be under or overstated.	The financial Impact will be adjusted in the following financial year. There is no impact on the Council's reserves, due to the capital regulations applicable to Local Government accounting.
Net Pension Liability	The Pension Fund liability is based on the estimation of the net liability to pay pensions depends on several 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 investments.	<p>The effect on the net pension liability of changes in individual assumptions can be measured. For example, a 0.1% decrease in the discount rate assumption would lead to an increase of 2% in the Pension Deficit of £2.8m. Refer to Note 31.</p> <p>Due to the statutory accounting arrangements for Local Government Pension Schemes; there is no impact on the Council's General Fund Reserves.</p>
Provision for Business Rates Appeals	The Council has made a provision for a reduction in business rate income due to appeals against the rateable values set by the Valuation office agency (VOA).	A change in the estimated value of business rates appeals will have a financial impact on the Collection Fund balances and future preceptor shares of Collection Fund balances and therefore the relevant Council's in year financial performance.

## 2. EXPENDITURE AND INCOME ANALYSED BY NATURE

The Council's expenditure and income is analysed as follows:

Expenditure & Income		2021/22 £000's	2022/23 £000's
<b>Expenditure</b>	Employee benefits expenses	34,418	31,335
	Depreciation and impairments	3,351	3,609
	Other services expenses	56,681	51,919
	Investment property revaluation	2,387	1,711
	Interest payments	2,307	2,748
	Precepts and levies	470	507
	Expenditure from council tax and business rates	22,364	27,508
	<b>Total expenditure</b>	<b>122,786</b>	<b>121,445</b>
<b>Income</b>	Fees, charges and other service income	(6,760)	(7,855)
	Other Income	(36,622)	(36,748)
	Gain on the disposal of assets	(4,270)	(509)
	Interest and investment income	(3,368)	(4,206)
	Income from council tax and business rates	(35,701)	(42,430)
	Other grants and contributions	(11,360)	(16,848)
	<b>Total income</b>	<b>(100,081)</b>	<b>(108,596)</b>
	<b>(Surplus) or deficit on the provision of services</b>	<b>22,705</b>	<b>12,849</b>

## 3. OTHER OPERATING EXPENDITURE AND INCOME

Other Operating Expenditure & Income	2021/22 £000's	2022/23 £000's
Parish council precepts	470	507
Gains/losses on the disposal of non-current assets	(4,270)	(509)
<b>Total</b>	<b>(3,800)</b>	<b>(2)</b>

## 4. FINANCING AND INVESTMENT EXPENDITURE AND INCOME

Financing & Investment Expenditure & Income	2021/22 £000's	2022/23 £000's
Interest payable and similar charges	64	23
Net interest on the net defined benefit liability (asset)	1,952	2,327
Impairment of trading company loans	808	2,108
Expenditure in relation to investment properties and their fair value	2,678	2,109
<b>Total expenditure</b>	<b>5,502</b>	<b>6,567</b>
Income in relation to investment properties and their fair value	(2,246)	(2,437)
Other interest receivable and similar income	(1,120)	(1,769)
Total Income	<b>(3,366)</b>	<b>(4,206)</b>
<b>Total net (income)/expenditure</b>	<b>2,136</b>	<b>2,361</b>

## 5. TAXATION AND NON-SPECIFIC GRANT INCOME

The Council raises Council Tax, Business Rates and receives grants from Central Government each year to finance revenue expenditure. This income is not attributable to specific services. Grants, Council Tax and Business Rates which have been raised/received are set out below.

Taxation and Non-Specific Grant	2021/22 £000's	2022/23 £000's
Council tax expenditure	(215)	184
National Non-domestic rates expenditure	22,579	27,325
<b>Total expenditure</b>	<b>22,364</b>	<b>27,507</b>
Council tax income	(14,835)	(16,068)
National Non-domestic rates income	(20,866)	(26,361)
Non-ring-fenced government grants	(6,874)	(6,042)
Capital grants and contributions	(4,486)	(10,381)
<b>Total income</b>	<b>(47,061)</b>	<b>(58,852)</b>
<b>Total net (income)/expenditure</b>	<b>(24,697)</b>	<b>(31,343)</b>



## 6. EXPENDITURE AND FUNDING ANALYSIS

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

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts 2022/23	Adjustments for Capital Purposes £000's	Net Change for Pension Adjustments £000's	Other Statutory Differences £000's	Total Statutory Adjustments £000's	Non-Statutory Adjustments £000's	Total Adjustments £000's
Organisation	6,485	1,381	1,926	9,792	-	<b>9,792</b>
Place	4,399	2,393	(271)	6,521	-	6,521
People	2,610	1,300	(292)	<b>3,618</b>	-	<b>3,618</b>
Senior Management Team	-	185	(16)	169	-	169
Central items	-	(263)	(586)	(849)	-	(849)
<b>Net cost of services</b>	<b>13,494</b>	<b>4,996</b>	<b>761</b>	<b>19,251</b>	-	<b>19,251</b>
Other income and expenditure from the expenditure and funding analysis	(10,381)	2,327	(6,718)	(14,772)	-	(14,772)
<b>Difference between general fund surplus or deficit and comprehensive income and expenditure statement surplus or deficit on the provision of service</b>	<b>3,113</b>	<b>7,323</b>	<b>(5,957)</b>	<b>4,479</b>	-	<b>4,479</b>

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts 2021/22	Adjustments for Capital Purposes £000's	Net Change for Pension Adjustments £000's	Other Statutory Differences £000's	Total Statutory Adjustments £000's	Non-Statutory Adjustments £000's	Total Adjustments £000's
Organisation	13,842	1,665	2,080	17,588	-	<b>17,588</b>
Place	3,987	2,869	106	6,962	-	<b>6,962</b>
People	48	1,544	88	1,680	-	<b>1,680</b>
Senior Management Team	-	218	5	223	-	<b>223</b>
Central items	(557)	(221)	1	(777)	-	<b>(777)</b>
<b>Net cost of services</b>	<b>17,320</b>	<b>6,075</b>	<b>2,280</b>	<b>25,676</b>	-	<b>25,676</b>
Other income and expenditure from the expenditure and funding analysis	(6,370)	1,952	(8,307)	(12,725)	-	<b>(12,725)</b>
<b>Difference between general fund surplus or deficit and comprehensive income and expenditure statement surplus or deficit on the provision of service</b>	<b>10,950</b>	<b>8,027</b>	<b>(6,027)</b>	<b>12,951</b>	-	<b>12,951</b>

## 7. EXTERNAL AUDIT COSTS

The Council has incurred the following costs in relation to the audit of the Statement of Accounts by the Council's External Auditors, who for 2022/23 are Deloitte LLP.

External Audit Costs	2021/22 £000's	2022/23 £000's
Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	38	41
Additional Audit costs accrued	42	18
Fees payable to external auditors for the certification of grant claims and returns for the year	-	-
<b>Total</b>	<b>80</b>	<b>59</b>

## 8. MEMBERS' ALLOWANCES

The following amounts were paid to Members of the Council during the year.

Members' Allowances	2021/22 £000's	2022/23 £000's
Basic Allowances	264	260
Additional Responsibility Allowances	138	137
Expenses	6	7
<b>Total</b>	<b>408</b>	<b>404</b>

## 9. OFFICERS' REMUNERATION

The remuneration of senior officers is detailed below.

Name / Post Title	Year	Salary Fees and Allowances £000's	Bonus £000's	Allowances & Expenses £000's	Compensation for Loss of Office £000's	Pension Contribution £000's	2021/22 Total £000's	2022/23 Total £000's
Managing Director <sup>1</sup>	2022/23	139	3			21		163
	2021/22	121	11	-	-	20	152	
Director of Place Services	2022/23	125	12			20		157
	2021/22	110	11	-	-	18	139	
Director of Commercial and Investment <sup>2</sup>	2022/23	-	-	-	-	-		-
	2021/22	32	5	-	-	6	43	
Strategic Head of Neighbourhood Services	2022/23	94	2	-	-	14		110
	2021/22	93	2	-	-	14	109	
Interim Head of Finance/ Chief finance officer <sup>3</sup>	2022/23	42	-	1	-	-		43
	2021/22	-	-	-	-	-	-	
Head of Legal and Governance	2022/23	92	2			14		108
	2021/22	85	2	-	-	13	100	
<b>Total</b>	<b>2022/23</b>	<b>492</b>	<b>19</b>	<b>1</b>	<b>-</b>	<b>69</b>		<b>581</b>
<b>Total</b>	<b>2021/22</b>	<b>441</b>	<b>31</b>	<b>-</b>	<b>-</b>	<b>71</b>	<b>543</b>	

Senior Officers served for the whole of 2021/22 and 2022/23 unless stated below.

### NOTES:

1. Managing Director was appointed to the role on a permanent basis in October 2022 and was previously Acting Head of Paid Service / People Services Director.
2. Director of Commercial & Investment resigned in July 2021 and was not replaced.
3. Head of Finance role was covered by interim consultant for the full year in 2021/22 and until the end of October 2023 when the permanent Chief Finance Officer was appointed.



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

Remuneration Band	Number of Employees	
	2021/22	2022/23
£50,000 to £54,999	17	18
£55,000 to £59,999	19	13
£60,000 to £64,999	2	7
£65,000 to £69,999	5	4
£70,000 to £74,999	1	2
£75,000 to £79,999	5	3
£80,000 to £84,999	7	6
£85,000 to £89,999	-	3
<b>Total</b>	<b>56</b>	<b>56</b>

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

Exit Package Cost Band (including Special Payments) 2022/23	Number of Compulsory Redundancies No.	Number of Other Departures Agreed No.	Total Number of Exit Packages No.	Total Cost of Exit Packages £000's
£0 to £20,000	-	5	5	29
£20,001 to £40,000	-	-	-	-
£40,001 to £60,000	-	-	-	-
£60,001 to £80,000	-	-	-	-
£80,001 to £100,000	-	-	-	-
£100,001 +	-	-	-	-



Exit Package Cost Band (including Special Payments) 2021/22	Number of Compulsory Redundancies No.	Number of Other Departures Agreed No.	Total Number of Exit Packages No.	Total Cost of Exit Packages £000's
£0 to £20,000	-	4	4	15
£20,001 to £40,000	-	-	-	-
£40,001 to £60,000	-	1	1	24
£60,001 to £80,000	-	-	-	-
£80,001 to £100,000	-	1	1	63
£100,001 +	-	-	-	-

## 10. TERMINATION BENEFITS

The Council terminated the contracts of 6 employees in 2022/23, incurring liabilities of £29,241 (£101,671 in 2021/22).

## 11. GRANT INCOME

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

Grant Income	2021/22 £000's	2022/23 £000's
Council Tax income	(14,835)	(16,068)
National Non-Domestic rates	(20,866)	(26,361)
Non-ring-fenced government grants	(6,874)	(6,042)
Capital grants and contributions	(4,486)	(10,381)
<b>Total credited to taxation and non-specific grant income</b>	<b>(47,061)</b>	<b>(58,852)</b>
Rent allowances and rebates	(26,632)	(24,699)
Council Tax support	(111)	(107)
Rent rebates	(274)	(327)
Refugee support grant	(396)	(91)
National Non-Domestic rates and debt recovery	(171)	(168)
Supporting Families Grant	(1)	-
COVID-19 – various grants	(2,901)	-



Grant Income	2021/22 £000's	2022/23 £000's
Other grants	-	(2,943)
<b>Total credited to services</b>	<b>(30,486)</b>	<b>(28,335)</b>
<b>Total grant income</b>	<b>(77,547)</b>	<b>(87,187)</b>

## 12. CAPITAL GRANTS – RECEIPTS IN ADVANCE

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

Capital Grants – Receipts in Advance	2021/22 £000's	2022/23 £000's
Developers' contributions unapplied – Horley Master Plan	(176)	(176)
Developers' contributions unapplied – non-tariff	(2,740)	(2,743)
<b>Total</b>	<b>(2,916)</b>	<b>(2,919)</b>

## 13. AGENCY SERVICES

The Council provides the following services on behalf of Surrey County Council and other local authorities. These are services that are performed by or for another authority or public body, where the principal (the authority responsible for the service) reimburses the agent (the authority carrying out the work) for the costs of the work.

### 13.1 Parking Services

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

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

The surplus of income over expenditure paid to Surrey County Council during 2022/23 amounted to £nil (£nil in 2021/22).

At 31<sup>st</sup> March 2023, Surrey County Council terminated this contract with the Council.



### 13.2 Highways Verge Maintenance

The Council is the agent for Surrey County Council in the management of highway verges in the borough. This involves weed control and mowing as well as income derived from roundabout sponsorship. The surplus generated from this activity in 2022/23 was £0.070m. (£0.052m in 2021/22)

At 31<sup>st</sup> March 2023, Surrey County Council terminated this contract with the Council.

### 13.3 Revenues & Benefits Services

The Council has entered into contracts with a number of local authorities and private entities to provide a range of Revenues & Benefits related services. This work includes:

- Counter Fraud Investigations;
- Debt Recovery;
- Property Inspections;
- Benefits Processing;
- NNDR & Council Tax recovery;

A net surplus of £0.019m during 2022/23 (£0.055m loss in 2021/22). These activities are likely to maintain a profitable outturn in future years given current efforts to grow the contract base.

## 14. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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



Adjustments Between Accounting Basis and Funding Basis Under Regulation 2022/23	General Fund Balance £000's	Capital Receipts Reserve £000's	Capital Grants Unapplied £000's	Total Usable Reserves £000's	Total Unusable Reserves £000's
<b>Adjustment to revenue resources</b>					
Amounts by which income and expenditure included in the comprehensive income and expenditure statement are different from the revenue for the year calculated in accordance with statutory requirements:					
Pension costs (transferred to (or from) the pensions reserve)	(7,322)	-	-	(7,322)	7,322
Council Tax and NNDR (transfers to or from the collection fund adjustment account)	5,881	-	-	5,881	(5,881)
Holiday pay (transferred to the accumulated absences reserve)	481	-	-	481	(481)
Reversal of entries included in the surplus or deficit on the provision of services in relation to capital expenditure (these items are charged to the capital adjustment account)	(15,205)	-	-	(15,205)	15,205
<b>Total adjustments (from)/to revenue resources</b>	<b>(16,165)</b>	<b>-</b>	<b>-</b>	<b>(16,165)</b>	<b>16,165</b>
<b>Adjustments between revenue and capital resources</b>					
Transfer of non-current asset sale proceeds from revenue to the capital receipts reserve	509	(1,084)	-	(575)	575
Administrative costs of non-current asset disposals (funded by a contribution from the capital receipts reserve)	-	-	-	-	-
Statutory provision for the repayment of debt (transfer from the capital adjustment account)	583	-	-	583	(583)
Capital Grants and contributions applied	5,683	-	-	5,683	(5,683)
Capital grants and contributions unapplied	4,698	-	(4,698)	-	-
Capital Expenditure Financed from revenue balances (transfer to the capital adjustment account)	214	-	-	214	(214)
<b>Total adjustments between revenue and capital resources</b>	<b>11,689</b>	<b>(1,084)</b>	<b>(4,698)</b>	<b>5,905</b>	<b>(5,905)</b>
<b>Adjustments to capital resources</b>					
Use of capital receipts reserve to finance capital expenditure	-	547	-	547	(547)
Application of capital grants to finance capital expenditure	-	-	265	265	(265)
Deferred Capital Receipts	-	-	-	-	-
<b>Total adjustments to capital resources</b>	<b>-</b>	<b>-</b>	<b>265</b>	<b>265</b>	<b>(265)</b>
<b>Total adjustments</b>	<b>(4,479)</b>	<b>(537)</b>	<b>(4,433)</b>	<b>(9,449)</b>	<b>9,449</b>



Adjustments Between Accounting Basis and Funding Basis Under Regulation 2021/22	General Fund Balance £000's	Capital Receipts Reserve £000's	Capital Grants Unapplied £000's	Total Usable Reserves £000's	Total Unusable Reserves £000's
<b>Adjustment to revenue resources</b>					
Amounts by which income and expenditure included in the comprehensive income and expenditure statement are different from the revenue for the year calculated in accordance with statutory requirements:					
Pension costs (transferred to (or from) the pensions reserve)	(8,027)	-	-	(8,027)	8,027
Council Tax and NNDR (transfers to or from the collection fund adjustment account)	6,351	-	-	6,351	(6,351)
Holiday pay (transferred to the accumulated absences reserve)	(325)	-	-	(325)	325
Reversal of entries included in the surplus or deficit on the provision of services in relation to capital expenditure (these items are charged to the capital adjustment account)	(20,264)	-	-	(20,264)	20,264
<b>Total adjustments to revenue resources</b>	<b>(22,265)</b>	<b>-</b>	<b>-</b>	<b>(22,265)</b>	<b>22,265</b>
<b>Adjustments between revenue and capital resources</b>					
Transfer of non-current asset sale proceeds from revenue to the capital receipts reserve	4,270	(14,514)	-	(10,244)	10,244
Administrative costs of non-current asset disposals (funded by a contribution from the	-	-	-	-	-
Statutory provision for the repayment of debt (transfer from the capital adjustment account)	557	-	-	557	(557)
Capital Grants and contributions applied	3,056	-	-	3,056	(3,056)
Capital grants and contributions unapplied	1,431	-	(1,431)	-	-
<b>Total adjustments between revenue and capital resources</b>	<b>9,314</b>	<b>(14,514)</b>	<b>(1,431)</b>	<b>(6,631)</b>	<b>6,631</b>
<b>Adjustments to capital resources</b>					
Use of capital receipts reserve to finance capital expenditure	-	11,751	-	11,751	(11,751)
Application of capital grants to finance capital expenditure	-	-	426	426	(426)
Deferred Capital Receipts	-	-	-	-	-
<b>Total adjustments to capital resources</b>	<b>-</b>	<b>11,751</b>	<b>426</b>	<b>12,177</b>	<b>(12,177)</b>
<b>Total adjustments</b>	<b>(12,951)</b>	<b>(2,763)</b>	<b>(1,005)</b>	<b>(16,719)</b>	<b>16,719</b>

## 15. USABLE RESERVES

Movements in the Council's usable reserves that include the General Fund are detailed in the movement in reserves statement. The Council holds usable reserves as follows.

### 15.1 General Fund Balance

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

The Council voluntarily earmarks resources for future spending plans, by setting aside amounts from the General Fund to provide financing for future expenditure plans. Amounts may also be drawn back from Earmarked reserves into the General Fund to meet General Fund expenditure.

### 15.2 Capital Receipts Reserve

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

### 15.3 Capital Grants Unapplied

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

## 15.4 Earmarked Reserves

This note shows the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure.

Earmarked Reserves	Balance at 1 April 2021 £000's	Transfers In 2021/22 £000's	Transfers Out 2021/22. £000's	Balance at 31 March 2022 £000's	Transfers In 2022/23 £000's	Transfers Out 2022/23 £000's	Balance at 31 March 2023
General Fund Balance	(3,186)	(231)	417	(3,000)	(793)	293	(3,500)
<b>Earmarked revenue reserves</b>							
Housing Delivery Strategy Reserve	(19,079)	-	-	(19,079)	-	213	(18,866)
Government Funding Reduction Risks	(1,086)	(1,883)	2,604	(365)	(928)	682	(611)
Business Rates Safety Net/Levy Reserve	(848)	-	268	(580)	-	580	-
Commercial Risks & Volatility Reserve	(3,195)	-	808	(2,387)	-	1,838	(549)
Pension Reserve	(2,000)	-	1,508	(492)	-	350	(142)
Corporate Plan Delivery Fund (CPDF) Reserve	(861)	-	620	(241)	(1,028)	291	(978)
Insurance Reserve	(500)	-	-	(500)	-	-	(500)
New Posts Reserve	(690)	-	-	(690)	-	690	-
Homelessness Prevention Reserve	(810)	(668)	462	(1,016)	(806)	622	(1,200)
Feasibility Studies (Commercial Ventures/Capital Schemes) Reserve	(2,335)	-	589	(1,746)	-	219	(1,527)
Feasibility Studies (Infrastructure Initiatives) Reserve	(250)	-	-	(250)	-	-	(250)
Environmental Sustainability Reserve	(247)	-	77	(170)	-	24	(146)
Economic Development Initiatives Reserve	(657)	-	-	(657)	-	25	(632)
Brexit Funding Reserve	(52)	-	-	(52)	-	52	-
Refugee Family Support Reserve	(319)	-	319	-	-	-	-
Family Support Programme Reserve	(239)	-	-	(239)	-	-	(239)
Business Engagement Reserve	(36)	-	-	(36)	-	-	(36)
COVID-19 Funding Reserve	(2,000)	-	722	(1,278)	-	1,278	-
Repossessing Prevention Reserve	(30)	-	-	(30)	-	-	(30)
Revenue & benefit (POCA) Reserve	-	(115)	-	(115)	(1)	9	(107)
COVID-19 Council Tax Hardship Grant Reserve	(268)	-	14	(254)	-	15	(239)



Earmarked Reserves	Balance at 1 April 2021 £000's	Transfers In 2021/22 £000's	Transfers Out 2021/22. £000's	Balance at 31 March 2022 £000's	Transfers In 2022/23 £000's	Transfers Out 2022/23 £000's	Balance at 31 March 2023
LA Compliance & Enforcement Grant Reserve	(43)	-	43	-	-	-	-
COVID-19 Environmental Response Grant Reserve	(32)	-	32	-	-	-	-
COVID-19 Reopening the High Street Safely Fund Reserve	(34)	(3)	-	(37)	-	37	-
COVID-19 Section 31 Retail Relief Reserve	(7,077)	(3,634)	7,077	(3,634)	-	3,634	-
COVID-19 Test & Trace Support Grant Administration Reserve	(50)	-	-	(50)	(50)	-	(100)
COVID-19 Contain Outbreak Management Fund Reserve	(109)	-	109	-	-	-	-
COVID-19 Local Restrictions Support Grant Reserve	(108)	-	108	-	-	-	-
Past Pension Deficit Contributions Fund Reserve	(4,073)	-	2,068	(2,005)	-	2,005	-
Revenue Grants Reserve	-	(757)	-	(757)	(1,282)	671	(1,368)
Non-Grants Carry forward Reserve	-	-	-	-	(136)	-	(136)
Contaminated Land Reserve	-	(100)	-	(100)	-	-	(100)
IT Strategy Reserve	-	(700)	-	(700)	-	77	(623)
Wheatly Court (Sinking Fund) Reserve	-	-	-	-	(11)	-	(11)
Flood Defence Programme Reserve	-	-	-	-	(50)	-	(50)
Economic Pressures Reserve	-	-	-	-	(150)	-	(150)
<b>Total earmarked reserves</b>	<b>(47,028)</b>	<b>(7,710)</b>	<b>17,278</b>	<b>(37,460)</b>	<b>(4,442)</b>	<b>13,312</b>	<b>(28,590)</b>
<b>Total reserves</b>	<b>(50,214)</b>	<b>(7,941)</b>	<b>17,695</b>	<b>(40,460)</b>	<b>(5,235)</b>	<b>13,605</b>	<b>(32,090)</b>



The most significant reserves are as follows:

Reserve	Purpose of Reserve
General Fund Balance	Acts as a buffer against unpredicted budget pressures. The minimum level required is £3.5m
Housing Delivery Strategy Reserve	Established to support delivery of the Council's Housing Delivery Strategy. Funded from the equivalent of the balance on historic New Homes Bonus grant allocations.
Government Funding Reduction Risks Reserve	Earmarked for the purpose of mitigating the planned reduction in Government funding pending delivery of new sustainable income streams.
Commercial Risks & Volatility Reserve	Established for the purpose of mitigating the impacts of delays in delivery of new sustainable commercial income streams.
Pension Reserve	Established to set aside funds in anticipation of the next Pension Fund revaluation.
Corporate Plan Delivery Fund (CPDF) Reserve	Provides time-limited funding to deliver key priorities, Corporate Plan objectives and invest-to-save initiatives, including investment in new technology.
Insurance Reserve	Provides cover against uninsured losses.
Homelessness Prevention Reserve	Established to account separately for the funding set aside for homelessness prevention.
Capital Schemes Feasibility Studies Reserve	Established to ensure that funding is available to prepare business cases and obtain external professional advice for new initiatives designed to deliver new sustainable commercial income streams.
Feasibility Studies (Infrastructure Initiatives) Reserve	Established to fund the Council's contribution to councils in Surrey collectively funding the development of infrastructure feasibility studies so that bids can be made for full project funding when bidding rounds become available.
Environmental Sustainability Reserve	Established to fund Investment in delivery of the Environmental Sustainability Strategy.
Economic Development Initiatives Reserve	Established to fund initiatives to raise awareness amongst local people of quality local employment opportunities.
Family Support Programme Reserve	Established to carry-forward unused funding for use in future years
Revenue Grants Reserve	Established to carry-forward unspent grants during the year for future use
Non-Grants Carry forward Reserve	Established to carry-forward unused balances for specific projects
Contaminated Land Investigation Works Reserve	Established to fund costs that were previously capitalised where capitalisation is no longer an option
IT Strategy Reserve	Established to support implementation of the new IT Strategy.
Economic Pressures Reserve	Established to provide additional discretionary support.



## 16. UNUSABLE RESERVES

Unusable Reserves	31 March 2022 £000's	31 March 2023 £000's
Capital Adjustment Account	(106,089)	(98,874)
Revaluation Reserve	(65,388)	(73,464)
Deferred Capital Receipts Reserve	(348)	(348)
Pensions Reserve	83,772	27,265
Collection Fund Adjustment Account	3,751	(2,130)
Accumulated Absences Account	1,191	709
<b>Total</b>	<b>(83,111)</b>	<b>(146,842)</b>

### 16.1 Revaluation Reserve

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

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

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

Revaluation Reserve	31 March 2022 £000's	31 March 2023 £000's
<b>Balance at 1 April</b>	<b>(49,016)</b>	<b>(65,388)</b>
Upward revaluation of assets	(21,360)	(11,187)
Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	4,112	1,836
<b>Surplus or deficit on revaluation of non-current assets not posted to the surplus or deficit on the provision of services</b>	<b>(66,264)</b>	<b>(74,739)</b>
Difference between fair value depreciation and historical cost depreciation	876	1,054
Accumulated gains on assets sold or scrapped	-	221
<b>Amount written off to the capital adjustment account</b>	<b>876</b>	<b>1,275</b>
<b>Balance at 31 March</b>	<b>(65,388)</b>	<b>(73,464)</b>

## 16.2 Capital Adjustment Account

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

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

Capital Adjustment Account	2021/22 £000's	2022/23 £000's
<b>Balance at 1 April</b>	<b>(119,930)</b>	<b>(106,089)</b>
Prior year adjustment	-	
<b>Reversal of items relating to capital expenditure debited or credited to the comprehensive income and expenditure account</b>		
Charges for depreciation and impairment of non-current assets	3,531	3,609
Revaluation (gains) losses on property, plant and equipment	12,569	5,505
Revenue expenditure funded from capital under statute	1,956	4,380
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the comprehensive income and expenditure statement	10,244	575
Movements in the market value of investment properties debited or credited to the comprehensive income and expenditure statement	2,387	1,711
<b>Totals</b>	<b>30,507</b>	<b>15,780</b>
Adjusting amounts written out of the revaluation reserve	(876)	(1,275)
<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>29,631</b>	<b>14,505</b>



Capital Adjustment Account	2021/22 £000's	2022/23 £000's
<b>Capital financing applied in the year</b>		
Use of the capital receipts reserve to finance new capital expenditure	(11,751)	(546)
Capital grants and contributions credited to the comprehensive income and expenditure statement that have been applied to capital financing	(3,482)	(5,948)
Application of grants to capital financing from the capital grants unapplied account	-	-
Prior year adjustment capital grants applied	-	-
Statutory provision for the financing of capital investments charged against the general fund	(557)	(583)
Additional provision for reducing borrowing requirement	-	-
Capital expenditure charged against the general fund	-	(213)
<b>Balance at 31 March</b>	<b>(106,089)</b>	<b>(98,874)</b>

### 16.3 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.

Deferred Capital Receipts Reserve	31 March 2022 £000's	31 March 2023
<b>Balance at 1 April</b>	<b>(348)</b>	<b>(348)</b>
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the comprehensive income and expenditure statement	-	-
Transfer to the capital receipts reserve upon receipt of cash	-	-
<b>Balance at 31 March</b>	<b>(348)</b>	<b>(348)</b>

### 16.4 Pensions Reserve

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

The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements

require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible.

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

Pensions Reserve	31 March 2022	31 March 2023
<b>Balance at 1 April</b>	<b>94,625</b>	<b>83,772</b>
Remeasurement of the net defined benefit liability	(18,880)	(63,829)
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	10,857	10,171
Employer's pension contributions and direct payments to pensioners payable in the year	(2,830)	(2,849)
<b>Balance at 31 March</b>	<b>83,772</b>	<b>27,265</b>

## 16.5 Collection Fund Adjustment Account

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

Collection Fund Adjustment Account	31 March 2022	31 March 2023
<b>Balance at 1 April</b>	<b>10,102</b>	<b>3,751</b>
Amount by which council tax and non-domestic rates income credited to the comprehensive income and expenditure statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	(6,351)	(5,881)
<b>Balance at 31 March</b>	<b>3,751</b>	<b>(2,130)</b>



## 16.6 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.

Accumulated Absences Account	31 March 2022 £000's	31 March 2023 £000's
<b>Balance at 1 April</b>	<b>865</b>	<b>1,191</b>
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	326	(482)
<b>Balance at 31 March</b>	<b>1,191</b>	<b>709</b>

## 17. PROPERTY, PLANT AND EQUIPMENT

Movements in 2022/23	Other Land and Buildings £000's	Vehicles, Plant, Furniture & Equipment £000's	Assets Under Construction £000's	Surplus Assets £000's	Community Assets £000's	Total Property, Plant and Equipment £000's
<b>Balances at 1 April</b>	<b>139,337</b>	<b>12,874</b>	<b>42,154</b>	<b>512</b>	<b>3,732</b>	<b>198,609</b>
Additions	1,575	537	16,938	-	28	19,078
Revaluation increases/(decrease) recognised in the revaluation reserve	7,541	-	-	-	-	7,541
Revaluation increases/(decrease) recognised in the surplus/deficit on the provision of provision of services	(5,505)	-	-	-	-	(5,505)
Derecognition - disposals	(624)	46	-	-	-	(578)
Assets reclassified	1,783	-	(925)	-	-	858
Other movements in cost or valuation	2	-	-	-	-	2
<b>Balances at 31 March</b>	<b>144,109</b>	<b>13,457</b>	<b>58,167</b>	<b>512</b>	<b>3,760</b>	<b>220,005</b>
<b>Accumulated depreciation</b>						
<b>At 1 April</b>	<b>(643)</b>	<b>(6,427)</b>	<b>(2)</b>	<b>-</b>	<b>(6)</b>	<b>(7,078)</b>
Depreciation charge	(2,042)	(1,551)	-	-	(11)	(3,604)
Depreciation written out to the revaluation reserve	1,810	-	-	-	-	1,810
Derecognition - disposals	3	-	-	-	-	3
Assets Reclassified	(2)	-	2	-	-	-
Other movements in depreciation and impairment	-	-	-	-	-	-
<b>Totals</b>	<b>(874)</b>	<b>(7,978)</b>	<b>-</b>	<b>-</b>	<b>(17)</b>	<b>(8,869)</b>
<b>At 31 March 2022</b>	<b>138,694</b>	<b>6,447</b>	<b>42,153</b>	<b>512</b>	<b>3,726</b>	<b>191,531</b>
<b>At 31 March 2023</b>	<b>143,235</b>	<b>5,479</b>	<b>58,167</b>	<b>512</b>	<b>3,743</b>	<b>211,136</b>

As a result of an asset review, asset categorisation has been re-examined, resulting in several assets being transferred within property, plant and equipment and the identification of Community and Surplus Assets.

The Council has assets that are part-way through creation at year-end and that are not yet in a usable condition. The expenditure to date associated with these assets is classified as assets under construction. A significant element of the reported asset under construction expenditure is attributable to the Marketfield Way, Redhill project, to transform the western side of the town into a vibrant leisure destination.

Movements in 2021/22	Other Land and Buildings £000's	Vehicles, Plant, Furniture & Equipment £000's	Assets Under Construction £000's	Surplus Assets £000's	Community Assets £000's	Total Property, Plant and Equipment £000's
<b>Balances at 1 April</b>	<b>122,889</b>	<b>10,768</b>	<b>29,719</b>	<b>4,775</b>	<b>3,654</b>	<b>171,805</b>
Additions	5,195	2,152	26,430	-	78	33,855
Revaluation increases/(decrease) recognised in the revaluation reserve	16,406	-	-	(636)	-	15,770
Revaluation increases/(decrease) recognised in the surplus/deficit on the	(10,545)	-	-	(2,024)	-	(12,569)
Derecognition - disposals	(5,803)	(46)	(4,403)	-	-	(10,252)
Assets reclassified	11,195	-	(9,592)	(1,603)	-	-
<b>Balances at 31 March</b>	<b>139,337</b>	<b>12,874</b>	<b>42,154</b>	<b>512</b>	<b>3,732</b>	<b>198,609</b>
<b>Accumulated depreciation</b>						
<b>At 1 April</b>	<b>(216)</b>	<b>(4,966)</b>	<b>(28)</b>	<b>-</b>	<b>(6)</b>	<b>(5,216)</b>
Depreciation charge	(1,888)	(1,461)	-	-	-	(3,349)
Depreciation written out to the revaluation reserve	1,478	-	-	-	-	1,478
Derecognition - disposals	9	-	-	-	-	9
Assets Reclassified	(26)	-	26	-	-	-
<b>Totals</b>	<b>(643)</b>	<b>(6,427)</b>	<b>(2)</b>	<b>-</b>	<b>(6)</b>	<b>(7,078)</b>
<b>Net book value:</b>						
<b>At 31 March 2020</b>	<b>122,673</b>	<b>5,802</b>	<b>29,691</b>	<b>4,776</b>	<b>3,648</b>	<b>166,590</b>
<b>At 31 March 2021</b>	<b>138,694</b>	<b>6,447</b>	<b>45,152</b>	<b>512</b>	<b>3,726</b>	<b>191,531</b>



## 18. CAPITAL COMMITMENTS

At 31 March 2023, the Council has entered into a number of contracts for the construction or enhancement of property, plant, and equipment in 2022/23 and future years; totalling £0.666m (£0.276m at 31 March 2022).

Major Commitments	Other Land and Buildings £m
Wheatley Court (Cromwell Court development)	0.100
ICT Managed Detection and response	0.300
Provision of Skate Park and play equipment	0.266

## 19. HERITAGE ASSETS

The Council holds a number of assets categorised as 'Heritage' in the balance sheet.

Movements in 2022/23	Historic Land and Buildings £000's	Art & Civic Regalia £000's	Total Heritage Assets £000's
<b>Gross cost or valuation</b>			
<b>At 1 April</b>	<b>310</b>	<b>665</b>	<b>975</b>
Additions	3	-	3
Revaluation increases/ (decreases) recognised in the revaluation reserve	-	-	-
Revaluation increases/ (decreases) recognised in the surplus/deficit on the provision of services	-	-	-
Asset reclassifications	-	-	-
<b>At 31 March</b>	<b>313</b>	<b>665</b>	<b>978</b>
<b>Gross accumulated depreciation and impairment</b>			
<b>At 1 April</b>	<b>(15)</b>	<b>-</b>	<b>(15)</b>
Depreciation charge	(6)	-	(6)
Asset reclassifications	-	-	-
<b>At 31 March</b>	<b>(21)</b>	<b>-</b>	<b>(21)</b>
<b>Net book value:</b>			
<b>At 31 March 2022</b>	<b>295</b>	<b>665</b>	<b>960</b>
<b>At 31 March 2023</b>	<b>292</b>	<b>665</b>	<b>957</b>



Movements in 2021/22	Historic Land and Buildings £000's	Art & Civic Regalia £000's	Total Heritage Assets £000's
<b>Gross cost or valuation</b>			
<b>At 1 April</b>	<b>310</b>	<b>665</b>	<b>975</b>
Additions	-	-	-
Revaluation increases/ (decreases) recognised in the revaluation reserve	-	-	-
Revaluation increases/ (decreases) recognised in the surplus/deficit on the provision of services	-	-	-
Asset reclassifications	-	-	-
Other movements	-	-	-
<b>At 31 March</b>	<b>310</b>	<b>665</b>	<b>975</b>
<b>Gross accumulated depreciation and impairment</b>			
<b>At 1 April</b>	<b>(13)</b>	<b>-</b>	<b>(13)</b>
Depreciation charge	(2)	-	(2)
Asset reclassifications	-	-	-
<b>At 31 March</b>	<b>(15)</b>	<b>-</b>	<b>(15)</b>
<b>Net book value:</b>			
<b>At 31 March 2020</b>	<b>297</b>	<b>665</b>	<b>962</b>
<b>At 31 March 2021</b>	<b>295</b>	<b>665</b>	<b>960</b>

## 20. INVESTMENT PROPERTY

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

Investment Properties	2021/22 £000's	2022/23 £000's
Rental income from investment properties	(2,246)	(2,436)
Direct operating expenses arising from investment property	290	398
<b>Net gain/(loss)</b>	<b>(1,956)</b>	<b>(2,038)</b>

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

Movement in the fair value of investment properties	31 March 2022 £000's	31 March 2023 £000's
<b>Balance at 1 April</b>	<b>43,373</b>	<b>40,989</b>
Additions	4	-
Purchases	-	-
Disposals	-	-
Net gains/(losses) from fair value adjustments	(2,388)	(1,711)
Depreciation	-	-
<b>Transfers:</b>		
To/from inventories	-	-
To from property, plant and equipment	-	(859)
Other changes	-	-
<b>Balance at 31 March</b>	<b>40,989</b>	<b>38,419</b>

## 21. FAIR VALUE HEIRARCHY

### Fair Value

Fair value is defined as the amount for which an asset could be exchanged, or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.

### Fair values are split by their level in the fair value hierarchy as follows:

- 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.

### Fair Value of Assets and Liabilities Carried at Amortised Cost

The fair value of each class of financial assets and liabilities which are carried in the Balance Sheet at amortised cost are disclosed below in note 22.4.

## 22. FINANCIAL INSTRUMENTS

### 22.1 Categories

The following categories of financial instruments are carried in the Balance Sheet at amortised cost.

Categories	Non-Current		Current	
	31 March 2022 £000's	31 March 2023 £000's	31 March 2022 £000's	31 March 2023 £000's
<b>Financial liabilities at amortised cost</b>				
Borrowings	-	-	-	(7,000)
Creditors	-	-	(6,715)	(3,592)
<b>Total financial Liabilities</b>	-	-	<b>(6,715)</b>	<b>(10,592)</b>
Creditors that are not financial instruments	(278)	(150)	(24,888)	(22,279)
<b>Total Liabilities</b>	<b>(278)</b>	<b>(150)</b>	<b>(31,603)</b>	<b>(32,871)</b>
<b>Financial assets at amortised cost</b>				
Fixed term deposits	-	-	-	-
Loans to trading companies	13,382	12,188	-	-
Debtors	98	108	3,532	3,887
Cash & cash equivalents <sup>1</sup>	-	-	27,145	16,329
<b>Total financial assets</b>	<b>13,480</b>	<b>12,296</b>	<b>30,677</b>	<b>20,216</b>
Debtors that are not financial instruments	-	-	3,164	5,063
<b>Total assets</b>	<b>13,480</b>	<b>12,296</b>	<b>33,841</b>	<b>25,279</b>

NOTE 1: Investments held in the Money Market Funds are classified as Cash & Cash Equivalents as they meet the qualifying criteria.



## 22.2 Income, Expense, Gains and Losses

The gains and losses recognised in the Income and Expenditure Account and the Movement in Reserves Statement for 2022/23 in relation to financial instruments are shown in the table below.

Gains & Losses	2021/22		2022/23	
	Surplus or Deficit on the Provision of Services £000's	Other Comprehensive Income and Expenditure £000's	Surplus or Deficit on the Provision of Services £000's	Other Comprehensive Income and Expenditure £000's
<b>Net gains/losses on:</b>				
Financial assets measured at amortised cost	-	-	-	-
Interest Income	(1,120)	-	(1,770)	-
Financial liabilities measured at amortised cost	-	-	-	-
Interest expenses	64	-	23	-
Impairment – trading companies	808	-	2,108	-
<b>Total net (gains)/losses</b>	<b>(248)</b>	<b>-</b>	<b>361</b>	<b>-</b>

### a. IFRS 9 – Classification and Measurement

As required by IFRS 9 (Financial Instruments) the financial instruments of the Council have been assessed for classification and measurement and impairment loss allowances during the financial year 2022/23. The majority of the financial instruments have been classified as 'hold to collect' to be measured using amortised cost. Sundry debtors and the other receivables are measured based on their invoiced value.

### 22.3 IFRS 9 - Financial Instruments – Impairment loss allowance

A credit risk assessment was carried out to determine the credit risk associated with each individual (material) financial instrument or group of financial instruments at 31 March. As set out below, the impairment losses have been calculated based on the credit risk assessment outcomes.



Financial Instrument	Approach - Credit Risk Assessment	Outcome
Loans & Receivables (Treasury Investment)	The impairment loss allowance is calculated based on the credit ratings of the counter parties and their historical risk of default rate. This information is readily available in the market.	The credit risk is very low therefore no impairment loss has been made for 2022/23.
Loans to Trading Companies (Subsidiaries and Joint Venture/Associate)	Credit ratings are not available in the market for these companies therefore risk assessed cash flow scenarios are used to derive an expected credit loss.	An impairment loss for Loans to Trading Companies continues to be provided for 2022/23 and has been applied across all Subsidiaries and Joint Venture/Associate holdings. The risk of credit loss on these loans remains to be based on the cashflow of these loans along with professional economic predictions made at the time the impairment loss was made. Some economic conditions have been reassessed since the prior year adjustment.
Sundry Debtors	Debtors with similar credit risks are grouped together to make the impairment loss allowance.	The calculation is based on age of the debt and various %'s are applied depending how old the debt is.

## 22.4 Fair Value of Assets and Liabilities

Financial liabilities, and financial assets represented by loans and receivables, are carried on the Balance Sheet at amortised cost.

Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

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

The trade debtors and trade creditors figures shown below do not include any payables or receivables in respect of Central Government or local taxation, as these reflect statutory duties rather than contractual obligations (full information on Debtors and Creditors can be found in notes 26 to 29).

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



Financial Liabilities at Amortised cost	31 March 2022		31 March 2023	
	Carrying Amount £000's	Fair Value £000's	Carrying Amount £000's	Fair Value £000's
Short term borrowings	-	-	(7,000)	(7,015)
Long term borrowings	-	-	-	-
Long term creditors	-	-	-	-
Trade creditors	(6,715)	(6,715)	(3,592)	(3,592)
<b>Total financial liabilities</b>	<b>(6,715)</b>	<b>(6,715)</b>	<b>(10,592)</b>	<b>(10,607)</b>

Financial Assets at Amortised Cost	31 March 2022		31 March 2023	
	Carrying Amount £000's	Fair Value £000's	Carrying Amount £000's	Fair Value £000's
Fixed term deposits	-	-		
Loans to trading companies (subsidiaries, joint venture and associates)	13,382	13,382	12,188	12,188
Long term Debtors	98	98	108	108
Trade debtors	3,532	3,532	3,887	3,887
<b>Total financial assets</b>	<b>17,012</b>	<b>17,012</b>	<b>16,183</b>	<b>16,183</b>

'Fair value', is defined in the Code of Practice as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date".

Under the Code (IFRS 13 Fair Value Measurement), all financial instruments are initially measured at fair value, with subsequent measurement depending on the nature of the asset or liability concerned.

The Code states that fair value disclosures are not required for short term trade payables and receivables since the carrying amount is a reasonable approximation of fair value.

Trading company loans have been assessed through IFRS 9 (financial instruments) in arriving at the fair value and the long-term debtors' balances are reasonable approximation of their fair value.





## 22.5 Financial Risk

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

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

## 22.6 Procedures for Managing Risk

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council in the annual treasury management strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

## 22.7 Credit Risk

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

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

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

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

The Treasury Management Strategy for 2022/23 was approved by Full Council on 7th April 2021 and is available on the Council's website.

## 22.8 Liquidity Risk

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

The Council has ready access to borrowings from the Money Markets to cover any day-to-day cash flow need and the PWLB and the Money Markets for access to longer term funds. The Council is also required to provide a balanced budget by the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure.

There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

## 22.9 Refining and Maturity Risk

The Council maintains an investment portfolio. The key risk relates to managing the exposure in replacing financial instruments as they mature. This risk therefore relates to the maturing of longer - term financial assets. The approved treasury indicator sets limits on investments placed for greater than one year in duration and is the key control used to address this risk. Operationally, risks are mitigated by monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day-to-day cash flow needs, and by ensuring that the spread of longer-term investments provide stability of both maturities and returns in relation to the longer-term cash flow needs.

The maturity analysis of financial assets is set out below:

Maturity	31 March 2022 £000's	31 March 2023 £000's
Less than 1 year	-	-
More than 1 year, less than 2 years	1,100	1,100
More than 2 years, less 3 years	-	-
More than 3 years	12,282	11,088
<b>Total</b>	<b>13,382</b>	<b>12,188</b>



The maturity analysis of financial liabilities is shown below:

Maturity	31 March 2022 £000's	31 March 2023 £000's
Less than one year	-	(7,000)
Between one and two years	-	-
Between two and five years	-	-
More than five years	-	-
<b>Total</b>	<b>-</b>	<b>(7,000)</b>

### 22.10 Market Risk

The Council is partially exposed to interest rate movements on its investments. As all its borrowings are fixed rate, the Council has no exposure to interest rate risk on its borrowings.

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

Since all investments are classified as Loans and Receivables any change in the fair value resulting from changes in interest rates would have no effect upon the figures contained within the Accounts.

## 23. CASH AND CASH EQUIVALENTS

The balance of cash and cash equivalents is made up of the following elements:

Cash & Cash Equivalents	31 March 2022 £000's	31 March 2023 £000's
Cash held by the authority	2	2
Bank current accounts	8,643	9,327
Short-term liquid deposits	18,500	7,000
<b>Total</b>	<b>27,145</b>	<b>16,329</b>

## 24. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

Capital Expenditure & Capital Financing	31 March 2022 £000's	31 March 2023 £000's
<b>Opening capital financing requirement</b>	<b>56,940</b>	<b>77,317</b>
<b>Capital Investment</b>		
Property, Plant and equipment	33,855	19,078
Investment properties	4	-
Intangible assets	-	-
Heritage assets	-	3
Revenue expenditure funded from capital under statute	1,956	4,380
Long term investments	-	-
<b>Sources of finance</b>		
Capital receipts received and applied	(11,751)	(546)
Capital receipts reserve applied	-	-
Government grants and other contributions	(3,482)	(5,850)
Earmarked reserves	-	-
Other adjustments	-	-
<b>Sums set aside from revenue.</b>		
Direct revenue contributions	-	(213)
MRP/the statutory repayment of loans fund advances	(557)	(583)
<b>Closing capital financing requirement</b>	<b>76,965</b>	<b>93,586</b>
<b>Explanation of movements in the year:</b>		
Increase/(decrease) in underlying need to borrow	20,025	16,269
<b>Increase/(decrease) in capital financing requirement</b>	<b>20,025</b>	<b>16,269</b>

## 25. LEASES

### 25.1 Council as a Lessee

#### Finance Leases

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

Finance Leases	2021/22 £000's	2022/23 £000's
Leasehold building, freehold owned by the Council	6,250	6,832
Leasehold buildings, freehold not owned by the Council	8,373	8,851
<b>Total value of PPE</b>	<b>14,623</b>	<b>15,683</b>
Investment property – leasehold buildings, freehold owned by the Council	1,281	662
<b>Total value of finance leases</b>	<b>15,904</b>	<b>16,345</b>

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. As the rents paid for these are nil or peppercorn, they have no material impact on the Council's accounts.

#### Operating Leases

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

### 25.2 Council as a Lessor

#### Operating Leases

In order to achieve operational objectives, the Council has leased out land and property, providing £4.218m of income in 2022/23 (£2.159m in 2021/22). Similarly, other assets leased out for investment purposes provided rent of £2.437m in 2022/23 (£1.956m in 2021/22).

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



Operating Leases	2021/22 £000's	2022/23 £000's
Not later than one year	(4,161)	(4,156)
Later than one year and not later than five years	(9,578)	(8,311)
Later than five years	(142,484)	(141,221)
<b>Total</b>	<b>(156,223)</b>	<b>(153,688)</b>

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

## 26. SHORT TERM DEBTORS

Short Term Debtors	31 March 2022 £000's	31 March 2023 £000's
Central government bodies	3,001	2,217
Other local authorities	300	4,586
NHS bodies	-	-
Public corporations and trading funds	-	-
Other entities and individuals	6,482	5,118
<b>Total debtors</b>	<b>9,783</b>	<b>11,921</b>
Less: credit losses allowance	(3,087)	(2,971)
<b>Total</b>	<b>6,696</b>	<b>8,950</b>

Credit loss allowances can be analysed as follows:

Credit Loss Allowances	31 March 2022 £000's	31 March 2023 £000's
<b>Non-Contractual:</b>		
Council share of council tax provision for bad debts	(441)	(504)
Council share of business rates provision for bad debts	(302)	(250)
<b>Contractual:</b>		
Sundry debtors	(233)	(266)
Housing benefits overpayments	(1,858)	(1,698)
Housing (temporary accommodation)	(253)	(251)
<b>Total</b>	<b>(3,087)</b>	<b>(2,971)</b>

## 26.1 Credit Loss Allowance

Non contractual debt principally arises from transactions with central government and other local authorities as well as the Council's agency relationship with the Collection Fund. Central government and local authority debt have been assessed as remaining fully recoverable, and no additional credit loss allowances have been made as a result of COVID-19. The Council bears its share of credit losses charged to the Collection Fund, which have been assessed on the basis of historical experience.

## 27. LONG TERM DEBTORS

Long Term Debtors	31 March 2022 £000's	31 March 2023 £000's
Other receivables	98	108
<b>Total</b>	<b>98</b>	<b>108</b>

## 28. SHORT TERM CREDITORS

Short-Term Creditors	31 March 2022 £000's	31 March 2023 £000's
Central government bodies	(22,780)	(15,038)
Other local authorities	(1,743)	(5,926)
Other entities and individuals	(7,080)	(4,907)
<b>Total</b>	<b>(31,603)</b>	<b>(25,871)</b>

### 28.1 Payment of invoices within 30 days

For the year ending 31 March 2023, 98.1% (98.7% at 31 March 2022) of undisputed purchase invoices were paid within 30 days of the invoice date. Late payment interest of £4,177 was paid (£130 in 2021/22).

## 29. LONG TERM CREDITORS

The only long-term creditors held by the Council are a number of Trust Funds, for which the Council acts as trustees. The charitable trusts are held largely to ensure the continued provision of specific areas of land and other facilities for use by the public. Brief details are shown below.

Trust Funds	31 March 2022 £000's	Receipts in Year £000's	Payments in Year £000's	Transferred out £000's	31 March 2023 £000's
Commons Trust <sup>1</sup>	-	-	-	-	-
Reigate Baths Trust <sup>2</sup>	-	-	-	-	-
Environmental Traffic Trust <sup>3</sup>	(79)	-	79	-	-
Reigate Priory & Park Hill Trust <sup>4</sup>	-	-	-	-	-
Redhill Memorial Sports Ground Trust <sup>5</sup>	-	-	-	-	-
Other charitable trusts <sup>6</sup>	(2)	-	(2)	-	-
<b>Total</b>	<b>(81)</b>	<b>-</b>	<b>(81)</b>	<b>-</b>	<b>-</b>

#### NOTES:

- Established in 1922 to ensure the continuing provision of public open spaces.
- Established in 1906 to ensure the continued provision of swimming facilities.
- Established in 2000 to facilitate traffic surveys, traffic management and other environmental improvements in and around Walton on the Hill.
- Established in 1921 to ensure the continuing provision of public open spaces.
- Established in 1922 to ensure the continuing provision of sports and recreation grounds.
- Miscellaneous sums to support the provision of parks and open spaces.



## 30. PROVISIONS

Provisions 2022/23	Relating to the NDR Appeals £000's	Total Provisions £000's
<b>Balance at 1 April</b>	<b>(3,573)</b>	<b>(3,573)</b>
Additional provisions made	(327)	(327)
<b>Balance at 31 March</b>	<b>(3,900)</b>	<b>(3,900)</b>

Provisions 2021/22	Relating to the NDR Appeals £000's	Total Provisions £000's
<b>Balance at 1 April</b>	<b>(4,160)</b>	<b>(4,160)</b>
Additional provisions made	587	587
<b>Balance at 31 March</b>	<b>(3,573)</b>	<b>(3,573)</b>

### 30.1 Business Rates (NDR) Appeals

Following the localisation of Business Rates, which became effective from 1 April 2013, the Council has set aside a provision for its share of any potential liabilities as a result of Business Rate payers' appeals against rateable valuations. The provision includes an amount for appeals lodged to date but yet to be determined by the Valuation Office Agency (VOA) plus an amount for appeals expected but not yet lodged with VOA which has been estimated based on experience and analysis of the appeals listing from the VOA. The Council cannot be certain as to when the lodged appeals will be resolved because the timing of resettlement.

## 31. DEFINED BENEFIT PENSION SCHEME

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 (for those benefits) and to disclose them at the time that employees earn their future entitlement.

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

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note.

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

The cost of retirement benefits in the reported cost of services is recognised when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made 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.

### 31.1 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:

Pensions Assets & Liabilities	31 March 2022 £000's	31 March 2023 £000's
Present value of the defined benefit obligation	(239,721)	(178,383)
Fair value of plan assets	155,949	151,118
<b>Sub-total</b>	<b>(83,772)</b>	<b>(27,265)</b>
Other movements in the liability (asset)	-	-
<b>Net liability arising from defined benefit obligation</b>	<b>(83,772)</b>	<b>(27,265)</b>



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

Fair Value Movements	2021/22 £000's	2022/23 £000's
<b>Opening fair value of scheme assets</b>	<b>150,470</b>	<b>155,949</b>
Interest income	2,982	4,171
<b>Remeasurement gain/(loss):</b>		
Return on plan assets	5,005	(6,264)
Contributions from employers into the scheme	2,830	2,530
Contributions from employees into the scheme	1,174	1,175
Benefits paid	(6,512)	(6,443)
<b>Closing fair value of scheme assets</b>	<b>155,949</b>	<b>151,118</b>

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

Defined Benefit Obligation	2021/22 £000's	2022/23 £000's
<b>Opening balance at 1 April</b>	<b>(245,095)</b>	<b>(239,721)</b>
Current service cost	(8,838)	(7,777)
Administration Costs	(67)	(67)
Interest cost on defined benefit obligations	(4,934)	(6,498)
Contributions from scheme participants	(1,174)	(1,175)
<b>Remeasurement gain/(loss):</b>		
Actuarial gains/losses arising from changes in demographic assumptions	13,981	1,556
Actuarial gains/losses arising from changes in financial assumptions	2,112	82,471
Other experience <sup>1</sup>	(2,218)	(13,934)
Benefits paid	6,512	6,762
<b>Total liabilities at 31 March</b>	<b>(239,721)</b>	<b>(178,383)</b>
<b>Total assets at 31 March</b>	<b>155,949</b>	<b>151,118</b>
<b>Total liabilities at 31 March</b>	<b>(239,721)</b>	<b>(178,383)</b>
<b>Net assets &amp; liabilities<sup>2</sup></b>	<b>(83,772)</b>	<b>(27,265)</b>

## NOTE:

- The 'Other experience' obligation includes an allowance of £14.087m for the April 2023 Pensions Increase Order impact.
- During 2020/21 the Council achieved a saving by making a prepayment of £6.204m towards LGPS pension deficit, this has reduced the Council's liability in the long-term liabilities section of the balance sheet, as a result the Long-term liabilities will not align to the Pension reserve sum, which will otherwise do. The imbalance is £2.005m at 31.3.22 and reducing to nil at 31.3.2023.



### 31.4 Local Government Pension Scheme Assets

Pension Scheme Assets	2021/22	2022/23
<b>Cash and cash equivalents:</b>		
All	3%	2%
<b>Equity securities:</b>		
Consumer	2%	2%
Manufacturing	1%	1%
Energy and utilities	-	1%
Financial institutions	1%	2%
Health and care	1%	1%
Information technology	3%	2%
<b>Debt securities:</b>		
UK Government	3%	-
<b>Private equity:</b>		
All	10%	14%
<b>Property:</b>		
UK	4%	4%
Overseas	2%	2%
<b>Investment funds and unit trusts:</b>		
Equities	59%	58%
Bonds	11%	11%
<b>Derivatives:</b>		
Foreign exchange	-	-
<b>Total</b>	<b>100%</b>	<b>100%</b>

### 31.5 Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

Both the Local Government Pension Scheme and discretionary benefits liabilities have been estimated by Hymans Robertson LLP, an independent firm of actuaries, estimates for the County Council fund being based on the latest full valuation of the scheme as at 1 April 2022.

The significant assumptions used by the actuary have been:



Actuary Assumptions		2021/22	2022/23
Long-term expected rate of return on assets in the scheme:	Expected return on assets	6.70%	1.40%
Mortality assumptions. Longevity at age 65 for:	Current pensioners – Men	22.3 years	21.7 years
	Current pensioners – Women	24.9 years	24.4 years
	Future pensioners <sup>1</sup> – Men	23.1 years	22.4 years
	Future pensioners <sup>1</sup> – Women	26.3 years	26.0 years
Inflation assumptions:	Rate of inflation (CPI)	3.20%	3.00%
	Rate of increase in salaries	4.20%	4.00%
	Rate of increase in pensions	3.20%	3.00%
	Rate for discounting scheme liabilities	2.70%	4.75%

NOTE 1: Figures assume members aged 45 as at the last formal valuation date.

### 31.6 Sensitivity Analysis

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Sensitivity Analysis	Approximate % Increase in Defined Benefit Obligation %	Approximate Monetary Amount £000's
0.1% decrease in real Discount Rate	2%	2,844
1 year increase in member life expectancy	4%	7,135
0.1% increase in the salary increase rate	-	257
0.5% increase in the pension increase rate (CPI)	1%	2,627



### 31.7 Impact on Cash Flow

The objectives of the scheme are to keep employers' contributions at a constant rate as possible. Surrey County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis and the most recent triennial valuation was completed as at 31 March 2022. The next triennial valuation is due to be completed on 31 March 2025.

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 service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 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 weighted average duration of the defined benefit obligation for scheme members is 17 years.

The liabilities show the underlying commitments that the Council has in the long run to pay for retirement benefits. The 2022/23 estimated total liability of £27.265m (£83.772m in 2021/22) has an impact on the Council's balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy; the deficit will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary. The Council anticipates paying £4.420m contributions to the scheme in 2023/24.

## 32. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

Cash Flows	31 March 2022 £000's	31 March 2023 £000's
Interest received	1,120	1,770
Interest paid	(64)	(23)
<b>Total</b>	<b>1,056</b>	<b>1,747</b>

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

Non-Cash Movements	31 March 2022 £000's	31 March 2023 £000's
Depreciation	3,351	3,609
Impairment and downward valuations	12,570	5,505
Increase/(decrease) in creditors	(9,350)	(5,731)
(Increase)/decrease in debtors	18,367	(2,264)
Increase/(decrease) in inventories	(63)	(13)
Movement in pension liability	8,027	7,322
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	10,244	575
Other non-cash items charged to the net surplus or deficit on the provision of services	2,986	4,524
<b>Total</b>	<b>46,132</b>	<b>13,527</b>
Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investment in associates, joint ventures and subsidiaries)	13,000	-
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(14,514)	(1,084)
Any other items for which the cash effects are investing or financing cash flows	(1,431)	(4,698)
<b>Total</b>	<b>(2,945)</b>	<b>(5,782)</b>



### 33. CASH FLOW STATEMENT – INVESTING ACTIVITIES

Investing Activities	31 March 2022 £000's	31 March 2023 £000's
Purchase of property, plant and equipment, investment property and intangible	(36,431)	(18,564)
Purchase of short-term and long-term investments	(910)	(914)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	14,514	1,084
Proceeds from short-term and long-term investments	-	-
Other receipts from investing activities	3,056	5,682
<b>Net cash flows from investing activities</b>	<b>(19,771)</b>	<b>(12,712)</b>

### 34. CASH FLOW STATEMENT – FINANCING ACTIVITIES

Financing Activities	31 March 2022 £000's	31 March 2023 £000's
Cash receipts of short-term and long-term borrowing	-	7,000
Other receipts from financing activities	-	-
Repayments of short-term and long-term borrowing	(9,036)	-
Other payments for financing activities	-	-
<b>Net cash flows from financing activities</b>	<b>(9,036)</b>	<b>7,000</b>

### 35. 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.

#### 35.1 Central Government

Central Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the grant income analysis at Note 11.



### 35.2 Members

Members and Senior Officers of the Council have direct control over the Council's financial and operating policies. They are required to complete an annual return disclosing the details of any interest of themselves, and their partners, which might have an impact on their activities on behalf of the Council. The total of Members' allowances paid in 2022/23 is shown in Note 8. Details of all returned interests are recorded in the Register of Members' Interests, open to public inspection at the Town Hall during office hours.

Five Members declared an interest in organisations which shared transactions with the Council. These included income from Raven Housing Trust, Taylor Wimpey PLC and Alliance For better Care Ltd with expenditure to East Surrey YMCA and Reigate and Banstead Citizens Advice Bureau where the Council had provided grants and other income contributions. The relevant Members did not take part in any discussions or decisions relating to the core funding grants received by any of the listed entities, details of which are:

Organization	Nature of Transactions	2021/22 £000's	2022/23 £000's
East Surrey YMCA	Grants	241	185
Raven Housing Trust	Right to buy clawback	(978)	(771)
Reigate and Banstead Citizens Advice Bureau	Grants	130	121
Taylor Wimpey PLC	Section 106	(1,210)	(526)
Alliance for Better Care Ltd	Misc. Income	-	(26)

### 35.3 Entities controlled or significantly influenced by the Council.

The Council had investments in two subsidiaries, a joint venture and an associate during 2022/23, over which it has control or significant influence.

#### Pathway for Care Limited

The Council holds ten £1 B Shares (10%) and 1,100,000 £1 Preference Shares and are therefore an associate of the Company Directors of the company relating to the Council were Councillor V Lewanski.

**RBBC Limited**

The Council has a wholly owned subsidiary RBBC Ltd which remained dormant throughout 2022/23. This company was set up to maintain the company name for potential future use. There were no transactions with RBBC Ltd during 2022/23.

**Horley Business Park Development LLP**

The Council owns a 50% shareholding in the LLP. The other partners of the joint venture are Berwick Hill Properties Ltd (BHP) and Millhill Properties (Horley) Ltd. The Council's Board Representatives include Councillor T Schofield and N. Jindal. The purpose is to promote the borough as a place to do business, securing resources to maintain and improve business related infrastructure and to create new jobs for our residents. The outstanding Loan principal is £0.608m as at 31 March 2023 and interest of £0.101m (£0.091m in 2021/22) was charged during 2022/23.

**Greensand Holdings Limited**

This is a wholly owned subsidiary that manages an investment property portfolio. Directors of the company relating to the Council include Councillor R Michalowski. The council has provided loans to the company with an outstanding principal and interest balance of £16.036m as at 31st March 2023 (£15.223m at 31 March 2022). Transactions in year include interest charged of £0.916m, and £0.013m of operational transactions.

**36. CONTINGENT LIABILITIES**

There were no contingent liabilities.

**37. EVENTS AFTER THE REPORTING PERIOD**

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

The following non-adjusting events have taken place after the reporting period, and before the date when the Statement of Accounts is authorised for issue:

Non-Adjusting Events	
Horley Business Park Development LLP	The Council owns a 50% shareholding in the LLP. Since the Balance Sheet date 31 December 2021. In October 2022, the members of the LLP took the decision to liquidate the Partnership due to lack of agreement in respect of site development plans. The company's financial statements for FY 2022 have therefore been prepared on a basis of other than going concern (planned solvent liquidation) as the partnership is anticipated to be closed during the 2024/25 financial year after the date of approval of these financial statements.

## ACCOUNTING POLICIES

### General Principles

The Statement of Accounts summarises the Council's transactions for the 2022/23 financial year and shows its position at 31 March 2023. It has been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting (2022/23) in the UK.

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

### Accruals of Income and Expenditure

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

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

### Cash and Cash Equivalents

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



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

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

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

## **Council Tax and National Non-Domestic Rates (England)**

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

## **Accounting for Council Tax and Business Rates (NNDR)**

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

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

## **Employee Benefits**

### **Benefits Payable During Employment**

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

### **Termination Benefits**

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

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

### **Post-Employment Benefits**

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

## Liabilities

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

Liabilities are discounted to their value at current prices, using the rate for discounting scheme liabilities shown in Note 31 Basis for Estimating Assets and Liabilities.

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

- Quoted securities – current bid price;
- Unquoted securities – professional estimate;
- Unitised securities – current bid price; and
- Property – market value.

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

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





Remeasurements comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure; and
- contributions paid to the Surrey County Council pension fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities: not accounted for as an expense.

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

### **Asset and Liability Measurement**

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

Level 1:

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

Level 2:

- The carrying value of assets or liabilities in the statement of accounts are measured using inputs that are not quoted prices (as described within level 1), but that are observable either directly or indirectly. This measurement is used when market data is not available, and valuations are developed using the best information available by

considering market rental, sales values, yields, size, construction type, condition and other observable inputs of comparable assets.

Level 3:

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

### **Carrying Value Measurement Transfer Policy**

Where assets and liabilities are subject to transfer between levels the transfer is deemed to have occurred at the end of the reporting period. This transfer policy is applied consistently between transfers into levels and transfers out of levels. There have been no such transfers in the 2022/23 financial year.

## **Financial Instruments**

### **Financial Liabilities**

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

### **Financial Assets**

Financial assets are classified into one of three types:

- Amortised cost – these represent loans and loan-type arrangement where the objective would be collecting contractual cash flows (solely payment of principal and interest). Movements in amortised cost are debited/credited to the Surplus/Deficit on the Provision of Services. The amount presented in the balance sheet represents the outstanding principal and the accrued interest;
- Fair value through other comprehensive income – these instruments are measured and carried at fair value. The objective of these assets would be both collecting contractual cash flows and selling assets. Movements in amortised cost are debited/credited to the Surplus/Deficit on the Provision of Services. But movements in



fair value are debited/credited to Other Comprehensive Income and Expenditure. Cumulative gain/losses on fair value are transferred to the general fund balance on derecognition; and

- Fair value through profit or loss (FVTPL) – These assets are measured and carried at fair value. Movement in fair value, all gains and losses are posted to Surplus/Deficit on the Provision of Services as they arise.

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

**Lifetime Expected Credit Losses:** where the credit risk on a financial instrument has increased significantly since initial recognition.

**12-Month Expected Credit Losses:** where the credit risk on a financial instrument has not increased significantly since initial recognition.

### **Simplified Approach for Trade Receivables**

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

### **Collective and Individual Assessment Basis**

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

### **Community Infrastructure Levy**

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

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

### **Government Grants and Contributions**

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

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

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

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

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



## **Group Accounts**

IFRS group accounting standards (IFRS 10, IFRS 11, IFRS 12, IAS 27 and IAS 28) are applied by the Council when preparing the consolidated financial statements (Group Accounts).

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

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

## **Heritage Assets**

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

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

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

## **Interests in Companies and Other Entities**

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

## **Investment Property**

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market

conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

## **Leases**

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

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

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

## **The Council as Lessee**

### **Finance Leases**

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

Lease payments are apportioned between:

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

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

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

### **Operating Leases**

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

### **The Council as Lessor Operating Leases**

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

### **Property, Plant and Equipment**

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

### **Recognition**

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accrual basis, provided that it is probable that the future economic benefits

or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

### Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

Assets included in the Balance Sheet are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their value at the year-end, but as a minimum every five years by a qualified external valuer, excepting non-property assets that have short useful lives and/or low values. This year the Council decided to undertake a desktop exercise of revaluations in addition to the rolling five-year programme.

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

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





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

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

### **Impairment**

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

Where impairment losses are identified, they are accounted for as follows:

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

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

### **Depreciation**

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

Depreciation is calculated on the following bases:

- Buildings – straight-line allocation over the useful life of the property as set determined by the valuer; and



- Vehicles, plant, and equipment – straight-line allocation over the useful life of the asset as set out below:
  - Vehicles and plant – 7 years
  - Equipment – 5 years.

Where an item of property, plant and equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

### **Disposals and Non-Current Assets Held for Sale**

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

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale. When an asset is disposed of or decommissioned, the carrying amount of the asset in the balance sheet (whether property, plant and equipment or assets held for sale) is written off to the other operating expenditure line in the comprehensive income and expenditure statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the comprehensive income and expenditure statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the revaluation reserve are transferred to the capital adjustment account.

Amounts received for a disposal are categorised as capital receipts which is credited to the Capital Receipts Reserve and can then only be used for new capital investment or set aside



to reduce the Council's underlying need to borrow. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

## **Provisions**

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

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

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

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

## **Contingent Assets/Liabilities**

A contingent asset/liability arises where an event has taken place that gives the Council a possible asset or 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 assets/liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an inflow/outflow of resources will be required, or the amount of the obligation cannot be measured reliably.

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

## **Reserves**

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

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

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

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

## **Value Added Tax (VAT)**

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

### **Accounting Standards that have been Issued but are yet to be Adopted.**

The Council is required to disclose information setting out the impact of an accounting standard that has been issued but not yet adopted by the Code.

As at the balance sheet date, the following new accounting standards and amendments had not yet been adopted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code).

#### Standard Updates:

- Definition of Accounting Estimates (amendments to IAS8) issued February 2021;
- Disclosure of Accounting Policies (Amendments to IAS1 and IFRS Practice Statement 2) issued February 2021; and
- Deferred tax relief to assets and liabilities arising from a single transaction (Amendments to IAS12) issued May 2021.

The above standard updates will improve reporting and have no material impact on the financial information reported in the 2022/23 Accounts.

#### Updating a reference to the Conceptual Framework (Amendments to IFRS3). issued in May 2020.

The Update has limited application to Local Government Accounts.

#### Implementation of IFRS 16 Accounting for Leases

The mandatory adoption of IFRS 16 accounting for leases has been delayed for Local Government reporting until April 2024. The Council is currently preparing for the implementation of the standard on that date.

## COLLECTION FUND

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

Collection Fund	2021/22			2022/23		
	Council Tax £000's	Business Rates £000's	Total £000's	Council Tax £000's	Business Rates £000's	Total £000's
<b>INCOME</b>						
Council tax receivable	(129,042)	-	(129,029)	(137,861)	-	(137,861)
Business rates (NNDR) receivable	-	(44,683)	(44,683)	-	(47,876)	(47,876)
<b>Total income</b>	<b>(129,042)</b>	<b>(44,683)</b>	<b>(173,712)</b>	<b>(137,861)</b>	<b>(47,876)</b>	<b>(185,737)</b>
<b>EXPENDITURE</b>						
<b>Precepts and demands:</b>						
Central Government	-	26,083	26,083	-	26,083	26,083
Reigate & Banstead Borough Council	14,889	20,866	35,755	15,607	20,866	36,473
Surrey County Council	94,060	5,217	99,277	101,283	5,217	106,500
Surrey Police and Crime Commissioner	17,340	-	17,340	18,407	-	18,407
<b>Distribution of prior years' (Surplus)/Deficit:</b>						
Central Government	-	(10,844)	(10,844)	-	(9,745)	(9,745)
Reigate & Banstead Borough Council	(54)	(8,676)	(8,730)	(107)	(7,796)	(7,903)
Surrey County Council	(341)	(2,169)	(2,510)	(674)	(1,949)	(2,623)
Surrey Police and Crime Commissioner	(61)	-	(61)	(123)	-	(123)
<b>Charges to the collection fund:</b>						
Increase/(decrease) in credit loss allowance	1,357	(187)	633	140	247	387
Increase/(decrease) in appeals provision	-	(1,467)	(1,467)	-	818	818
Cost of collection	-	171	171	-	168	168
Transitional Payments to Central Govt.	-	352	352	-	230	230
<b>Total expenditure</b>	<b>127,190</b>	<b>29,346</b>	<b>155,999</b>	<b>134,523</b>	<b>34,139</b>	<b>168,670</b>
<b>Deficit/(Surplus) for the year</b>	<b>(1,852)</b>	<b>(15,337)</b>	<b>(17,713)</b>	<b>(3,329)</b>	<b>(13,737)</b>	<b>(17,067)</b>
Add opening balances at 1 April	<b>1,167</b>	<b>24,906</b>	<b>26,073</b>	<b>(685)</b>	<b>9,569</b>	<b>8,884</b>
<b>Closing balance at 31 March</b>	<b>(685)</b>	<b>9,569</b>	<b>8,360</b>	<b>(4,014)</b>	<b>(4,169)</b>	<b>(8,183)</b>

The above account includes the transactions of all precepting partners (Central Government, Surrey County Council, Surrey Police and Crime Commissioner, Horley Town Council, Salfords & Sidlow Parish Council and Reigate & Banstead Borough Council).

The Business Rates distribution of prior year surplus/(deficit) is based upon the prior year estimated value. The difference between the estimated surplus/(deficit) and the actual surplus/(deficit) is settled in the forthcoming year.

## **Council Tax**

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

The Council's preceptors are:

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

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

The council tax base is calculated before the start of the year by estimating the number of dwellings in each valuation band (adjusted for discounts where applicable) and converting this into an equivalent number of 'Band D' dwellings. The calculation of the council tax base for 2022/23 (with comparative figures for 2021/22) is set out below.

## COLLECTION FUND

Band	Range of Values	Estimated Number of Properties	Multiplier	2021/22 Band D Equivalent £	2022/23 Band D Equivalent £
A	Up to £40,000	829	6/9	548	553
B	£40,000 to £52,000	3,217	7/9	2,522	2,658
C	£52,001 to £68,000	11,058	8/9	9,656	9,829
D	£68,001 to £88,000	16,200	9/9	16,101	16,200
E	£88,001 to £120,000	10,540	11/9	12,612	12,882
F	£120,001 to £160,000	7,012	13/9	10,094	10,129
G	£160,001 to £320,000	6,967	15/9	11,622	11,612
H	More than £320,000	1,046	18/9	2,084	2,092
<b>Total</b>				<b>65,238</b>	<b>65,955</b>
Local Concessionary Tax				(4,656)	(4,012)
Less Allowance for non-collection				(185)	(187)
Growth in terms of New Houses				957	519
<b>Council Tax Base</b>				<b>61,354</b>	<b>62,275</b>

The average 'Band D' Council Tax for 2022/23 was £2,164 (£2,072 in 2021/22).

## GROUP ACCOUNTS

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

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

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

### Group Company and Joint Venture/Associate Information

Company Name	Shareholding	Nature of Interest	In Year Activity 2022/23	Purpose
Horley Business Park Development LLP (Joint Venture)	Council 50%, Millhill Properties (Horley) Limited 49.99%, Berwick Hill Properties Limited 0.01%	Ownership structure has not changed during the financial year 2022/23.	The Council did not make any additional loans to the LLP during the financial year 2022/23. The interest charged in 2022/23 for the outstanding loan £0.101m.	The purpose is to promote the borough as a place to do business, securing resources to maintain and improve business related infrastructure and to create new jobs for our residents.
		The Council does not have any significant restrictions on its ability to access or use the assets and settle the liabilities of the group.		
Pathway for Care Limited (Associate, previously a subsidiary)	Council 10% (B Shares) and 1,100,000 Preference Shares, Transforming Healthcare Group Limited (THC) 70% (A Shares) & 10% (B Shares), Ian Hutchinson 10% (B Shares)	Pathway for Care Limited is an associate of the Council over which it has significant influence.	The Council did not make any loans to Pathway for Care Limited in 2022/23 and continues to hold £1,100,000 Preference Shares.	Pathway for Care Limited is a home health care company that supports people across the borough and beyond to live as independently as possible in their own homes.
RBBC Limited	Council 100%	Was a fully owned subsidiary and has been dormant during the financial year 2022/23.	There has been no activity during the year.	Currently dormant.
Greensand Holdings Limited (Subsidiary)	Council 100%	Ownership structure has not changed during the financial year 2022/23.	The Council did not make any additional loans to Greensand	Greensand Holdings Limited is a property company

Company Name	Shareholding	Nature of Interest	In Year Activity 2022/23	Purpose
		The Council does not have any significant restrictions on its ability to access or use assets and settle liabilities of the group.	during the financial year 2022/23	
		The Council does not have any contractual obligations towards Greensand Holdings Limited and therefore no risk associated with its interest in the group.		

All of the subsidiaries, associates, and joint ventures in which the Council has an interest, where incorporated in England, and have their principal place of business there.

The principal place of business of Horley Business Park Development LLP, RBBC Limited and Greensand Holdings Limited is the Town Hall, Castlefield Road, Reigate, Surrey, United Kingdom, RH2 0SH.

The principal place of business of Pathway for Care Limited is Glebe Business Park, Lunts Heath Road, Widnes Cheshire, United Kingdom, WA8 5SQ



## GROUP COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT

Group Comprehensive Income & Expenditure Statement	2021/22			2022/23		
	Gross Expenditure £000's	Gross Income £000's	Net Expenditure £000's	Gross Expenditure £000's	Gross Income £000's	Net Expenditure £000's
Organisation	27,458	(3,224)	24,234	20,641	(2,706)	17,935
Place	21,476	(8,417)	13,059	20,824	(8,717)	12,107
People	37,507	(31,818)	5,689	39,442	(31,376)	8,066
Senior Management Team	1,121	-	1,121	1,047	-	1,047
Central Services	6,888	(1,897)	4,991	4,908	(2,230)	2,678
<b>Cost of services</b>	<b>94,450</b>	<b>(45,356)</b>	<b>49,094</b>	<b>86,862</b>	<b>(107,859)</b>	<b>41,833</b>
Other Operating expenditure	470	(4,270)	(3,800)	507	(509)	(2)
Financing and investment income and expenditure	5,545	(2,642)	2,903	6,680	(3,469)	3,211
Taxation and non-specific grant income and expenditure	22,364	(47,061)	(24,697)	27,509	(58,852)	(31,343)
<b>(Surplus) or deficit on provision of services</b>	<b>122,829</b>	<b>(99,329)</b>	<b>23,500</b>	<b>121,558</b>	<b>(107,859)</b>	<b>13,699</b>
Joint venture & associate accounted for on an equity basis			88			132
Tax expenses of subsidiaries			(4)			-
Tax expenses of joint venture			-			-
<b>Group (surplus) or deficit</b>			<b>23,584</b>			<b>13,831</b>

Group Comprehensive Income & Expenditure Statement	2021/22			2022/23		
	Gross Expenditure £000's	Gross Income £000's	Net Expenditure £000's	Gross Expenditure £000's	Gross Income £000's	Net Expenditure £000's
Surplus) or deficit on revaluation of property, plant and equipment assets			(17,248)			(9,351)
Actuarial remeasurements			(18,880)			(63,829)
Share of other comprehensive income and expenditure of joint venture			-			-
<b>Other comprehensive income and expenditure</b>			<b>(36,128)</b>			<b>(73,180)</b>
<b>Total comprehensive income and</b>			<b>(12,544)</b>			<b>(59,349)</b>

## GROUP MOVEMENT IN RESERVES STATEMENT

Group Movement in Reserves Statement 2022/23	General Fund Reserves £000's	Capital Receipts Reserve £000's	Capital Grants Unapplied Account £000's	Total Usable Reserves £000's	Unusable Reserves £000's	Total Council Reserves £000's	Council's Share of Group Reserves £000's	Total Reserves attributable to the Council £000's	Minority Interest £000's	Group Reserve Total £000's
<b>Balance at 1 April</b>	<b>(40,460)</b>	<b>(8,648)</b>	<b>(28,642)</b>	<b>(77,750)</b>	<b>(83,111)</b>	<b>(160,861)</b>	<b>3,000</b>	<b>(157,861)</b>	<b>-</b>	<b>(157,861)</b>
<b>Movement in reserves during 2022/23</b>										
Surplus (deficit) on provision of services	13,699	-	-	13,699	(73,180)	(59,481)	132	(59,349)	-	(59,349)
<b>Adjustment between group and authority accounts</b>	<b>(850)</b>	<b>-</b>	<b>-</b>	<b>(850)</b>	<b>-</b>	<b>(850)</b>	<b>850</b>	<b>-</b>	<b>-</b>	<b>-</b>
Adjustments between accounting and funding basis under regulations	(4,479)	(537)	(4,433)	(9,449)	9,449	-	-	-	-	-
<b>Increase/(Decrease)</b>	<b>8,370</b>	<b>(537)</b>	<b>(4,443)</b>	<b>3,400</b>	<b>(63,731)</b>	<b>(60,331)</b>	<b>982</b>	<b>(59,349)</b>	<b>-</b>	<b>(59,349)</b>
<b>Balance at 31 March</b>	<b>(32,090)</b>	<b>(9,185)</b>	<b>(33,075)</b>	<b>(74,350)</b>	<b>(146,842)</b>	<b>(221,192)</b>	<b>3,982</b>	<b>(217,210)</b>	<b>-</b>	<b>(217,210)</b>

## GROUP ACCOUNTS

Group Movement in Reserves Statement 2021/22	General Fund Reserves £000's	Capital Receipts Reserve £000's	Capital Grants Unapplied Account £000's	Total Usable Reserves £000's	Unusable Reserves £000's	Total Council Reserves £000's	Council's Share of Group Reserves £000's	Total Reserves attributable to the Council £000's	Minority Interest £000's	Group Reserve Total £000's
<b>Balance at 1</b>	<b>(50,214)</b>	<b>(5,885)</b>	<b>(27,637)</b>	<b>(83,736)</b>	<b>(63,702)</b>	<b>(147,438)</b>	<b>2,121</b>	<b>(145,317)</b>	<b>-</b>	<b>(145,317)</b>
<b>Movement in reserves during 2021/22</b>										
Surplus (deficit) on	23,496	-	-	23,496	(36,128)	(12,632)	88	(12,544)	-	(12,544)
<b>Adjustment between group and</b>	<b>(791)</b>	<b>-</b>	<b>-</b>	<b>(791)</b>	<b>-</b>	<b>(791)</b>	<b>791</b>	<b>-</b>	<b>-</b>	<b>-</b>
Adjustments between accounting	(12,951)	(2,763)	(1,005)	(16,719)	16,719	-	-	-	-	-
<b>Increase/(Decrease)</b>	<b>9,754</b>	<b>(2,763)</b>	<b>(1,005)</b>	<b>5,986</b>	<b>(19,409)</b>	<b>(13,423)</b>	<b>879</b>	<b>(12,544)</b>	<b>-</b>	<b>(12,544)</b>
<b>Balance at 31 March</b>	<b>(40,460)</b>	<b>(8,648)</b>	<b>(28,642)</b>	<b>(77,750)</b>	<b>(83,111)</b>	<b>(160,861)</b>	<b>3,000</b>	<b>(157,861)</b>	<b>-</b>	<b>(157,861)</b>



## GROUP BALANCE SHEET

Group Balance Sheet	31 March 2022 £000's	31 March 2023 £000's
Property, plant & equipment	191,531	211,136
Heritage assets	960	957
Investment property	42,860	40,238
Investment in associate & joint venture	(95)	(227)
Long term investments	817	32
Long term debtors	98	108
<b>Long term assets</b>	<b>236,171</b>	<b>252,244</b>
Short term investments	-	-
Inventories	10,568	10,582
Short term debtors	6,765	9,143
Cash and cash equivalents	27,186	16,334
<b>Current assets</b>	<b>44,519</b>	<b>36,059</b>
Short term borrowing	-	(7,000)
Short term creditors	(31,634)	(25,976)
Current tax liability	-	-
<b>Current liabilities</b>	<b>(31,634)</b>	<b>(32,976)</b>
Long term creditors	(81)	-
Provisions	(6,231)	(7,780)
Net pension liability	(81,767)	(27,265)
Long term borrowing	(3)	(3)
Capital grants in advance	(2,916)	(2,919)
Other long-term liabilities	(197)	(150)
<b>Long term liabilities</b>	<b>(91,195)</b>	<b>(38,117)</b>
<b>Net assets</b>	<b>157,861</b>	<b>217,210</b>



Group Balance Sheet	31 March 2022 £000's	31 March 2023 £000's
Usable reserves	(74,750)	(70,368)
Unusable reserves	(83,111)	(146,842)
<b>Total reserves</b>	<b>(157,861)</b>	<b>(217,210)</b>

## GROUP CASH FLOW STATEMENT

Group Cash Flow Statement	31 March 2022 £000's	31 March 2023 £000's
Net surplus or (deficit) on the provision of services	(23,584)	(13,831)
<b>Adjustment to opening balance</b>	-	-
Adjustments to net surplus or deficit on the provision of services for non-cash movements	46,228	13,762
Adjustments to net surplus or deficit on the provision of services that are investing and financing activities	(2,945)	(5,782)
<b>Net cash flows from operating activities</b>	<b>19,699</b>	<b>(5,851)</b>
Investing activities	(19,771)	(12,712)
Financing activities	(8,325)	7,711
<b>Net increase or decrease in cash and cash equivalents</b>	<b>(8,397)</b>	<b>(10,852)</b>
Cash and cash equivalents at the beginning of the reporting period	35,583	27,186
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>27,186</b>	<b>16,334</b>

## NOTES TO THE GROUP ACCOUNTS

### General

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

### Subsidiaries

The operating expenditure and income of the wholly owned subsidiary companies, RBBC Limited and Greensand Holdings Limited has been included within Financing & Investment income and expenditure respectively. RBBC Limited and Greensand Holdings Limited have period ends of 30 September and April and 31 December respectively. The consolidation has been prepared using their draft accounts as at 31 December 2021 respectively, adjusted for significant movements in the three months to 31 March 2022 in the case of Greensand Holdings Limited.

### Financing and Investment Income and Expenditure

Financing & Investment Income and Expenditure	2021/22 £000's	2022/23 £000's
Interest payable and similar charges	36	23
Net interest on the net defined benefit liability/(asset)	1,952	2,327
Impairment	808	2,108
Expenditure in relation to investment properties and their fair value	2,749	2,222
<b>Total expenditure</b>	<b>5,545</b>	<b>6,680</b>
Income in relation to investment properties and their fair value	(2,438)	(2,616)
Other investment income	(204)	(853)
<b>Total income</b>	<b>(2,642)</b>	<b>(3,469)</b>
<b>Total net income/expenditure</b>	<b>2,903</b>	<b>3,211</b>



## Investment Property

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

Investment Property	2021/22 £000's	2022/23 £000's
Rental income from investment properties	(2,615)	(2,615)
Direct operating expenses arising from investment property	290	398
<b>Net gain</b>	<b>(2,128)</b>	<b>(2,217)</b>

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

Fair Value of Investment Properties	31 March 2022 £000's	31 March 2023 £000's
<b>Balance at 1 April</b>	45,233	42,860
Additions	4	-
Purchases	-	-
Disposals	-	-
Net gains/losses from fair value adjustments	(2,399)	(1,763)
Depreciation	-	-
Transfers to/from inventories	-	-
Transfers to/from property, plant and equipment	-	(859)
Other changes	-	-
<b>Balance at 31 March</b>	<b>42,838</b>	<b>40,238</b>

A small number of the Council's assets have been reclassified in the year and have been transferred to property, plant and equipment.





## Property, Plant and Equipment

The Group's property, plant and equipment is held by the Council, except Crown house and fishers Farm which is held by Greensand Holdings Limited. The Council's dormant subsidiary, RBBC Limited holds no property, plant or equipment.

## Inventories

Inventories	2021/22 £000's	2022/23 £000's
Inventories	10,568	10,582

Inventories relates to land held for development and resale and are stated at the lower of cost and net realisable value. Cost includes all directly attributable expenditure necessary to bring the inventories to their existing condition and location. Costs are assigned by specific identification and include the cost of acquisition and subsequent development costs.

## Short Term Debtors

Short-Term Debtors	31 March 2022 £000's	31 March 2023 £000's
Central government bodies	3,001	2,217
Other local authorities	300	4,586
Other entities and individuals	6,551	5,311
<b>Total (gross)</b>	<b>9,852</b>	<b>12,114</b>
Less: credit losses allowance	(3,087)	(2,971)
<b>Total</b>	<b>6,765</b>	<b>9,143</b>



## Short Term Creditors

Short-Term Creditors	31 March 2022 £000's	31 March 2023 £000's
Central government bodies	(22,780)	(15,038)
Other local authorities	(1,743)	(5,926)
Other entities and individuals	(7,111)	(5,012)
<b>Total</b>	<b>(31,634)</b>	<b>(25,976)</b>

## Cash and Cash Equivalents

Cash & Cash Equivalents	31 March 2022 £000's	31 March 2023 £000's
Cash held by the Council	2	2
Bank current accounts	8,684	9,332
Short-term deposits with banks and building societies	18,500	7,000
<b>Total</b>	<b>27,186</b>	<b>16,334</b>

## Share of Income and Expenses

Share of Income & Expenses 2022/23	Council's Share %	Horley Business Park Development LLP £000's	Pathway for Care Ltd £000's	Council's Share £000's
Share of the other Comprehensive (income) and expenditure of joint venture	50%	-	-	-
Share of the other Comprehensive (income) and expenditure of associate	10%	-	1,322	132
<b>Total</b>		-	<b>1,322</b>	<b>132</b>



Share of Income & Expenses 2021/22	Council's Share %	Horley Business Park Development LLP £000's	Pathway for Care Ltd £000's	Council's Share £000's
Share of the other Comprehensive (income) and expenditure of joint venture	50%	132	-	66
Share of the other Comprehensive income and expenditure of associate	10%	-	221	22
<b>Total</b>		<b>132</b>	<b>221</b>	<b>88</b>

### Council's Interest in Net Assets

Interest in Net Assets 2022/23	Council's Share %	Horley Business Park Development LLP £000's	Pathway for Care Ltd £000's	Council's Share £000's
Fixed assets – associate	10%	-	49	5
Fixed assets - joint venture	50%	-	-	-
Current assets – associate	10%	-	705	71
Current assets - joint venture	50%	1,318	-	659
Current liabilities – associate	10%	-	(1,018)	(102)
Current liabilities - joint venture	50%	(204)	-	(102)
Long term liabilities - associate	10%	-	-	-
Long term liabilities - joint venture	50%	(1,297)	-	(648)
<b>Total</b>		<b>(183)</b>	<b>1,058</b>	<b>(118)</b>



Interest in Net Assets 2021/22	Council's Share %	Horley Business Park Development LLP £000's	Pathway for Care Ltd £000's	Council's Share £000's
Fixed assets – associate	50%	-	95	10
Fixed assets - joint venture	10%	-	-	-
Current assets – associate	50%	-	1,590	159
Current assets - joint venture	10%	1,318	-	659
Current liabilities – associate	50%	-	(627)	(63)
Current liabilities - joint venture	10%	(204)	-	(102)
Long term liabilities - associate	50%	-	-	
Long term liabilities - joint venture	10%	(1,297)	-	(648)
<b>Total</b>		<b>(183)</b>	<b>1,058</b>	<b>15</b>



## GLOSSARY

### **Accruals Basis**

The accruals principle is that income is recorded when it is earned rather than when it is received, and expenses are recorded when goods or services are received rather than when the payment is made.

### **Actuarial Gains and Losses**

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

### **Amortisation**

A charge to the comprehensive income and expenditure statement which spreads the cost of an intangible asset over a number of years in line with the Council's accounting policies.

### **Appointed Auditors**

The appointment of External Auditors to Local Authorities is undertaken by Public Sector Audit Appointments Limited (PSAA), an independent company limited by guarantee and incorporated by the Local Government Association in August 2014. Deloitte LLP are the Council's appointed auditor.

### **Asset**

Items of worth that are measurable in terms of value. Current assets may change daily, but the Council is expected to yield the benefit within the one financial year (e.g. short term debtors). Non-current assets yield benefit to the Council for a period of more than one year (e.g. land).

### **Associate Companies**

An associate is an entity over which the Council has significant influence.



### **Balances**

The balances of the Council represent the accumulated surplus of income over expenditure on any of the Funds.

### **Budget**

A forecast of net revenue and capital expenditure over the accounting period.

### **Business Rates Tariff**

Central government calculates a funding level for every council each financial year. Should a council expect to receive more in non-domestic rates than its funding level then a tariff payment is made to Central Government.

### **Business Rates Levy**

Levies are charges on councils that experience 'growth' and pay a tariff. 'Growth' for levy purposes occurs when a council's Business Rates revenue increases faster than its funding level (which will increase with RPI). The levy limits the percentage increase in funding for a council so that it is no more than the percentage increase in Business Rates.

### **Capital Adjustment Account**

The Account accumulates (on the debit side) the write-down of the historical cost of non-current assets as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure. The same process applies to capital expenditure that is only capital by statutory definition (revenue expenditure funded by capital under statute). The balance on the account thus represents timing differences between the amount of the historical cost of non-current assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

### **Capital Charge**

A notional charge to service revenue accounts to reflect the cost of non-current assets used in the provision of services. The main elements are depreciation, amortisation and the revenue impact of downward revaluations.



### **Capital Expenditure**

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

### **Capital Financing Requirement**

This represents the Council's underlying need to borrow for capital purposes. The capital financing requirement will increase whenever capital expenditure is incurred and not resourced immediately from usable capital receipts, capital grants/contributions or revenue funding.

### **Capital Receipts**

Proceeds received from the sale of land or other capital assets, a proportion of which may be used to finance new capital expenditure, subject to the provisions contained within the Local Government Act 2003.

### **Carrying Amount**

The Balance Sheet value recorded of either an asset or a liability.

### **CIPFA**

Chartered Institute of Public Finance and Accountancy; the leading professional accountancy body for public services.

### **Collection Fund**

The Council as a billing authority has a statutory obligation to maintain a separate Collection Fund. This shows the transactions relating to the collection of Council Tax and Business Rates and its distribution to Local Government bodies.

### **Community Assets**

These are non-current assets that the Council intends to hold in perpetuity which have no determinable finite useful life and, in addition, may have restrictions on their disposal. Examples include parks and historical buildings not used for operational purposes.



### **Community Infrastructure Levy**

A levy charged on most new developments in the Borough with appropriate planning consent, which will be spent on infrastructure (such as transport, schools and social care facilities).

### **Consistency**

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

### **Consumer Price Index (CPI)**

A measure of inflation published monthly by the Office for National Statistics that measures the change in the cost of a basket of retail goods and services. Unlike the Retail Price Index (RPI), the CPI takes the geometric mean of prices to aggregate items at the lowest levels, instead of the arithmetic mean and excludes mortgage interest payments.

### **Contingency**

A condition 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. There can be Contingent Liabilities for uncertain items of expenditure and Contingent Assets for uncertain items of income.

### **Contingent Liabilities or Assets**

These are amounts potentially due to or from individuals or organisations which may arise in the future but which at this time cannot be determined accurately, and for which provision has not been made in the Council's accounts.

### **Contingent Rent**

Contingent rent is the difference between the original rent and the revised rent following a rent review.

### **Council Tax Requirement**

This is the estimated revenue expenditure on General Fund services that will be financed from Council Tax after deducting income from fees and charges, General Fund Balances, specific grants and any funding from reserves.





### **Creditor**

Amounts owed by the Council for work done, goods received or services rendered, for which payment has not been made at the date of the balance sheet.

### **Current Service Cost (Pensions)**

The increase in the present value of defined benefit pension scheme liabilities expected to arise from employee service in the current period.

### **Current Value**

The current value of an asset reflects the economic environment prevailing for the service or function the asset is supporting at the reporting date.

### **Curtailment**

Curtailments will show the cost of the early payment of pension benefits if any employee has been made redundant in the previous financial year.

### **Debtor**

Amounts owed to the Council by an individual or company at the end of the accounting period.

### **Defined Benefit Scheme**

This is a pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

### **Defined Contribution Scheme**

A Defined Contribution Scheme is a pension or other retirement benefit scheme into which an employer pays regular contributions as an amount or as a percentage of pay and will have no 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 and prior periods.



### **Depreciation**

A charge to revenue to reflect the consumption of a property, plant or equipment asset over its useful economic life. There is a corresponding reduction in the value of the asset.

### **Depreciated Replacement Cost**

A method of valuation that provides a proxy for the market value of specialist assets.

### **Derecognition**

Financial assets and liabilities will need to be removed from the Balance Sheet once performance under the contract is complete or the contract is terminated.

### **Discounts**

Discounts represent the outstanding discount received on the premature repayment of Public Works Loan Board loans. In line with the requirements of the Code, gains arising from the repurchase or early settlement of borrowing have been written back to revenue. However, where the repurchase or borrowing was coupled with a refinancing or restructuring of borrowing with substantially the same overall economic effect when viewed as a whole, gains have been recognised over the life of the replacement loan.

### **Discretionary Benefits**

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under the Council's discretionary powers, such as The Local Government (Discretionary Payments) Regulations 1996, the Local Government (Discretionary Payments and Injury Benefits)(Scotland) Regulations 1998, or The Local Government (Discretionary Payments) Regulations (Northern Ireland) 2001.

### **Earmarked Reserves**

The Council holds a number of reserves earmarked to be used to meet specific, known or predicted future expenditure.

### **Events after the Reporting Period**

Events that occur between the balance sheet date and the date when the Statement of Accounts is authorised for issue.



### **Exceptional Items**

Material items which derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

### **External Audit**

The independent examination of the activities and accounts of Local Authorities to ensure the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Council has made proper arrangements to secure value for money in its use of resources.

### **Fair Value**

The Fair Value of an asset is the amount for which it could be exchanged between knowledgeable, willing parties in an arm's length transaction.

### **Fees and Charges**

Income arising from the provision of services e.g. the use of trade waste services.

### **Finance Lease**

A lease that transfers substantially all the risks and rewards of ownership of a non-current asset to the lessee.

### **Financial Instruments**

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term financial instrument covers both financial assets and financial liabilities.

### **Financial Procedure Rules**

These are the written code of procedures approved by the Council, intended to provide a framework for proper financial management. They set out rules on accounting, audit, administrative and budgeting procedures.



### **General Fund**

This is the main revenue fund of the Council and includes the net cost of all services financed by local taxpayers and Government grants.

### **Government Grants**

Assistance by Government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to a Council in return for past or future compliance with certain conditions relating to the activities of the Council.

### **Heritage Assets**

Heritage Assets are assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations.

### **Housing Benefit**

This is an allowance to persons receiving limited income to meet, in whole or part, their rent. Benefit is assessed and paid by local authorities but Central Government refunds part of the cost of the benefits and of the running costs of the services.

### **Impairment of Assets**

A reduction in the value of assets below its value brought forward in the Balance Sheet. Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in a non-current asset's market value and evidence of obsolescence or physical damage to the asset.

### **Infrastructure Assets**

Non-current assets which generally cannot be sold and from which benefit can be obtained only by continued use of the asset created. Examples include highways and footpaths.

### **Intangible Fixed Assets**

These are assets that do not have physical substance but are identifiable and controlled by the Council. Examples include software licenses and patents.



### **Interest Cost (Pensions)**

For a defined benefit scheme, the expected increase during the period on the present value of the scheme liabilities which arises from the passage of time.

### **International Financial Reporting Standard (IFRS)**

Defined Accounting Standards that must be applied by all reporting entities to all financial statements in order to provide a true and fair view of the entity's financial position, and a standardised method of comparison with financial statements of the other entities.

### **Inventories**

Amounts of unused or unconsumed stocks held in expectation of future use. Inventories are comprised of the following categories:

- Goods or other assets purchased for resale;
- Consumable stores;
- Raw materials and components;
- Products and services in intermediate stages of completion; and
- Finished goods.

### **Investment Properties**

Property, which can be land or a building or part of a building or both, that is held solely to earn rental or for capital appreciation or both, rather than for operational purposes.

### **Investments (Non-Pension Fund)**

A long term investment is an investment that is intended to be held for use on a continuing basis in the activities of the Council. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

Investments, other than those in relation to the pensions fund, that do not meet the above criteria should be classified as current assets.



### **Investments (Pension Fund)**

The investments of the Pensions Fund will be accounted for in the statements of that Fund. However, authorities are also required to disclose the attributable share of pension scheme assets associated with their underlying obligations.

### **Large Scale Voluntary Transfer (LSVT)**

The voluntary transfer of public sector housing to other bodies, usually to a Registered Social Landlord.

### **Leasing Costs**

This is where a rental is paid for the use of an asset for a specified period of time. Two forms of lease exist: finance leases and operating leases.

### **Liabilities**

These are amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the Balance Sheet date.

### **Loss Allowance**

The allowance for expected credit losses on financial assets, such as debtors.

### **Market Value**

The estimated amount for which a property should exchange on the date of valuation between knowledgeable willing parties in an arm's-length transaction based on its highest and best use.

### **Materiality**

Information is material if omitting it or misstating it could influence the decisions that users make on the basis of financial information about the Council.

### **Medium Term Financial Strategy (MTFS)**

A financial planning document that sets out the future years' financial forecasts for the Council. It considers local and national policy influences and projects their impact on the general fund revenue budget and capital programme, usually over a five-year timescale.



### **Minimum Revenue Provision (MRP)**

MRP is the minimum amount which must be charged to an authority's revenue account each year and set aside as provision for credit liabilities, as required by the Local Government and Housing Act 1989.

### **Net Book Value (NBV)**

The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or Current Value less the cumulative amounts provided for depreciation and any impairments.

### **Net Debt**

Net debt is the Council's borrowings less cash and liquid resources.

### **Net Interest Cost on the Net Defined Benefit Pension Liability**

For a defined benefit pension scheme, the change in the net liability during the period because the benefits are one period closer to settlement.

### **Non Distributed Costs**

These are overheads for which no user benefits and should not be apportioned to services.

### **Operating Lease**

A lease where the risks and rewards of ownership of the asset remains with the lessor.

### **Outturn**

Actual expenditure and income compared to the budget.

### **Past Service Cost**

For a defined benefit scheme, the change 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 changes to, retirement benefits or a curtailment.

## **Pensions / IAS 19**

The requirements of International Accounting Standard 19 'Employee Benefits' is based on a simple principle – that an organisation should account for retirement benefits when it is committed to give them, even if the actual giving will be many years into the future. The important accounting distinction for pension schemes is whether they are 'defined contribution' or 'defined benefit'.

## **Premiums**

Discounts that have arisen following the early redemption of long term debt, which are written down over the lifetime of replacement loans where applicable.

## **Prior Period Adjustments**

These are material adjustments which are applicable to an earlier period arising from changes in accounting policies or for the correction of fundamental errors.

## **Projected Unit Method**

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, and projections of projected earnings for current employees.

## **Property, Plant and Equipment (PPE)**

PPE are tangible assets (i.e. assets that have physical substance) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and are expected to be used during more than one year.

## **Provisions**

Amounts set aside to meet liabilities or losses which it is anticipated will be incurred but where the amount and/or the timing of such costs are uncertain.

## **Prudence**

The concept that revenue is not anticipated but is recognised only when realised in the form either of cash or of other assets the ultimate cash realisation of which can be assessed with reasonable certainty.





### **Public Works Loan Board (PWLB)**

An arm of Central Government which is the major provider of loans to finance long term funding requirements for Local Authorities

### **Related Parties**

Central Government, other local authorities, precepting and levying bodies, subsidiary and associated companies, Elected Members, and all senior officers. For individuals identified as related parties, the following are also presumed to be included:

- Members of the close family, or the same household; and
- Partnerships, companies, trusts or other entities in which the individual, or member of their close family or the same household, has a controlling interest.

### **Remeasurements of the Net Defined Benefit Pension Liability**

Remeasurement of the Net Defined Benefit Liability (asset) comprises:

- Actuarial gains and losses;
- The return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and
- Any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).

### **Reporting Standards**

The Code of Practice prescribes the accounting treatment and disclosures for all normal transactions of a local authority. It is based on International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and International Financial Reporting Interpretations Committee (IFRIC) plus UK Generally Accepted Accounting Practice (GAAP) and Financial Reporting Standards (FRS).

### **Reserves**

Amounts set aside to help manage future risks, to provide working balances or that are earmarked for specific future expenditure priorities.

**Retirement Benefit**

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 employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

**Revaluation Decrease**

A downward movement in the current or Fair Value of an asset resulting from a general fall in prices at the time of valuation.

**Revaluation Reserve**

Records the accumulated gains on the non-current assets held by the Council arising from increases in value as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value).

**Revenue Contributions**

A method of financing capital expenditure directly from revenue.

**Revenue Expenditure Funded from Capital Under Statute (REFCUS)**

Expenditure incurred during the year that may be capitalised under statutory provision but that does not result in the creation of a non-current asset that has been charged as expenditure to the Comprehensive Income and Expenditure Statement.

**Scheme Liabilities (Pensions)**

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

**Section 106**

Monies received from developers under section 106 of the Town & Country Planning Act 1990, as a contribution towards the cost of providing facilities and infrastructure which may be required as a result of their development.



### **Service Reporting Code of Practice for Local Authorities (SeRCOP)**

Framework used by public sector finance officers and Central Government as a way of summarising council budgets and spending in a standard format. SeRCOP is maintained by CIPFA.

### **Subsidiary**

An entity controlled by the Council.

### **Treasury Management**

The process by which the Council controls its cash flow and its borrowing and lending activities.

### **Treasury Management Strategy (TMS)**

A strategy prepared with regard to legislative and CIPFA requirements setting out the framework for treasury management activity for the Council.

### **Trust Funds**

Funds administered by the Council on behalf of charitable organisations and/or specific organisations.

### **Unsupported (Prudential) Borrowing**

Borrowing for which no financial support is provided by Central Government. The borrowing costs are to be met from current revenue budgets.

### **Useful Life**

The period over which the Council will derive benefits from the use of a non-current asset.

### **Vested Rights**

In relation to a defined benefit pension 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; and
- c) For pensioners, pensions to which they are entitled.

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