

# Statement of Accounts 2019-2020

Runnymede Borough Council  
**Useful information**

**Address and telephone number**

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**Mayor and Deputy Mayor in the 2019/20 municipal year**

Mayor: Councillor P Sohi  
Deputy Mayor: Councillor E Gill

**Chairmen of Committees in 2019/20**

Corporate Management Committee	Councillor N H Prescott
Community Services	Councillor N. King
Crime and Disorder Committee	Councillor J Furey
Englefield Green Committee	Councillor N King
Environment and Sustainability Committee	Councillor Miss M Heath
Housing Committee	Councillor Mrs J Gracey
Licensing Committee	Councillor D Cotty
Overview and Scrutiny Select Committee	Councillor J Furey
Planning Committee	Councillor M Willingale
Regulatory Committee	Councillor D Cotty
Standards and Audit Committee	Councillor M G Nuti

**Chief Officers in 2019/20**

Chief Executive	Mr P Turrell
Corporate Head of Law and Governance	Mr M Leo
Assistant Chief Executive (Responsible Finance Officer)	Mr P McKenzie

**External Auditor in 2019/20**

Appointed Auditor:	BDO LLP
Address:	Public Sector Assurance 55 Baker Street London W1U 7EU

**Bankers in 2019/20**

Bankers:	Lloyds Bank plc
Address:	3 <sup>rd</sup> Floor, 2 City Place Beehive Ring Road Gatwick West Sussex RH6 0PA

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# Narrative Report to the Statement of Accounts 2019/20

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## Borough profile

The name of Runnymede is synonymous with the sealing of the Magna Carta in 1215.

The Borough covers approximately 30 sq. miles in north-west Surrey. The River Thames and Wey form a natural boundary to the N.E. In the N.W the boundary cuts through Windsor Great Park and in the south, it extends to just above Woking.

The Borough includes Thorpe village, with its popular theme park attraction, Egham, Addlestone, Chertsey, Virginia Water and several other urban and rural towns and villages.

The Borough is predominantly residential, with some light industry, and retains much of its rural character. It has excellent transport connections with easy access to the M25 and M3 and rail routes link all the major towns to London Waterloo station. International transport connections are excellent owing to the proximity of Heathrow and Gatwick airports and the Eurostar terminus in London. The south coast ports are less than an hour's drive away.

A study of vibrant economies in 2017 by Grant Thornton showed that Runnymede was ranked 13 out of 324 areas in England. While the pandemic of 2020 may have changed these rankings, it does suggest that the economy of Runnymede is well placed as the UK moves into recovery.

## Introduction by the Assistant Chief Executive & Responsible Finance Officer

The purpose of these accounts is to give electors, those subject to locally levied taxes and charges, Members of the Council, employees and other interested parties clear information about the finances of Runnymede Borough Council. It provides information on:

- The cost of the services we provide
- Our sources of income
- Assets and liabilities at the year-end

The financial statements are in a format that meets legal and professional accounting requirements. The statement follows the *Code of Practice for Local Authority Accounting in the United Kingdom 2019/20* (the Code) and associated guidance. The overriding requirement of the Code is that the statement of accounts gives a true and fair view of the financial position of the Council as at 31 March 2020.

The aim of this report is to provide readers with a clear and understandable guide to the financial affairs of Runnymede Borough Council. I have included sections on the Government's known financial plans for local government, how the Council has responded to the changes in Government funding and how its financial strategies will allow it to continue to provide good quality services to our residents, visitors and the business community while setting one of the lowest council tax rates in England.

In late March 2020 the UK went into "lockdown" as the impact of Covid 19 was felt. While this was almost the end of the financial year end it is worth remembering that the financial year ending 31 March 2020 is one year in the Council's medium term plans to invest significant sums in regeneration schemes, building new affordable homes, developing services while at the same time continuing to develop its ability for residents and business to communicate and transact with the Council electronically.

It is important to note that, due to the impact of the COVID19 virus on the availability of local authority staff and auditors to complete the audit process within current deadlines due to sickness or redeployment, the Government extended the deadlines for the preparation of the 2019/20 Statement of Accounts - normally the Council would submit the statements by 31 May 2020 to the external auditor. The deadline has been extended to 31 August 2020 and the revised deadline for an Audit opinion is now 30 November.

## Narrative Report to the Statement of Accounts 2019/20

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As the financial statements demonstrate, the financial standing of the Council continues to be viable. The Council has been monitoring its expenditure and income since “lockdown” in March and has identified that in 2020/21 and following years there will be a significant reduction in income. Part of the Council’s financial strategy has been to build financial resilience and a comprehensive evaluation of strategic risks into all its strategies.

Income streams affected include Council owned car parks, planning fees, halls lettings, community transport, day centres, land charges etc. The main reduction is in the rents due from the commercial assets owned by the Council.

The Council prepares a medium-term financial strategy, including a detailed capital programme, in October each year. That process will continue in 2020/21 but with the added uncertainty due to Covid 19, the potential restructure of the county into one or more unitary councils, the continued Brexit negotiations and how local government will be funded in future. The Council will take any corrective action in the current financial year which is crucial to the financial sustainability of the Council in the future.

### Covid 19 support

Covid 19 had a number of short-term implications for the Council including:

- The Council brought forward its “agile working strategy” to allow staff to work from home to continue to provide essential services whilst complying with Government social distancing guidelines. The vast majority of staff worked from home and spent very limited time at their normal place of work to maintain the civic centre as a Covid secure site.
- Making a grant to the Runnymede food bank to provide food and essential items to households who needed support. This included the provision of accommodation and payment of utilities, rates etc. when their main warehouse could not be made Covid secure.
- For self-isolating residents, the Council partnered up with the local voluntary sector to instigate a process for a medicine, food shopping and delivery service, with the Council taking payment from residents and refunding the volunteers for the shopping undertaken.
- Creating a “welfare system” where Council officers contacted vulnerable and shielded residents by telephone to continue to provide various welfare services.
- Scaling up its “meals at home” service and the Careline.
- Administering and paying the various Government grants of over £14 million to businesses.
- Increasing the financial support to residents including reducing council tax bills using the council tax support scheme and agreeing to defer tax payments for those residents and businesses in financial distress.

The Council's financial strategy has the following three major themes:

1. Invest in the physical infrastructure of the Borough to improve the economic vibrancy of the towns. This commenced with Addlestone One and a new leisure centre in Egham. In summer 2019 the Council started the first phase of the regeneration of Egham, spending over £90 million over two years on a scheme including a cinema, retail units and apartments for sale or rent, including affordable rent apartments.
2. Spending significant capital sums over 3 to 4 years with no income from sales or rents would deplete the Councils reserves so to compensate for this, since 2014 the Council has bought

## Narrative Report to the Statement of Accounts 2019/20

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income generating commercial properties, mainly in the borough, to fund the costs of these major regeneration schemes.

3. The Council has made significant efficiency savings since 2014, reducing the workforce by around 16% with very few compulsory redundancies. It has invested significant sums in IT systems and a Customer Services function. The new ways of working benefits residents and businesses who can now communicate and transact with the Council much more easily.

The Council had chosen to invest in a place shaping and regeneration agenda which has involved developing a significant portfolio of commercial premises. The aim is to provide a sustainable commercial income to the Council, initially to replace reduced Government grant, but latterly to provide the funds to commence further significant regeneration schemes in the Borough.

We have established financial management disciplines which we continue to develop. Internal Audit has given independent assurance that our key financial systems continue to be robust.

Early in the 2020/21 financial year, the Government provided a considerable amount of financial support to local authorities. As well as providing grants to the Council to cover additional costs and lost income, the government provided £14m for the Council to administer grants to businesses in the borough.

The Council also delayed council tax and business rates recovery action as it recognised a number of households have seen a significant decrease in income as they may be self-employed or furloughed. The Council also increased its expenditure on council tax support by around 9%. The full financial impact on tax collection will not be known until much later in 2020.

The Council also has a significant commercial portfolio, with nationally known companies and a leisure trust paying rent to the Council. Most of these businesses have seen reduced income in 2020 and consequently have not been able, in some cases, to pay rent in full when it becomes due.

The Council is actively working with all its customers, tenants and taxpayers to collect income over a longer timescale to avoid write off of sums owed.

### Corporate Peer Challenge

During the year the Council invited the local Government Association (LGA) to carry out a Corporate Peer Challenge which took place in October 2019. The sector led team focused on corporate vision and priorities, leadership of place, organisational leadership and governance, financial planning and resilience and the capacity to deliver.

The executive summary is re-produced in full below:

*The Borough of Runnymede is a largely prosperous district in North West Surrey with a population of 88,000. It covers 7,804 hectares, of which 6,136 hectares is Green Belt. The Council has an emerging local plan 'Runnymede 2030 Local Plan' and has adopted a strong commercial approach to deliver financial sustainability and progress regeneration of its main towns. The Council is one of 11 districts and boroughs in Surrey and has a strong working relationship with the County Council and its neighbouring boroughs.*

*The Council has taken bold decisions to invest in commercial property in order to manage the challenges of falling revenue support grant and other funding sources. It has moved faster than many councils of its size in doing so. Consequently, the Council is in a more financially sustainable position than many other district councils and has taken a clear political decision not to cut customer facing services.*

*The Council has a positive reputation with partners; is well respected; and its strong financial position has afforded it the opportunity to deliver services and, in some instances, take on new services for partners. The Council has clear ambition to extend this further and redefine its role as a place shaper, local service provider and system leader. The Council has demonstrated confidence in taking bold*

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*decisions and is now in a position where it needs to invest in enhancing its strategic capacity to channel its ambition on place leadership and identify the next phase for the Council.*

*The Council is currently an employer; a partner; an influencer; a convener; a service provider; a developer and a commercial partner and it needs to clarify its vision for these fundamental roles. The Council has well established processes and project management which means it should be well placed to be clearer about its ambitions; clearer on how it is managing the risks it is exposed to; and clear about how it is communicating these internally and externally. The Council must now channel the energy and drive that members and officers exhibit to define what Runnymede Borough Council will be in 2030 and beyond.*

*The following are the peer team's key recommendations:*

- Establish a clear corporate narrative that will take you through the next 10+ years.*
- Enhance strategic capacity and place leadership.*
- Take a broader perspective of your place shaping role to encompass physical assets; economic development; health and wellbeing; and skills.*
- Establish a better equilibrium for your ambition for people and place.*
- Be clearer about articulating your vision, the risks associated with it, and how you are managing them.*
- Make commercialism part of the day job.*

One of the main recommendations was for the Council to consider increasing the strategic capacity of the organisation. The Council considered a number of recommendations in the revised forward plans and budgets for 2020/21. However, the Covid 19 pandemic has delayed the implementation of some of these recommendations.

The full report can be found at <https://www.runnymede.gov.uk/article/19026/Local-Government-Association-Peer-Challenge>

### Sources of funding

Government funding provided to all local authorities has been steadily declining since 2008 as the Government sought to re-balance the national economy. One part of the Government strategy was to reduce the Revenue Support Grant (RSG) paid to local authorities by 53% between April 2015 and March 2020. At the same time, it introduced a system where local authorities can retain part of the business rates it collects. The Council's Revenue Support Grant is now zero and the Council has assumed retained business rates will fall to zero by 2023/24. The Council has claimed significant sums over the last eight years from the New Homes Bonus reward grant for both facilitating new build and bringing empty properties back into use. In 2018 government announced the reward grant was to be scaled back significantly.

In preparing our Financial Strategies for 2020 and beyond the Council has assumed that government priorities will continue to be the NHS, adult social care and children's services, including education which are all County Council services.

As the Council spends around £30m gross on delivering services, the Council's spending is largely funded by the income it generates.

The Council has been preparing for significant falls in government grant by generating a sustainable income from services such as CCTV, community transport, "Meals at Home" and by investing considerable sums in the regeneration of the Borough and also investing in commercial property.

In 2019/20 the income from fees and charges was just under £6 million. Mainly from car parking income, planning fees, trade waste charges etc. The scope for raising additional income is limited by the local economy. Many fees are also determined by Government legislation.

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The income generation schemes are used mainly to fund significant regeneration schemes starting with Addlestone One and Egham Gateway. Those developments include commercial properties including supermarkets, hotels, cinemas, restaurants and a mix of apartments. Some are purpose-built student accommodation in Egham, affordable rent and market rent with some owner occupier dwellings. The main sources of funding from taxation received by the Council is currently, retained business rates income and council tax.

### Retained Business Rates

National non-domestic rates (business rates) are a national taxation scheme. The Ratable Value of a property is determined by the Government's Valuation Office, the rate in the pound to be applied is determined annually by Government in the Budget. Runnymede bills and collects the tax on behalf of the Government.

In April 2013 the Government introduced a national "Business Rates Retention" scheme where most of the Business Rates Collected in Surrey would be redistributed to other parts of the UK, but Runnymede and Surrey County Council would retain a proportion of the tax collected.

The retained business rates system is extremely complex and despite the Council collecting over 99% of the business rates due of £57m within the financial year, only £4.5m of it was kept by Runnymede.

As Covid 19 has affected most of the business premises in Runnymede Government has reduced the business rate liability of a significant proportion of the businesses and anticipate collecting a high percentage during 2020/21. The financial plans assume this high collection rate is maintained however it is likely this will be collected over a longer timescale. The Council has recognised that the income from a number of businesses has fallen significantly and has instructed that tax collection, while still a priority, will be undertaken in a sensitive manner.

### Council tax

There are over 37,000 dwellings in the borough and the Council has set one of the lowest tax rates in the UK. An average property, with a Band D valuation, paid £164.59 council tax, or £3.17 a week.

In setting the tax rate the Council consults widely with its residents' associations and forums as well as the Runnymede Business Partnership.

An average tax rate £3.17 a week is generally viewed as good value for money. A band D tax bill is shown below which shows Runnymede keeps 9% of the tax it collects.

Council tax - Band D	2019/20	
	£	%
Surrey County Council	1,453.50	77%
Surrey Police	260.57	14%
Runnymede Borough Council	164.59	9%
	1,878.66	100%
Increase	71.21	

As mentioned earlier, the gross spend of the Council is over £30m a year. Assuming an average inflation rate of 2% the expenditure inflation would be over £600,000 and a tax increase of £5 a year (the maximum we are currently allowed to increase it by) will generate less than £200,000 as shown in the table below:



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	2020/21	2021/22	2022/23	2023/24
	£'000	£'000	£'000	£'000
Expenditure inflation - RPI/CPI	603	683	669	637
Income inflation -RPI/CPI	(131)	(133)	(136)	(139)
Council Tax increases (at maximum)	(192)	(194)	(195)	(197)
<b>Inflationary cost pressure</b>	<b>280</b>	<b>356</b>	<b>338</b>	<b>301</b>

For that reason, the Council's financial strategy has been to invest significant sums in regeneration schemes to provide a sustainable income stream.

### Financial strategies

In 2012 the Council's elected Members embarked on several financial strategies designed to increase income and reduce costs through efficient ways of working with no reductions in services provided. In the management restructure approved by the Council in April 2019 the Corporate Leadership Team has been reduced from six posts to three. The efficiency saving has been redirected to front line service provision.

The Council has made efficiency savings of over £6.7 million and reduced the workforce by 16% in the seven years to March 2020. At the same time, it has maintained a General Fund working balance above the minimum set for 2019/20.

One of the reasons behind the Council's strategy of maintaining the General Fund working balance is that it can be used to fund service delivery should income fall further and give Councilors a longer lead in time to adjust the Council's long-term plans. This strategy has served the Council well as the General Fund working balance and the earmarked reserves can be deployed in 2020 and beyond to fund the costs of the Covid pandemic.

The Council's regeneration schemes are initially funded by borrowing from the Public Works Loans Board (an arm of H.M. Treasury). The General Fund working balance is to be used to fund the interest payments until the commercial income from rents covers the costs and provides an income stream which will enable the Council to invest in the services residents enjoy.

### Governance and fraud

Runnymede Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Runnymede Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Runnymede Borough Council is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

Runnymede Borough Council has formally adopted a code of corporate governance as recommended in the CIPFA/SOLACE Framework Delivering Good Governance in Local Government 2016 edition. This statement explains how Runnymede Borough Council meets the requirements of regulation 6 of the Accounts and Audit Regulations 2016 in relation to the publication of an Annual Governance Statement and the CIPFA/SOLACE Code of Practice.

The Council has also adopted the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

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The Governance Framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of this Framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Runnymede Borough Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The Governance Framework has been in place at Runnymede Borough Council for the year ended 31 March 2020 and up to the date of approval of these Financial Statements.

The full Annual Governance statement can be found towards the end of the Statement of Accounts.

### Explanation of the financial statements

The Statement of Accounts sets out the Council's income and expenditure for the year, and its financial position at 31 March 2020. It comprises core and supplementary financial statements, together with disclosure notes. The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, which in turn is underpinned by International Financial Reporting Standards.

The Core Statements are:

- **The Comprehensive Income and Expenditure Statement** records all the Council's income and expenditure for the year in accordance with generally accepted accounting practices rather than the amount to be funded from taxation (or rents). Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in both the expenditure and funding analysis and the movement in reserves statement. The top half of the statement provides an analysis by service area. The bottom half of the statement deals with corporate transactions and funding.
- **The Movement in Reserves Statement** shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The statement shows how the movements in year of the authorities' reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The net increase/decrease line shows the statutory General Fund balance and Housing Revenue Account balance movements in the year following those.
- **The Balance Sheet** is a "snapshot" of the Council's assets, liabilities, cash balances and reserves at the year-end date. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example, the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example, the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the movement in reserves statement line "Adjustments between accounting basis and funding basis under regulations".

## Narrative Report to the Statement of Accounts 2019/20

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

The Supplementary Financial Statements are:

- **The Housing Revenue Account** – this separately identifies the Council's statutory landlord function as a provider of social housing under the Local Government and Housing Act 1989.
- **The Collection Fund.** Billing authorities in England are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of council tax and business rates. The Collection fund is the account that shows the income and expenditure transactions of Runnymede Borough Council (as the billing authority) in this regard. It shows how income is distributed between preceptors, the net expenditure requirements charged by Central Government, Surrey County Council, Surrey Police Authority and Runnymede Borough Council and income from the council tax and business rates.

The Council has set up three Limited Companies as part of its ongoing regeneration and investment strategy and has therefore prepared consolidated Group Accounts.

### Comprehensive income and expenditure statement

All the services provided by Runnymede Borough Council, including council housing, are shown within the comprehensive income and expenditure statement. This account shows the equivalent of trading profits and losses in the IFRS sense and discloses a surplus in 2019/20 of £23.532m, compared to the surplus of £8.550m for 2018/19.

There are several reasons for the volatility in the results, the main ones being:

- Accounting for pensions
- Accounting for changes in the value of non-current assets.

The movement in reserves statement reconciles the result on the comprehensive income and expenditure statement with the statutory provisions that local authorities need to consider when setting local taxes and housing rents.

The significant items included in the comprehensive income and expenditure statement, but financed from other resources and not a factor in setting local taxes, include:

- Council Housing and the Housing Revenue Account.
- Depreciation, amortisation and impairment of non-current assets.
- Revenue expenditure funded from capital resources as allowed under statute.
- Gains and losses on the disposal of fixed assets calculated in accordance with IFRS principles.
- Pension costs calculated in accordance with the IAS19 accounting standard.

These factors are not peculiar to Runnymede but are common to all local authorities.

The Expenditure and Funding Analysis set out in Note 6 to the Statement of Accounts sets out the changes between the figures reported to the Council's service committees during the year and the IFRS figures reported in the Comprehensive Income and Expenditure Statement. This maps the net General

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Fund Surplus of £8.492m and the HRA Surplus of £1,789m shown below (a combined total of £10.281m) to the £32,405m as reported in the Comprehensive Income and Expenditure Statement.

### Financial assets

Financing and Investments income was lower due to less borrowing (delays in capital schemes) and borrowing at interest rates lower than expected. Note 18 to these accounts summarises the investments held with UK banks and building societies. I expect these institutions to repay these investments in full when they become due.

Income from customers and tenants form an important part of the resources required to pay for our services. Where possible, we prefer payment in advance or at the time our services are delivered. In all other cases we invoice our customers for sums due to the Council. I have carried out a full review of the debts that are outstanding at 31 March 2020. The cost of any impairment (bad debts in this case) is included in the comprehensive income and expenditure statement.

### Pension accounting

The provision of public service pensions represents a substantial revenue cost and a long-term liability for the Council. Runnymede Borough Council is a contributor to the statutory pension fund administered by Surrey County Council. The fund actuary (Hymans Robertson) calculates the position for each contributing body separately and undertakes a statutory valuation of the Surrey Pension Fund every three years. The latest valuation (with a valuation date of 31 March 2019) compiled by Hymans Robinson disclosed that Runnymede's element of the Pension Fund had a funding level of 98%. The deficit means that the assets (mainly investments in shares, property and bonds) in the Pension Fund are not sufficient to meet future liabilities (the pensions payable).

### Accounting for pensions under IAS19

Pension costs in these accounts are based on the accounting standard IAS19 *Employee Benefits*. Legislation prevents certain accounting entries introduced by IAS19 from impacting on council tax levels and housing finances. Therefore, the difference between the charge to taxation and rents (set by the fund actuary) and the IAS19 entries is financed by an appropriation to a pension's reserve.

These accounts provide detailed disclosures on the assets and liabilities of the pension fund under the IAS19 accounting rules. Under IAS19, the position of the Runnymede element of the fund as at 31 March 2020 is a deficit of £46.118m, (£46.599m as at 31 March 2019).

The pension fund deficit of £46.118m is a very significant amount. Care needs to be taken in interpreting these figures, and it is important to remember that pensions are long-term assets and liabilities. IAS19 discloses the position of a pension fund at a point in time, based on the stated financial assumptions. However, it is the long-term position of the fund disclosed in the actuary's triennial valuation that determines the amounts that must be provided for pension commitments.

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### Financial performance 2019/20

#### General Fund

The Council set its budget and council tax for 2019/20 at a meeting of the Full Council in February 2019. The following table compares the major elements of the budget and the result in 2019/20 for the General Fund:

General Fund Comparison of budget to actual	Original Budget £'000	Revised Budget £'000	Actual £'000
Net expenditure/(surplus) on services	(11,228)	(9,314)	(12,239)
Transfers to / (from) reserves	(796)	4,500	4,600
Financing and investments	17,446	13,614	12,440
Government grants received	(1,146)	(1,163)	(1,198)
Business rates retained	333	(3,600)	(6,736)
Council tax collected	(5,649)	(5,649)	(5,359)
<b>Use of / (Contribution to) Working Balance</b>	<b>(1,040)</b>	<b>(1,612)</b>	<b>(8,492)</b>

The significant changes at Net expenditure/(surplus) on services level between the revised budget and actual expenditure that arose include planned underspends of £435k which were budgeted for but not completed in 2019/20; a proportion of those budgets have been carried forward to 2020/21 to enable the projects to be completed. The remainder of the variations tend to be "one off" in nature. Those that continue into future years will be considered by members as part of the rolling update on Budget monitoring in 2020/21.

In December 2019 the Council started a process of limiting expenditure to maintain front line services and delaying appointment to vacant posts where possible. By March 2020 this tactic has resulted in a significant underspend which has increased the General Fund working balance.

The major variances are shown below. While they are one-off in nature they have increased the reserves at a time when Council may need them most during Covid recovery.

	Overspend or reduced income £'000	Underspend or increased income £'000
Salaries underspend		643
Reduced employers NI and pension contributions		292
Reduced training expenditure		51
Reduced travel expenditure		45
Reduction in temporary accommodation costs		103
Reduction in Homelessness grant	163	
Housing benefit -reduced spend and provision for bad debts		123
Increased income from fees	28	299
Reduced building and grounds maintenance		165
Corporate property - reduced costs		226
Development services - planning fees and reduced costs		144
	191	2091
Planned underspends		435
Depreciation		466
	191	2992

## Narrative Report to the Statement of Accounts 2019/20

### Commercial property

The commercial property portfolio is the main vehicle the Council uses to fund major regeneration projects. In 2019/20 the Council reduced its direct operating costs and increased income benefiting the General Fund by almost £2.5m.

Revenue income	2018/19	2019/20	Change
	£'000	£'000	£'000
Rental and other income	23,700	25,606	1,906
Direct operating costs	(2,498)	(1,937)	561
Net contribution to the General Fund	21,202	23,669	2,467

From the income stream shown above the Council sets aside a proportion in a reserve which increases over time to repay the borrowing when it becomes due. The assets are valued at more than the debt outstanding.

The Council's balance sheet has also benefited by the values of the assets increasing. The Council's main aim is to generate revenue income. The assets are not held for capital appreciation and although over the next few financial years there is a risk is that the assets will reduce in value in some classes, that is only a problem if the Council intends to sell them. There are no such plans at the current time.

Value of our assets	2018/19	2019/20	Change
	£'000	£'000	£'000
Balance at the start of the year	270,243	478,789	208,546
Additions	200,359	34,859	(165,500)
Net gains or valuation (losses)	7,340	11,199	3,859
Transfers (to) or from property, plant and equipment	847	(2,157)	(3,004)
Asset value at year end	478,789	522,690	43,901

### Business Rates

In 2018/19 it became clear that some NHS trusts which had launched an appeal in the Courts to have their rate liability reduced to zero. This appeal was unsuccessful, and the Council has been able to reduce the appeals provision it held. In 2018/19 the Council was in a pilot scheme and 2019/20 the Council was in the Surrey pool with the County Council and some of the other districts.

The unsuccessful NHS appeal and the benefits of combining with others in a pilot scheme and pool has meant that the accumulated business rates deficit at the start of the year had been turned into a surplus of £10.67 million by the end of the year. The release of those provisions has increased the resources available to the County Council and the Runnymede BC General Fund working balance.

### Housing Revenue Account

Runnymede Borough Council owns and manages a total stock of just under 2,900 dwellings. All revenue expenditure and income on council housing is contained within the Housing Revenue Account (HRA), income and expenditure account, and is reconciled to the statutory provisions for the HRA in the statement of movement on the HRA balance. The following table compares movement in the HRA balances from the original budget to the result for 2019/20:

## Narrative Report to the Statement of Accounts 2019/20

HRA Comparison of budget to actual	Original Budget £'000	Revised Budget £'000	Actual £'000
Expenditure on Services	11,837	12,558	14,019
Income from Rent from dwellings	(15,949)	(15,870)	(16,014)
Other Income	(420)	(351)	(289)
<b>(Surplus) / deficit in the year</b>	<b>(4,532)</b>	<b>(3,663)</b>	<b>(2,284)</b>
Capital expenditure financing	4,987	983	495
<b>Total transfer (to) / from working balance</b>	<b>455</b>	<b>(2,680)</b>	<b>(1,789)</b>

The significant changes at Expenditure on services level between the revised budget and actual expenditure that arose include planned underspends of £11k which were budgeted for, but not completed in 2019/20; the budget has been carried forward to 2020/21 to enable the projects to be completed.

The underspend has increased the HRA reserves to fund future works to the stock as shown below.

Housing revenue account balances	2019/20		
	Estimate	Probable outturn	Actual spend
	£	£	£
Balance brought forward	21,472,477	22,645,896	22,645,896
Add Surplus / (less deficit) for the year	4,532,122	3,663,002	2,284,012
Less capital expenditure works	(4,987,400)	(983,000)	(495,213)
Closing balance	21,017,199	25,325,898	24,434,695
major repairs reserve balance	486,220	3,317,014	6,223,287
<b>TOTAL balances</b>	<b>21,503,419</b>	<b>28,642,912</b>	<b>30,657,982</b>

### Capital strategy

The Council spends significant sums on new assets, maintaining its housing stock for rent and more significantly its regeneration strategy. An underpinning of the Prudential Code, which is backed by statutory guidance from Government, is that all capital expenditure must be financed from capital receipts (proceeds from the sale of an asset), capital grants or other contributions, or revenue income.

The broad aim of the prudential code is that councils will set aside sums each year to fully repay any borrowing used to finance capital expenditure.

Capital expenditure totalled £63.449m in 2019/20. This was financed using reserves, capital receipts, grants and contributions. The long term, fixed interest borrowing is used exclusively to fund the purchase of assets which generate a long-term income for the Council

## Narrative Report to the Statement of Accounts 2019/20

The table set out below shows a summary of the Council's capital expenditure for 2019/20 and how it has been financed.

<b>Capital Financing Summary 2019/20</b>							
	<b>Gross Expend</b>	<b>Grants &amp; Contributions</b>	<b>Capital Receipts</b>	<b>Earmarked Reserves</b>	<b>HRA Reserves</b>	<b>Major Repairs Reserve</b>	<b>Borrowing</b>
	£	£	£	£	£		£
<b>Housing Services</b>							
Private Sector Improvement Grants	236,678	236,678	-				
Housing Repairs	2,348,890					2,348,890	
HRA Housing	1,164,662		212,234		495,213	457,215	
Other grants	3,263		3,263				
<b>Community Services</b>							
CCTV Schemes	187,697	187,697					
Capital Grant Aid	500		500				
Loan to St Ann's Hill Open Space Trust	35,712		35,712				
Egham Leisure Centre Development	1,426,303		1,426,303				
Runnymede Pleasure Ground	173,551		173,551				
Securing Green Space Sites	171,149		171,149				
<b>Environmental &amp; Sustainability</b>							
Depot Vehicle replacement programme	493,920			493,920			
Memorial Gardens Car Park VW	9,897		9,897				
<b>Corporate and Business Services</b>							
Purchase of Investment properties	45,342,376						45,342,376
Investment in existing property assets	100,000		100,000				
Egham Regeneration	9,281,312						9,281,312
Addlestone Town Centre Project	1,716,175		1,716,175				
Marshall Place redevelopment	452,173		452,173				
Investment in ICT	305,295			305,295			
	63,449,554	424,375	4,300,957	799,216	495,213	2,806,105	54,623,689

### Non-current asset valuations

Our tangible and intangible assets carried in the balance sheet at current value are normally revalued at intervals of not more than 4 years. This treatment is normally sufficient to provide reasonably robust asset valuations in our balance sheet. Each year a review of the assets held is undertaken and some assets may be brought forward for earlier revaluations if appropriate.

The Council's investment properties are revalued annually.

The present economic climate has resulted in more volatile asset values. The full effects of Covid19 on property values and assumptions on commercial tenants ability to fulfil the obligations under their leases may not be known for some time. I have carefully considered those assets that may require a formal revaluation in consultation with the Council's valuers. Those assets where values have changed materially have been subject to a formal revaluation. As ever, it must be appreciated that valuation is not a precise science. The great majority of our assets are used in the provision of real services and will remain so for the foreseeable future. In this respect, the current value of the assets has no bearing on the immediate provision of our services.

### Capital receipts

Capital receipts can be used to pay for capital expenditure and, until they are spent, they also generate investment income.

The Council started the year with £5.2m in available capital receipts and ended with £6.8m. However more capital receipts are expected in 2020 as the last tranche of apartments from the Addlestone One development are completed and sold.



## Narrative Report to the Statement of Accounts 2019/20

The sale of dwellings under right-to-buy legislation requires an element of receipts to be set aside for specific purposes. In Runnymede's case this is principally:

- Future funding of new affordable housing
- Repayment of housing debt over the next 30 years

Of the £6.8m at the year end, £4.16m is set aside for these purposes.

### Housing capital receipts pooling

We must pay a determined proportion of the receipts from right-to-buy sales of dwellings to the Government, reduced only by specified sums set out in regulations. In 2019/20 this payment was £0.983m, of which included the repayment of £0.548m of unused retained receipts.

### **Movement in reserves**

This statement shows the movement in the year on the different reserves held by the Council. The statement contains the entries needed between reserves to reflect the statutory amounts required to be charged to the General Fund balance and Housing Revenue Account for council tax setting and dwelling rent setting purposes, and those necessary to reflect the capital financing control regime for local authorities. This statement shows the net worth of the Council.

The Council finalised the budget for the year ending March 2020 in January 2019 and risk assessed those items which could cause an increase in expenditure or income. The Council's policy was to maintain a working balance of over £3.3m for 2019/20 to contain any cash flow difficulties without resorting to temporary borrowing. The table below shows the General Fund reserves held for capital and revenue purposes. The Council has considered the financial risks it faces in 2020/21 onwards in great detail and judges this sum to a prudent contingency. The Council will re-visit financial balances and strategy in the autumn of 2020 as the UK economy, the Government Comprehensive Spending Assessment and the structure of local government generally becomes clear.

The table below shows that the Council has increased reserves, both capital and revenue as at 31 March 2020.

	General fund revenue reserves			Housing Revenue Account			Capital			
	General Fund balance	Earmarked reserves	TOTAL GENERAL FUND	Housing revenue Account	Major repairs reserve	TOTAL HRA	HRA debt repayment	Capital receipts reserve	Capital grants unapplied	TOTAL CAPITAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2019	3,878	9,590	13,468	22,645	4,738	27,383	4,581	570	1,610	6,761
Increase / (decrease) in the year	8,490	4,589	13,079	1,790	1,485	3,275	(421)	6,232	601	6,412
<b>BALANCE 31 MARCH 2020</b>	<b>12,368</b>	<b>14,179</b>	<b>26,547</b>	<b>24,435</b>	<b>6,223</b>	<b>30,658</b>	<b>4,160</b>	<b>6,802</b>	<b>2,211</b>	<b>13,173</b>

The Council's earmarked reserves provide funding for future expenditure. The change in the earmarked reserves are set out in Note 12 of the Notes to the accounts. These reserves are part of the Council's management of risks. For example, several significant commercial assets are due to re-negotiated in 2027 which may require a rent-free period. Post Covid 19 it is difficult to judge how the commercial market will operate. However, the Council uses these reserves to minimise and unexpected call on the General Fund working balance.

## Narrative Report to the Statement of Accounts 2019/20

	Balance April 2019	Transfers out	Transfers in	Balance 31 March 2020
	£'000	£'000	£'000	£'000
<b>General Fund earmarked reserves</b>				
Business rates equalisation	2,880	0	0	2,880
Equipment repairs and renewals	1,000	(799)	1,000	1,201
Investment Property income equalisation	2,000	0	1,750	3,750
Property repairs and renewals fund	1,000	0	1,750	2,750
Insurance	106	0	0	106
Infrastructure feasibility	0	0	100	100
Englefield green maintenance	269	(7)	2	264
Museum conservation fund	32	0	1	33
Maintenance of graves in perpetuity	2	0	0	2
Section 106 and other contributions	2,301	(697)	1,488	3,092
	9,590	(1,503)	6,091	14,178

During 2020/21 and 2021/22 it may be necessary to use some of these reserves to mitigate any longer term consequences of Covid19 either permanently or in the short term. The need to release any reserves for this purpose will be established along with the need to re-visit the Council's long-term plans for the General Fund and the HRA later in 2020.

### Concluding remarks

I have set out the challenges the Council has faced over the last few years, and the continued uncertainty over Government funding, especially business rates, New Homes Bonus and the Fair Funding Review.

In the autumn of 2020, the Government is likely to produce a one year only local government finance settlement. A review of the structure of local authorities will be published in the devolution white paper followed by a long-term government view of how local authorities are funded.

The other risks the Council faces include increased inflation, interest rate increases and the UK's relationship with the EU following the completion of the Brexit negotiations. The Council holds significant usable financial reserves to mitigate those risks.

The Covid 19 pandemic at the end of March 2020 does mean that in October to December 2020 the Council will need to re-visit its long-term plans for the General Fund and the HRA. The income lost from car parks, halls lettings etc means that these reserves are likely to be depleted in 2020/21 and beyond.

The Statement of Accounts was signed by me on 31 July 2020 as the Council's responsible finance officer. This would not have been possible without the hard work of the finance team and the continued support of all Council staff and its elected councillors.

Other than the uncertainty over Covid19, there have been no material events which will require the Council to adjust all of its spending plans, which would alter the financial statements or any other items I would wish to draw to the reader's attention after the 31 March 2020.

I have set out on the following page the responsibilities of the Council and my responsibilities as the Assistant Chief Executive and Section 151 Officer. This shows the requirements of the legislation together with my professional and legal responsibilities for the Statement of Accounts.

## Narrative Report to the Statement of Accounts 2019/20

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### Further information

The auditor appointed by Public Sector Audit Appointments Ltd (PSAA) for the Council is BDO LLP. The audit report setting out the key issues the auditor identified during their audit of the statement of accounts is available on the Council's website.

Further information is available from the Resources department at the Runnymede Civic Centre, Addlestone. Our web site is [www.runnymede.gov.uk](http://www.runnymede.gov.uk).

**Mr P McKenzie**  
**Assistant Chief Executive and s151 Officer**  
**30 July 2020**

## Statement of responsibilities

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### The Council's responsibilities

Runnymede Borough Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Assistant Chief Executive;
  - Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
  - Approve the Statement of Accounts.
- 

### The Chief Finance Officer's responsibilities

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

In preparing this statement of accounts, the Assistant Chief Executive has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the local authority Code.

The Assistant Chief Executive has also:

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

### Certificate by the Chief Finance Officer

I certify that the Statement of Accounts for 2019/20 presents a true and fair view of the financial position of Runnymede Borough Council at the reporting date and its income and expenditure for the year ended 31 March 2020.

**Mr P McKenzie**  
Assistant Chief Executive and s151 Officer

Date: **31 July 2020**

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### Certification of approval by the Corporate Management Committee

The Statement of Accounts for 2019/20 was approved by the Corporate Management Committee of the Council on 19 November 2020.

**Councillor N Prescott**  
Chairman of the Corporate Management Committee

Date: **19 November 2020**

# Auditor's report to the Council

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RUNNEYMED E BOROUGH COUNCIL

### Opinion on the financial statements

We have audited the financial statements of Runnymede Borough Council ("the Council") and its subsidiaries ("the group") for the year ended 31 March 2020 which comprise the Council and group Comprehensive Income and Expenditure Statements, the Council and group Movement in Reserves Statements, the Council and group Balance Sheets, the Council and group Cash Flow Statements, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Statement and notes to the financial statements including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/2020.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2020 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the group as at 31 March 2020 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

### Basis for opinion on the financial statements

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), the Code of Audit Practice issued by the National Audit Office in April 2015 ("Code of Audit Practice") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

### Emphasis of matter - valuation of land and buildings (including investment properties)

We draw attention to Note 5 and Note 13 to the financial statements which describes a material uncertainty regarding the valuation of the Council's property (including investment property) as a result of uncertainties in global financial markets caused by the outbreak of Coronavirus (COVID-19). Consequently, less certainty and a higher degree of caution should be attached to valuations than would normally be the case. Our opinion is not modified in respect of these matters.

### Other information

The Chief Finance Officer is responsible for the other information. The other information comprises the Narrative report together with all other information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial

## Auditor's report to the Council

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

We have nothing to report in this regard.

### Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements, the other information published together with the financial statements in the Statement of Accounts is consistent with the financial statements.

### Conclusion on use of resources

On the basis of our work, having regard to the guidance on the specified criterion published by the National Audit Office in April 2020, we are satisfied that, in all significant respects, the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

### Basis for conclusion on use of resources

We have undertaken our review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion, published by the National Audit Office in April 2020, as to whether in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

The National Audit Office has determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Based on our risk assessment, we undertook such work as we considered necessary. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

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

We have nothing to report in respect of the following other matters which the Code of Audit Practice requires us to report to you if:

- we have been unable to satisfy ourselves that the Annual Governance Statement is not misleading or inconsistent with other information that is forthcoming from the audit;
- we issue a report in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit;
- we designate under section 24 of the Local Audit and Accountability Act 2014 any recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

### Responsibilities of the Chief Finance Officer and the Council

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which comprises 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, and for being satisfied that the financial statements give a true and fair view.

## Auditor's report to the Council

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In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council intends to cease operations or has no realistic alternative but to do so.

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

### **Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### **Auditor's responsibilities in respect of the Council's use of resources**

We are required under Section 20 of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criterion specified by the National Audit Office.

We report if significant matters have come to our attention which prevent us from concluding that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### ***Certificate of completion of the audit***

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

### **Use of our report**

This report is made solely to the members of Runnymede Borough Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in the Responsibilities of the Audited Body and Responsibility of the Auditor within Chapter 2 of the Code of Audit Practice published by the National Audit Office. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Steve Bladen

For and on behalf of BDO LLP, Appointed Auditor  
London, UK

XX March 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

## Comprehensive income and expenditure statement

2018/19							2019/20				
Expend £000	Income £000	Net £000					Note	Expend £000	Income £000	Net £000	
			<b>Gross expenditure, gross income and net expenditure of continuing operations</b>								
9,569	17,351	(7,782)		Housing Revenue Account			12,702	16,638	(3,936)		
25,807	23,584	2,223		Housing Committee			23,285	21,121	2,164		
8,250	2,715	5,535		Community Services Committee			8,996	3,020	5,976		
6,350	2,705	3,645		Environmental & Sustainability Committee			6,481	2,606	3,875		
271	165	106		Licensing & Regulatory Committees			275	162	113		
3,830	2,070	1,760		Planning Committee			3,663	1,801	1,862		
17,226	2,102	15,124		Corporate Management Committee			8,970	5,770	3,200		
			Exceptional costs:								
0	0	0		Reversal of previous HRA impairments charged to the CIES			(11,618)	0	(11,618)		
71,303	50,692	20,611		<b>Cost Of Services</b>			<b>52,754</b>	<b>51,118</b>	<b>1,636</b>		
			6,515	Other operating expenditure		9				(978)	
			(15,963)	Financing and investment income and expenditure		10				(20,672)	
			(15,462)	Taxation and non-specific grant income		11				(12,391)	
			(4,299)	<b>(Surplus) or deficit on provision of services</b>						<b>(32,405)</b>	
			<b>Items that will not be reclassified to the (surplus) or deficit on provision of services:</b>								
			(9,958)	(Surplus) or deficit on revaluation of non-current assets		25.1				(6,144)	
			1,285	Impairment losses on non-current assets charged to the Revaluation Reserve		25.1				18,869	
			4,422	Remeasurement of the net defined benefit liability or (asset)		33				(3,852)	
			(4,251)	<b>Other comprehensive (income) and expenditure</b>						<b>8,873</b>	
			(8,550)	<b>Total comprehensive (income) and expenditure</b>						<b>(23,532)</b>	



## Movement in reserves statement

	Notes	General Fund Reserves		HRA Reserve		Capital Reserves		Total usable reserves	Unusable reserves	Total Council reserves
		General Fund balance	Earmarked Reserves	Housing Revenue account	Major Repairs reserve	Capital Receipts reserve (Note a)	Capital grants unapplied reserve			
		£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2019</b>		<b>3,878</b>	<b>9,590</b>	<b>22,645</b>	<b>4,738</b>	<b>5,151</b>	<b>1,610</b>	<b>47,612</b>	<b>274,339</b>	<b>321,951</b>
Movement in Reserves during 2019/20										
Total comprehensive income and expenditure		20,111	0	12,294	0	0	0	32,405	(10,464)	21,941
Adjustments between accounting basis and funding basis under regulations	12	(11,620)	4,589	(10,505)	1,485	1,651	601	(13,799)	13,799	0
<b>Increase (decrease) in the year</b>		<b>8,491</b>	<b>4,589</b>	<b>1,789</b>	<b>1,485</b>	<b>1,651</b>	<b>601</b>	<b>18,606</b>	<b>3,335</b>	<b>21,941</b>
<b>Balance at 31 March 2020</b>		<b>12,369</b>	<b>14,179</b>	<b>24,434</b>	<b>6,223</b>	<b>6,802</b>	<b>2,211</b>	<b>66,218</b>	<b>277,674</b>	<b>343,892</b>
<b>Balance at 31 March 2018</b>		<b>5,848</b>	<b>4,960</b>	<b>19,424</b>	<b>4,737</b>	<b>5,783</b>	<b>1,383</b>	<b>42,135</b>	<b>271,266</b>	<b>313,401</b>
Movement in Reserves during 2018/19										
Total comprehensive income and expenditure		2,107	0	2,192	0	0	0	4,299	4,251	8,550
Adjustments between accounting basis and funding basis under regulations	12	(4,077)	4,630	1,029	1	(632)	227	1,178	(1,178)	0
<b>Increase (decrease) in the year</b>		<b>(1,970)</b>	<b>4,630</b>	<b>3,221</b>	<b>1</b>	<b>(632)</b>	<b>227</b>	<b>5,477</b>	<b>3,073</b>	<b>8,550</b>
<b>Balance at 31 March 2019</b>		<b>3,878</b>	<b>9,590</b>	<b>22,645</b>	<b>4,738</b>	<b>5,151</b>	<b>1,610</b>	<b>47,612</b>	<b>274,339</b>	<b>321,951</b>

Note (a) The Capital Receipts reserve includes £4.160m for HRA debt repayment and Housing 1-4-1 replacements as at 31 March 2020 (£4.581m at 31 March 2019)

## Balance sheet

31 March 2019 £000		Note	31 March 2020 £000
403,586	Property, plant and equipment	13	415,672
478,789	Investment property	16	522,690
360	Intangible assets	17	406
10	Long-term investments	18	10
27,650	Long-term debtors	18	28,653
910,395	<b>Long term assets</b>		967,431
40,963	Short-term investments	18	49,109
98	Inventories and work in progress	19	102
8,425	Short-term debtors	20	2,831
12,952	Cash and cash equivalents	21	31,201
225	Assets held for sale	22	680
62,663	<b>Current assets</b>		83,923
(254)	Short term borrowing	18	(5,282)
(31,512)	Short-term creditors	23	(27,595)
(1,447)	Provisions	24	(1,172)
(3)	Grants received in advance		(3)
(33,216)	<b>Current liabilities</b>		(34,052)
(571,292)	Long term borrowing	18	(627,292)
(46,599)	Liability related to pensions	33	(46,118)
(617,891)	<b>Long term liabilities</b>		(673,410)
321,951	<b>Net assets</b>		343,892
47,612	Usable reserves	MIRS	66,218
274,339	Unusable reserves	25	277,674
321,951	<b>Total reserves</b>		343,892



## Notes to the financial statements

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### 1 Principal accounting policies

#### 1.1 General principles

The statement of accounts summarises the transactions for the 2019/20 financial year and the position at the year-end of 31 March 2020. The Accounts and Audit Regulations 2015 require the Council to prepare an annual statement of accounts in accordance with proper accounting practices. These practices primarily comprise the *code of practice on local authority accounting in the United Kingdom 2019/20* (the Code) supported by International Financial Reporting Standards (IFRS).

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

#### 1.2 Changes in accounting policies

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

#### 1.3 Income and expenditure recognition

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

##### Income

Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council. Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

Government grants and third party contributions are recognised when there is reasonable assurance that the Council will comply with any conditions attached to the payments, and that the grants or contributions will be received. Where conditions attached to grants or contributions have not been satisfied, monies received to date are carried in the Balance Sheet as creditors and credited to the CIES when the conditions are satisfied. 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.

##### Expenditure

Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption they are carried as inventories on the balance sheet. Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

##### Interest

Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

##### Debtors and creditors

Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

##### Principal and Agent arrangements

## Notes to the financial statements

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For the majority of transactions the Council undertakes it is acting entirely on its own behalf and completely owns any risks and rewards of the transaction. This is known as the Council acting as a Principal. However, there are some situations whereby the Council is acting as an intermediary for all or part of a transaction or service, this is where the Council is acting as an Agent.

The two main instances where this occurs are in relation to Council Tax and Business Rates whereby the Council is collecting Council tax and Business Rates income on behalf of itself and preceptors (Surrey County Council and Surrey Police in relation to Council Tax and the Department for Communities and Local Government (DCLG) and Surrey County Council in relation to Business Rates).

The implications for this is that any balance sheet transactions at the year end, in relation to these Agent relationships, are split between the principal parties and, therefore, the balances contained on the Balance Sheet for a particular debt are the Council's own proportion of the debt and associated balances. The proportions of transactions that relate to the other parties to the relationship are shown as debtors or creditors due from/to these parties.

### 1.4 Cash and cash equivalents

Cash comprises of cash in hand and deposits at financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are short-term, highly liquid investments that mature in 7 days or less from the date of acquisition, or repayable without penalty on notice of not more than 7 days, and that are readily convertible to known amounts of cash with insignificant risk of change in value. All funds held in money market funds that are repayable at notice, and bank and other deposit accounts held, are accounted for as cash equivalents. Term deposits that mature in more than 7 days from the date of acquisition are not classified as cash equivalents. In the cash flow statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

### 1.5 Charges to revenue for non-current assets

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

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

The Council is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisations. However, the Council is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the general fund balance, by way of an adjusting transaction with the capital adjustment account in the movement in reserves statement for the difference between the two.

### 1.6 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 services to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. flexi leave) 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 pay rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the surplus or deficit on the provision of services, but then reversed out through the movement in reserves statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

#### Termination benefits

## Notes to the financial statements

When the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy, these costs are charged on an accruals basis to the respective Service line in the Comprehensive Income and Expenditure Statement.

### Post-employment benefits

Employees of the Council can be members of the Local Government Pensions Scheme, administered by Surrey County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees whilst working for the Council.

### The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefit scheme:

- The liabilities of the Surrey Pension fund attributable to Runnymede Borough 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, and projections of earnings for current employees etc.,.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on a high-quality corporate bond.
- The assets of the Surrey Pension fund attributable to Runnymede Borough Council are included in the balance sheet at their fair value as set out in the following table:

<b>Asset class</b>	<b>Valuation method used</b>
Quoted securities	Current bid price
Unquoted securities	Professional estimate
Unitised securities	Current bid price
Property	Market value

- The change in the net pensions liability is analysed into seven components:
  - Current service cost
  - Past service cost
  - Interest cost
  - Expected return on assets
  - Gains or losses on settlements and curtailments
  - Actuarial gains and losses
  - Contributions paid to the Surrey Pension fund

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 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 accounting debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end. The negative balance that arises on the pensions reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

### Discretionary benefits

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

### Final-year pension enhancements

The Council has an obligation to pay the pension of certain former staff that received a final-year salary enhancement. This enhancement increased their pension but does not form part of the Local Government Pension Scheme. The valuation of the estimated pension liabilities is made in the same manner as for pensions under the Local Government Pension Scheme.

## Notes to the financial statements

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The statutory accounting arrangements for these local pensions are different to those for the Local Government Pension Scheme. Therefore, changes in pension liabilities in respect of the local scheme are recognised directly in the General Fund.

### 1.7 Exceptional items and prior period adjustments

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

Prior period adjustments may arise as the result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in current and future years affected by the change and do not give rise to a prior period adjustment.

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

### 1.8 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

#### Financial assets

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

- Amortised cost
- Fair value through profit or loss (FVPL), and
- Fair value through other comprehensive income (FVOCI)

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

#### Financial assets measured at amortised cost

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

Runnymede Borough Council has made a number of loans at less than market rates (soft loans). When soft loans are made, a loss is recorded in the comprehensive income and expenditure statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the loan, resulting in a lower amortised cost than the outstanding principal. Where there is no fixed life of the loan, an estimate of the life of the loan is made. Interest is credited to the financing and investment income and expenditure line in the comprehensive income and expenditure statement at an effective rate of interest that recognises the commercial rate that would apply on an equivalent loan, less the rate actually receivable on the loan, to increase the amortised cost of the loan in the balance sheet. Statutory provisions require that the impact of soft loans on the general fund balance is the interest receivable in the year. The reconciliation of the amounts in the comprehensive income and expenditure statement to the net gain required against the general fund

## Notes to the financial statements

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balance is managed by a transfer to or from the financial instruments adjustment account in the movement in reserves statement.

Any gains and losses that arise following the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

### Expected credit loss model

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12 month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets.

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

The Council has some loans to local organisations. It does not have reasonable and supportable information that is available without undue cost or effort to support the measurement of lifetime expected losses on an individual instrument basis. It will therefore assess losses for the portfolio on a collective basis.

### Financial assets measured at fair value through profit and loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of financial assets are based on the following techniques:

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

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

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

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

## **1.9 Intangible assets**

The Council recognises intangible assets for purchased computer software systems and licences only. Expenditure on computer software that is not an integral part of a related item of computer hardware is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Intangible assets are measured initially at cost. Capitalised software costs include external direct costs of material and services associated with the project. The amounts are not revalued but are carried at amortised cost. The depreciable amount of the intangible asset is amortised over its useful life (usually the lives of the individual contracts with the relevant computer suppliers) on a straight-line basis to the relevant service lines in the comprehensive income and expenditure statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired, and any losses are posted to the relevant service lines in the comprehensive income and expenditure statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the other operating expenditure line in the comprehensive income and expenditure statement.



## Notes to the financial statements

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Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal losses are not permitted to have an impact on the general fund balance. The losses are therefore reversed out of the general fund balance in the movement in reserves statement and posted to the capital adjustment account.

### 1.10 Interests in companies and other entities

Group accounts are prepared for the Council and its interest in its subsidiaries, associates and joint ventures. Inclusion in the Council group is dependent upon the extent of the Council's interest and power to influence an entity. The determining factor for assessing the extent of interest and power to influence is either through ownership of an entity, a shareholding in an entity or representation on an entity's board of directors. An assessment of all the Council's interests is carried out in accordance with the Code of Practice, to determine the relationships that exist and whether they should be included in the Council's group accounts. In the Council's single-entity accounts the Council's interest in companies and other entities are recorded as financial assets at cost less any impairment. Any impairment gains or losses are recognised in the Comprehensive Income and Expenditure Statement.

### 1.11 Inventories and long term contracts

Inventories are stated at cost price. Although this does not comply with the code, which states that stock should be valued at the lower of cost or net realisable value, the sums held as inventories is not significant and the differences between cost and net realisable value are not material.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the consideration allocated to the performance obligations satisfied based on the goods or services transferred to the service recipient during the financial year.

### 1.12 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. Investment properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the financing and investment income and expenditure line in the comprehensive income and expenditure statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the financing and investment income and expenditure line and result in a gain to the general fund balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the general fund balance. The gains and losses are therefore reversed out of the general fund balance in the movement in reserves statement and posted to the capital adjustment account and (for any sale proceeds greater than £10,000) the capital receipts reserve.

### 1.13 Leases

Leases are treated as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant and equipment from the lessor to the lessee. All other leases are treated as operating leases. Where a lease covers both land and buildings, the land and building 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 when fulfilment of the arrangement is dependent on the use of specific assets.

Finance leases (council as lessee)

## Notes to the financial statements

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Property, plant and equipment held under finance leases is recognised on the balance sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Contingent rents are charged as expenses in the periods in which they are incurred.

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 total useful life.

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 (council as lessee)

Rentals payable under operating leases are charged to the comprehensive income and expenditure statement as an expense of the service benefitting from the use of the leased item of property, plant and equipment. Charges are made on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable (on an accruals basis).

### Finance leases (council as lessor)

The Council currently grants no leases of property, plant and equipment that count as finance leases.

### Operating leases (council as lessor)

Where the Council grants an operating lease over a property, the asset is retained in the balance sheet. Rental income is credited to the other operating expenditure line in the comprehensive income and expenditure statement for non-investment property assets, and to the financing and investment income and expenditure line for income from leases of investment properties.

## **1.14 Overheads and support services**

The cost of overheads and support services are charged to services that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Accounting Code of Practice (SerCOP)*.

## **1.15 Property, plant and equipment**

Assets that have physical substance and are held for use in the provision of services, for rental to others, or for administration purposes on a continuing basis are classified as property, plant and equipment.

### Recognition

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

### Measurement

Assets are initially measured at cost, comprising:

- The purchase price
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

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

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

Assets are then carried in the balance sheet using the following measurement basis:

- Infrastructure assets and community assets and assets under construction - depreciated historical cost

## Notes to the financial statements

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- Dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH) as provided for in government guidance.
- All other assets - fair value, determined as the amount that would be paid for the asset in its existing use (existing use – EUV)

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

Assets are included in the balance sheet at fair value and are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum as part of a five-year rolling programme. 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 revenue account.

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 the balance (up to the amount of the accumulated gains)
- Where there is no balance in the revaluation reserve or an insufficient balance, the carrying amount of the asset (or that part in excess of the balance in the revaluation reserve) is written down against the relevant service lines in the comprehensive income and expenditure statement.

The revaluation reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the capital adjustment account.

### Impairment

Assets are assessed at 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.

### 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 determinate 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:

- Dwellings – the charge for depreciation is prepared in accordance with “Stock Valuation for Resource Accounting: Guidance for Valuers 2016” published by the government in November 2016. Under this guidance, the major repairs allowance charge to the Housing Revenue account is used as a proxy for component accounting and depreciation.
- Other buildings - straight-line allocation over the useful life of the property as estimated by the valuer
- Vehicles, plant, furniture and equipment - straight-line allocation over the estimated useful life of the asset

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

### Componentisation

Where an item of property, plant and equipment has major components whose cost is significant in relation to the total cost of the item and with different estimated useful lives, the components are depreciated separately. For the purpose of assessing whether a component is significant, our policy is that the cost of a component must normally be greater than £50,000 and be greater than 20% of the cost of the asset. In

## Notes to the financial statements

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addition, the component must have a useful life (for depreciation purposes) that is significantly different from that of the main structure.

### Disposals and non-current assets held for sale

Assets where a disposal is highly probable within the next 12 months and the asset is available for sale in its present condition are classified as assets held for sale. Management must be committed to the sale within one year from the date of classification and the sale must be highly probable. Depreciation is not charged on assets held for sale. Assets that the Council intends to sell at some point, but which do not meet the criteria are treated as surplus assets.

When an asset is disposed of or decommissioned, the value 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 the 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 the disposal (i.e. netted off the carrying value of the asset at the time of disposal). Any revaluation gains in the revaluation reserve are transferred to the capital adjustment account.

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 assets held for sale - and the recoverable amount at the date of the decision not to sell.

Receipts from disposals in excess of £10,000 are categorised as capital receipts. The net loss or gain on disposal is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing.

A pre-determined proportion of receipts relating to housing right-to-buy sales are payable to the government with the balance split in accordance with a government formula to repay HRA loans or to fund the re-provision of additional social housing. Receipts are appropriated to the capital receipts reserve from the general fund balance in the movement in reserves statement.

The written-off value of disposals is not a charge against council tax, as the cost of 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.

### **1.16 Provisions**

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation likely to require settlement by a transfer of economic benefit or service potential and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service 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

### **1.17 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 services in the comprehensive income and expenditure statement. The reserve is then appropriated back into the general fund balance in the movement in reserves statement so that there is no net charge against council tax for the expenditure.

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

## Notes to the financial statements

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### 1.18 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 non-current assets has been charged as expenditure to the relevant service account 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, a transfer in the movement in reserves statement from the general fund balance to the capital adjustment account then reverses out the amounts charged so that there is no impact on the level of council tax.

### 1.19 Valuations – fair value

The Council measures some of its non-financial assets, such as surplus assets and investment properties, and some of its financial instruments, such as equity share holdings, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

The Council measures the fair value of an asset or liability on the same basis that market participants would use when pricing the asset or liability (assuming those market participants were acting in their economic best interest).

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

The Council uses appropriate valuation techniques for each circumstance, maximising the use of relevant known data and minimising the use of estimates or unknowns. This takes into account the three levels of categories for inputs to valuations for fair value assets:

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

### 1.20 Value added tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from HM Revenue and Customs. VAT receivable is excluded from income. The net amount due to or from HM Revenue and Customs is included in the balance sheet as part of debtors or creditors.

## Notes to the financial statements

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### 2 Accounting standards that have been issued but have not yet been adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted.

There are no changes in accounting requirements for 2020/21 that are anticipated to have a material impact on the Council's financial performance or financial position.

### 3 Critical judgements in applying accounting policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the statement of accounts are:

1. There is a high degree of uncertainty of future funding for the Council with Government financing reviews being delayed along with the unknown consequences of the Covid19 pandemic. It is therefore not possible to establish with any certainty whether any assets might become impaired, the value of any increase in debt arrears or, whether services will need to be re-engineered to meet ongoing increased or reduced demand.

### 4 Events after the balance sheet date

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the statement of accounts is authorised for issue.

The statement of accounts was authorised for issue by the Assistant Chief Executive on 30 July 2020. Events taking place after this date are not reflected in the financial statement or notes. When events taking place before this date provide information about conditions existing at 31 March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The Covid-19 pandemic continues to impact the Council's services and financial position in 2020/21. There remains uncertainty about the pandemic's financial impact on this Council, both in terms of the additional expenditure that will be incurred and the income that will be forgone in the coming year. Income from council tax, business rates and from fees and charges – such as car park income, Council venues, building control and planning fees – is dependent on the ability, of individuals and businesses to pay. These income streams will all be impacted in some way by Covid19, as the wider economy adapts to new ways of operating. The Council's income streams are monitored closely to ensure that any adverse trends are identified and addressed early.

The Council currently estimates Covid-19 related losses in the 2020/21 financial year to be in the range of £5m - £8m. With usable General Fund revenue reserves totalling £26m at 31 March 2020 (general working balance and earmarked), the Council expects to be able to manage these losses in 2020/21. To date, Central Government has provided one-off grant funding of £1.045m to the Council, which will assist in mitigating lost income and increased expenditure.

The pandemic has also increased uncertainty around valuations of the Council's assets at 31 March 2020, as disclosed in Notes 5 and 15 to the accounts. However, valuations have been professionally undertaken to RICS standards and therefore represent the best estimate at the current time.

## Notes to the financial statements

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

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

Item	Uncertainties	Effect if actual results differ from assumptions
Valuation of Operational Property	<p>Asset valuations are based on market prices and are periodically reviewed to ensure that the Council does not materially misstate its non-current assets. The Council's external valuers provide valuations of our operational property assets.</p> <p>The outbreak of Covid-19 has impacted global financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. There is an unprecedented set of circumstances on which to base a judgement. Consequently, less certainty and a higher degree of caution should be attached to the valuations.</p> <p>At the current time, it is not possible to accurately predict the longevity and severity of the impact of Covid-19 on the economy. Therefore, values have been based on the situation prior to Covid-19, on the assumption that values will be restored when the real estate market becomes more fluid.</p>	<p>A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement. If the value of the Council's operational properties were to reduce by 10%, this would result in a charge to the Comprehensive Income and Expenditure Statement of approximately £7m.</p> <p>An increase in estimated valuations would result in increases to the Revaluation Reserve and / or reversals of previous negative revaluations to the Comprehensive Income and Expenditure Statement and / or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement.</p>
Valuation of HRA Dwellings	<p>The HRA residential portfolio is valued based on a beacon methodology. In order to value the whole portfolio, it was necessary to research a number of information sources. These include sales of directly comparable property, changes of income flow for non-residential property, information available at a local level showing house price movement plus regional and National Indices.</p> <p>As stated above, due to the impact of Covid-19, less certainty and a higher degree of caution should be attached to the valuation.</p>	<p>A reduction in the estimate value of HRA dwellings would be a reduction in the revaluation reserve or a loss in the CIES. If the value of dwellings were to reduce by 10% this would lead to a reduction in value of about £29m.</p> <p>An increase in estimated valuations would result in increases to the Revaluation Reserve or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement.</p>
Fair Value Measurements	<p>The Council uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. The Council bases its assumptions on observable data as far as possible but this is not always available. In that case the Council uses the best information available.</p> <p>When the fair values of Investment Properties, cannot be measured based on quoted prices in active markets (ie Level 1 inputs), their fair value is measured using Discounted Cash Flow valuation techniques. Where possible, the inputs to this technique is based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However changes in assumptions could affect the fair value of the Council's assets.</p> <p>Where Level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate technique to determine fair value (i.e. an external valuer).</p> <p>Information about the valuation techniques used in determining the fair value of assets is disclosed elsewhere in the notes.</p>	<p>The Council uses discounted cash flow (DCF) models to measure the fair value of some of its Investment Properties under IFRS13.</p> <p>The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, occupancy levels, floor area, repairs backlogs, beacon classifications and others.</p> <p>Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for these assets.</p>

## Notes to the financial statements

### 5 Assumptions made about the future and other major sources of estimation uncertainty (Cont'd)

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

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate that salaries are projected to increase, changes in retirement ages, mortality rates and expected return on pension fund assets. A firm of consulting actuaries engaged by the Surrey Pension Fund provides the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the real discount rate would result in a decrease in the pensions liability of £11.8m. The effects of other assumptions made in relation to the Pensions liability can be found in Note 33.
Business Rate Appeals (General)	Since the introduction of the Business Rates Retention Scheme effective from 1 April 2013, local authorities are liable for successful appeals against business rates charged to businesses, in their proportionate share. A provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2019. The provision has been calculated using the Valuation Office ratings list of appeals and the analysis of successful appeals to date	If the level of successful appeals varies by 1%, it would increase or decrease the appeals provision by £362,000 which in turn would increase or decrease the deficit on the Collection Fund by the same amount. The Council's share of the increase or decrease would be £145,000, which would increase or decrease the surplus on provision of services in the CIES.
Britain's departure from the European Union	There is still uncertainty about the implications of Britain's departure from the European Union. At the current time it is not possible to predict the agreement that will be reached at the end of the transition period. The assumption has been made that this will not significantly impair the value of the Council's assets or change the discount rate attributable to pensions. However, this assumption needs to be revisited and reviewed regularly	Higher impairment allowances may need to be charged in the future if asset values fall. If the discount rate changes, the size of the net pension liability will also vary.
Impairment Allowance for doubtful debts	As at 31 March 2020, the Council had an impairment allowance of £2m for debts that it may have difficulty in recovering. It is not certain that this impairment allowance would be sufficient as the Council cannot assess with certainty which debts will be collected or not. The economic impact of the Covid-19 pandemic has made the estimation of debt impairment more difficult as there is more uncertainty about the economic viability of debtors and hence their ability to settle their debts.	An understatement of the impairment allowance would lead to a future adjustment and impairment to be reflected. The impairment allowances held are based on policies adapted to historic experience and success rates experienced in collection. The nature of the debt and service area have been considered and further review has been carried out to reflect the uncertainty of the collection rates as a result of Covid-19. If collection rates were to deteriorate by 5% then the Council would need to review its policies on the calculation of its impairment allowance for doubtful debts.



## Notes to the financial statements

### 6 Expenditure and funding analysis

This statement shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) in comparison with those resources consumed or earned in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's committees. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Year ended 31 March 2020

Note	Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments between the Funding and Accounting Basis			Total adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
		Adjustments for Capital Purposes (Note 1) £000	Net change for the Pensions Adjustments (Note 2) £000	Other Differences (Note 3) £000		
Housing Revenue Account	(2,284)	1,768	469	(3,889)	(1,652)	(3,936)
Housing Committee	1,748	240	364	(188)	416	2,164
Community Services Committee	4,698	514	765	(1)	1,278	5,976
Environmental & Sustainability Committee	3,277	0	609	(11)	598	3,875
Licensing & Regulatory Committees	72	0	40	1	41	113
Planning Committee	1,953	0	387	(478)	(91)	1,862
Corporate Management Committee	(21,880)	1,500	(409)	23,989	25,080	3,200
Exceptional items	0	(11,618)	0	0	(11,618)	(11,618)
					0	
<b>Net Cost Of Services</b>	<b>(12,416)</b>	<b>(7,596)</b>	<b>2,225</b>	<b>19,423</b>	<b>14,052</b>	<b>1,636</b>
<b>Other Income and Expenditure</b>	<b>2,135</b>	<b>(203)</b>	<b>1,147</b>	<b>(37,120)</b>	<b>(36,176)</b>	<b>(34,041)</b>
<b>(Surplus) or deficit on provision of services</b>	<b>(10,281)</b>	<b>(7,799)</b>	<b>3,372</b>	<b>(17,697)</b>	<b>(22,124)</b>	<b>(32,405)</b>
<b>Opening General Fund and HRA Balance</b>	<b>(26,523)</b>					
(Surplus) or deficit on General Fund and HRA Balance in the year	(a) <b>(10,281)</b>					
<b>Closing General Fund and HRA Balance at 31 March</b>	<b>(36,804)</b>					

Note (a) - For the split between the (Surplus) or deficit on General Fund and HRA Balance in the year please refer to the Movement in Reserves Statement.

## Notes to the financial statements

### 6 Expenditure and funding analysis (Cont'd)

Year ended 31 March 2019

	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis			Total Adjustments	Net Expenditure in the Comprehensive Income and Expenditure Statement (Restated)
		Adjustments for Capital Purposes (Note 1)	Net change for the Pensions Adjustments (Note 2)	Other Differences (Note 3) (Restated)		
Note	£000	£000	£000	£000	£000	£000
Housing Revenue Account	(5,016)	1,040	390	(4,196)	(2,766)	(7,782)
Housing Committee	1,849	260	226	(112)	374	2,223
Community Services Committee	4,756	(31)	612	198	779	5,535
Environmental & Sustainability Committee	3,086	0	574	(15)	559	3,645
Licensing & Regulatory Committees	72	0	34	0	34	106
Planning Committee	1,487	250	387	(364)	273	1,760
Corporate Management Committee	(13,224)	6,812	86	21,450	28,348	15,124
<b>Net Cost Of Services</b>	<b>(6,990)</b>	<b>8,331</b>	<b>2,309</b>	<b>16,961</b>	<b>27,601</b>	<b>20,611</b>
<b>Other Income and Expenditure</b>	<b>5,739</b>	<b>6,056</b>	<b>1,039</b>	<b>(37,744)</b>	<b>(30,649)</b>	<b>(24,910)</b>
<b>(Surplus) or deficit on provision of services</b>	<b>(1,251)</b>	<b>14,387</b>	<b>3,348</b>	<b>(20,783)</b>	<b>(3,048)</b>	<b>(4,299)</b>
Opening General Fund and HRA Balance	(25,272)					
(Surplus) or deficit on General Fund and HRA Balance in the year	(a) (1,251)					
<b>Closing General Fund and HRA Balance at 31 March</b>	<b>(26,523)</b>					

Note (a) - For the split between the (Surplus) or deficit on General Fund and HRA Balance in the year please refer to the Movement in Reserves Statement.

## Notes to the financial statements

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### 6 Expenditure and funding analysis (Cont'd)

#### Note 1 - Adjustments for capital purposes

This column adds in impairments and revaluation gains and losses in the services line and for:

- a) **Other operating expenditure**  
adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- b) **Financing and investment income and expenditure**  
the statutory charges for capital financing i.e. the Minimum Revenue Provision (MRP) and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- c) **Taxation and non-specific grant income and expenditure**  
capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in year to those receivable without conditions or for which conditions were satisfied throughout the year. The taxation and non specific grant income and expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

#### Note 2 - Net change for pension adjustments

This column removes pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and income for:

- a) **Services**  
This represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- b) **Financing and investment income and expenditure**  
The net interest on the defined benefit liability is charged to the comprehensive income and expenditure statement.

#### Note 3 - Other differences

Other differences between amounts debited/credited to the comprehensive income and expenditure statement and amounts payable or receivable to be recognised under statute:

The charge under taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for council tax and business rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices. This is a timing difference as any difference will be brought forward in future surpluses or deficits on the collection fund.

## Notes to the financial statements

### 7 Segmental analysis

The Net Expenditure Chargeable to the General Fund and HRA Balances in the Expenditure and Funding Analysis (note 6) includes the following Income and expenditure:

2018/19 £000		2019/20 £000
	Revenues from external customers:	
16,787	Housing Revenue Account	16,602
505	Housing Committee	591
1,659	Community Services Committee	2,232
2,219	Environmental & Sustainability Committee	2,380
162	Licensing & Regulatory Committees	159
1,334	Planning Committee	1,141
24,286	Corporate Management Committee	26,194

### 8 Expenditure and income analysed by nature (Including material items)

The Council's expenditure and income in the comprehensive income and expenditure account is analysed as follows:

2018/19 £000		2019/20 £000
	<b>Expenditure:</b>	
24,748	Employer benefits expenses	25,882
22,205	Housing Benefits	19,804
12,839	Other service expenses	9,336
778	Revenue expenditure funded from capital under statute	755
4,434	Depreciation, amortisation and impairment	(13,075)
13,150	Interest payments	14,487
1,005	Payments to housing capital receipts pool	982
5,510	Gain / (Loss) on the disposal of assets	(1,961)
68	Impairment/credit loss adjustments	313
84,737	<b>Total expenditure</b>	<b>56,523</b>
	<b>Income</b>	
6,208	Fees charges and other service income	9,796
38,848	Rents and leases	41,508
22,325	Housing Benefit subsidy	19,643
1,677	Interest and investment income	1,692
13,988	Income from council tax, business rates	10,167
1,586	Government grants and contributions	1,867
2,230	Other grants and contributions	2,560
2,174	Costs recovered and sponsorship	1,695
89,036	<b>Total income</b>	<b>88,928</b>
(4,299)	<b>(Surplus) or Deficit on the provision of services</b>	<b>(32,405)</b>

## Notes to the financial statements

### 9 Other operating expenditure

Other operating expenditure includes payments made to the Government in line with statutory arrangements for certain property sales within the Housing Revenue Account and gains/losses generated from in year disposals of non-current assets.

2018/19 £000		2019/20 £000
1,005	Payments to the Government housing capital receipts pool	982
5,510	Net (gains) and losses on the disposal of non-current assets	(1,960)
<u>6,515</u>		<u>(978)</u>

### 10 Financing and investment income and expenditure

2018/19 £000		2019/20 £000
13,150	Interest payable and similar charges	14,487
1,039	Net interest on the net defined pension liability	1,147
(1,579)	Interest receivable and similar income	(1,959)
(99)	(Surplus) or deficit on revaluation of Pooled Investment Funds	267
(28,542)	Income and expenditure in relation to investment properties and changes in fair value	(34,927)
68	Impairments and credit loss adjustments	313
<u>(15,963)</u>	<b>Total</b>	<u>(20,672)</u>

### 11 Taxation and non specific grant incomes

This item consolidates all non-specific grants and contributions received by the Council that cannot be identified to a particular service expenditure area and therefore cannot be credited to the gross income under Cost of Services. All capital grants and contributions are required to be credited to here even if they are service specific.

2018/19 £000		2019/20 £000
(5,444)	Council tax income	(5,583)
(8,545)	Retained business rates income	(4,585)
(866)	Other non-ringfenced Government Grants	(1,198)
(607)	Capital grants and contributions	(1,025)
<u>(15,462)</u>	<b>Total</b>	<u>(12,391)</u>

## Notes to the financial statements

### 12 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 authority 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 authority to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

#### General Fund balance

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund balance, which is not necessarily in accordance with proper accounting 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. This balance is not available to be applied to services under the Housing Revenue Account.

The General Fund balance is made up of a general working balance and earmarked reserves which provide financing for future expenditure plans. The total of the earmarked reserves and the movements in and out during the year are as follows:

#### 2019/20

Business Rates (NNDR) equalisation reserve
Englefield Green maintenance reserve
Equipment repairs and renewals reserve
Infrastructure Feasibility reserve
Insurance reserve
Investment Property income equalisation reserve
Museum purchase and conservation fund
Maintenance of graves in perpetuity
Property repairs and renewals reserve
Section 106 and other contributions reserve
<b>Total</b>

Balance at 1 April 2019	Transfers out	Transfers in	Balance at 31 March 2020
£000	£000	£000	£000
2,880	0	0	2,880
269	7	2	264
1,000	799	1,000	1,201
0	0	100	100
106	0	0	106
2,000	0	1,750	3,750
32	0	1	33
2	0	0	2
1,000	0	1,750	2,750
2,301	697	1,489	3,093
<b>9,590</b>	<b>1,503</b>	<b>6,092</b>	<b>14,179</b>

#### 2018/19

Business Rates (NNDR) equalisation reserve
Englefield Green maintenance reserve
Equipment repairs and renewals reserve
Insurance reserve
Investment Property income equalisation reserve
Museum purchase and conservation fund
Maintenance of graves in perpetuity
Property repairs and renewals reserve
Section 106 and other contributions reserve
<b>Total</b>

Balance at 1 April 2018	Transfers out	Transfers in	Balance at 31 March 2019
£000	£000	£000	£000
2,880	0	0	2,880
270	4	3	269
0	0	1,000	1,000
106	0	0	106
0	0	2,000	2,000
33	2	1	32
2	0	0	2
0	0	1,000	1,000
1,669	0	632	2,301
<b>4,960</b>	<b>6</b>	<b>4,636</b>	<b>9,590</b>

## Notes to the financial statements

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### 12 Adjustments between accounting basis and funding basis under regulations (Cont'd)

The **Business Rates (NNDR) equalisation reserve** was set up as part of the 2013/14 budget setting process to counter the effects of any backdated appeals under the new business rate regime.

The **Englefield Green maintenance reserve** was set up in 2015/16 to offset ongoing maintenance works to the village green utilising the receipt generated by the surrender of part of a long lease.

The **Equipment repairs and renewals** reserve is for the replacement of equipment (IT systems, Vehicles etc)

The **Infrastructure Fesibility Study reserve** is to provide funding for supporting future project developments at an early stage

The **Insurance reserve** was set up to meet claims from the Council's previous insurers Municipal Mutual Insurance (MMI) who are subject to a Scheme of Arrangement. Any surplus will be used to offset excess payments for future flooding events.

The **Investment property income equalisation reserve** is to smooth out the income streams of the Council's investment properties resulting from the negotiation of rent free periods etc

The **Museum purchase and conservation fund** is held under Section 15 of the Public Libraries and Museums Act 1964 and holds funds to be used for major purchases and conservation works.

**Maintenance of graves in perpetuity** represents funds invested permanently for the benefit of the maintenance of specified cemeteries.

The **Property repairs and renewals reserve** is for the major repair or replacement of the Councils commercial property portfolio and other major property related assets.

The **Section 106 and other contributions reserve** combines all monies received from third parties, mainly arising from planning agreements, that relate to works that have not yet been undertaken.

#### Housing Revenue Account

The Housing Revenue Account (HRA) balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

#### Major repairs reserve

The Council is required to maintain a Major Repairs Reserve which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied for these purposes at the year end.

#### Capital receipts reserve

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

#### Capital grants unapplied

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

## Notes to the financial statements

### 12 Adjustments between accounting basis and funding basis under regulations (Cont'd)

Adjustments in 2019/20					
	General Fund reserves	Housing Revenue account	Major repairs reserve	Capital receipts reserve	Capital grants unapplied
	£000	£000	£000	£000	£000

#### Adjustments to the Revenue Reserves

Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements

Pensions costs (transferred to or from the Pensions reserve)	2,931	537			
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	2				
Council Tax and Business Rates (transferred to (or from) the Collection Fund adjustment account)	1,927				
Holiday pay (transferred to the Accumulated Absences reserve)	9				
(Surplus) transferred to Pooled Investment Funds Adjustment Account	267				
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (charged to the Capital Adjustments Account)	(6,264)	(6,481)			
<b>Total Adjustments to Revenue Reserves</b>	<b>(1,128)</b>	<b>(5,944)</b>	<b>0</b>	<b>0</b>	<b>0</b>

#### Adjustments between revenue and capital resources

Transfer of non-current asset sale proceeds from revenue to the capital receipts reserve	(6,305)	(781)		7,084	
Administrative costs of non-current asset disposals (funded by a contribution from the capital receipts reserve)	127	23		(150)	
Payments to the Government housing receipts pool (funded by a contribution from the capital receipts reserve)		983		(983)	
Posting of HRA resources from revenue to the Major repairs reserve		(4,291)	4,291		
Statutory provision for the repayment of debt (transfer from the capital adjustment account)	(3,289)				
Capital grants and contributions credited to the comprehensive income and expenditure statement	(1,025)				840
Capital expenditure financed from revenue balances (transfer to the capital adjustment account)		(495)			
<b>Total adjustments between revenue and capital resources</b>	<b>(10,492)</b>	<b>(4,561)</b>	<b>4,291</b>	<b>5,951</b>	<b>840</b>

#### Adjustments to capital resources

Use of capital receipts reserve to finance capital expenditure				(4,300)	
Use of major repairs reserve to finance capital expenditure			(2,806)		
Application of capital grants to finance capital expenditure					(239)
<b>Total adjustments to capital resources</b>	<b>0</b>	<b>0</b>	<b>(2,806)</b>	<b>(4,300)</b>	<b>(239)</b>

<b>Total adjustments</b>	<b>(11,620)</b>	<b>(10,505)</b>	<b>1,485</b>	<b>1,651</b>	<b>601</b>
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## Notes to the financial statements

### 12 Adjustments between accounting basis and funding basis under regulations (Cont'd)

Adjustments in 2018/19					
	General Fund reserves	Housing Revenue account	Major repairs reserve	Capital receipts reserve	Capital grants unapplied
	£000	£000	£000	£000	£000

<b>Adjustments to the Revenue Reserves</b>					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements					
Pensions costs (transferred to or from the Pensions reserve)	2,910	438			
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	73				
Council Tax and Business Rates (transferred to (or from) the Collection Fund adjustment account)	(5,284)				
Holiday pay (transferred to the Accumulated Absences reserve)	6				
(Surplus) transferred to Pooled Investment Funds Adjustment Account	(99)				
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (charged to the Capital Adjustments Account)	25,490	4,249			
<b>Total Adjustments to Revenue Reserves</b>	<b>23,096</b>	<b>4,687</b>	<b>0</b>	<b>0</b>	<b>0</b>

<b>Adjustments between revenue and capital resources</b>					
Transfer of non-current asset sale proceeds from revenue to the capital receipts reserve	(18,302)	(808)		19,110	
Administrative costs of non-current asset disposals (funded by a contribution from the capital receipts reserve)	61	26		(87)	
Payments to the Government housing receipts pool (funded by a contribution from the capital receipts reserve)		1,005		(1,005)	
Posting of HRA resources from revenue to the Major repairs reserve		(2,088)	2,088		
Statutory provision for the repayment of debt (transfer from the capital adjustment account)	(3,162)				
Capital grants and contributions credited to the comprehensive income and expenditure statement	(956)				612
Capital expenditure financed from revenue balances (transfer to the capital adjustment account)	(184)	(1,793)			
<b>Total adjustments between revenue and capital resources</b>	<b>(22,543)</b>	<b>(3,658)</b>	<b>2,088</b>	<b>18,018</b>	<b>612</b>

<b>Adjustments to capital resources</b>					
Use of capital receipts reserve to finance capital expenditure				(18,650)	
Use of major repairs reserve to finance capital expenditure			(2,087)		
Application of capital grants to finance capital expenditure					(385)
cash payments in relation to deferred capital receipts				0	
<b>Total adjustments to capital resources</b>	<b>0</b>	<b>0</b>	<b>(2,087)</b>	<b>(18,650)</b>	<b>(385)</b>

<b>Total adjustments</b>	<b>553</b>	<b>1,029</b>	<b>1</b>	<b>(632)</b>	<b>227</b>
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## Notes to the financial statements

### 13 Property, plant and equipment

	Council dwellings	Other land and buildings	Vehicles, plant, furniture and Equipment	Community assets	Surplus assets	Assets under construction	Total Property, plant and equipment
	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>							
<b>At 1 April 2019</b>	<b>294,161</b>	<b>82,259</b>	<b>11,063</b>	<b>6,780</b>	<b>14,833</b>	<b>3,754</b>	<b>412,850</b>
Additions	3,056	1,536	701	0	715	21,675	27,683
Accumulated depreciation and Impairment written out on revaluation to GCA	(5,687)	(2,720)					(8,407)
Revaluations	(939)	(1,591)			(719)		(3,249)
Disposals	(370)		(207)	(294)	(1,884)	(2,199)	(4,954)
Assets reclassified to/from held for sale					(290)	(390)	(680)
Assets reclassified to/from investment property						2,157	2,157
Assets reclassified between PPE categories	755	(3,675)				2,919	(1)
<b>At 31 March 2020</b>	<b>290,976</b>	<b>75,809</b>	<b>11,557</b>	<b>6,486</b>	<b>12,655</b>	<b>27,916</b>	<b>425,399</b>
<b>Accumulated depreciation and impairment</b>							
<b>At 1 April 2019</b>	<b>115</b>	<b>1,547</b>	<b>7,579</b>	<b>11</b>	<b>0</b>	<b>12</b>	<b>9,264</b>
Depreciation charge in the year	4,291	1,210	851			7	6,359
Impairments charge in the year	(1,381)						(1,381)
Accumulated depreciation written out on revaluation	(4,306)	(2,720)					(7,026)
Accumulated impairment written out on revaluation	1,290	1,426					2,716
Disposals	(1)		(204)				(205)
Other movements in depreciation and impairments	12	(80)				68	0
<b>At 31 March 2020</b>	<b>20</b>	<b>1,383</b>	<b>8,226</b>	<b>11</b>	<b>0</b>	<b>87</b>	<b>9,727</b>
<b>Net book value</b>							
<b>At 31 March 2020</b>	<b>290,956</b>	<b>74,426</b>	<b>3,331</b>	<b>6,475</b>	<b>12,655</b>	<b>27,829</b>	<b>415,672</b>
<b>At 31 March 2019</b>	294,046	80,712	3,484	6,769	14,833	3,742	403,586

## Notes to the financial statements

### 13 Property, plant and equipment

	Council dwellings	Other land and buildings	Vehicles, plant, furniture and Equipment	Community assets	Surplus assets	Assets under construction	Total Property, plant and equipment
	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>							
<b>At 1 April 2018</b>	<b>292,986</b>	<b>73,354</b>	<b>11,350</b>	<b>6,401</b>	<b>38,094</b>	<b>0</b>	<b>422,185</b>
Additions	3,002	11,153	996	329		3,701	19,181
Accumulated depreciation and Impairment written out on revaluation to GCA	(2,814)	(300)				0	(3,114)
Revaluations	(1,145)	6,974			(3,892)		1,937
Disposals	(397)	(6,474)	(1,283)		(18,113)		(26,267)
Assets reclassified to/from held for sale					(225)		(225)
Assets reclassified to/from investment property					(847)		(847)
Other movements	2,529	(2,448)		50	(184)	53	0
<b>At 31 March 2019</b>	<b>294,161</b>	<b>82,259</b>	<b>11,063</b>	<b>6,780</b>	<b>14,833</b>	<b>3,754</b>	<b>412,850</b>
<b>Accumulated depreciation and impairment</b>							
<b>At 1 April 2018</b>	<b>0</b>	<b>1,322</b>	<b>7,870</b>	<b>11</b>	<b>0</b>	<b>0</b>	<b>9,203</b>
Depreciation charge in the year	2,063	1,098	906				4,067
Impairments charge in the year	(2,062)	(300)					(2,362)
Accumulated impairment written out on revaluation		66					66
Disposals	(1)	(536)	(1,197)				(1,734)
Other movements in depreciation and impairments	115	(103)				12	24
<b>At 31 March 2019</b>	<b>115</b>	<b>1,547</b>	<b>7,579</b>	<b>11</b>	<b>0</b>	<b>12</b>	<b>9,264</b>
<b>Net book value</b>							
<b>At 31 March 2019</b>	<b>294,046</b>	<b>80,712</b>	<b>3,484</b>	<b>6,769</b>	<b>14,833</b>	<b>3,742</b>	<b>403,586</b>
<b>At 31 March 2018</b>	<b>292,986</b>	<b>72,032</b>	<b>3,480</b>	<b>6,390</b>	<b>38,094</b>	<b>0</b>	<b>412,982</b>

## Notes to the financial statements

### 13 Property, plant and equipment (continued)

#### Depreciation and amortisation methods

Depreciation on a straight line basis is provided for on all tangible fixed assets with a finite useful life from the date of purchase. Depreciation is not charged on the land element of the valuation. Assets in the course of construction are not depreciated until they are brought into use. In general terms the following depreciation and amortisation policy is followed:

Asset class	Depreciation period
General buildings	From 20 to 50 years dependant on estimated useful life
General equipment	Up to 20 years (dependant on type of equipment)
Plant and vehicles	Up to 10 years (dependant on type of vehicle)
Leisure related play equipment	10 years
Safer Runnymede equipment	5 years
Computer hardware	Up to 5 years (dependant on type of equipment)

#### Revaluations

The Council carries out a rolling programme that ensures that all property, plant and equipment required to be measured at fair value is revalued at least every four years. Where any valuation is materially different for any asset, a review of similar assets in that class is undertaken to ensure fair value at the end of the reporting period. Valuations of land and buildings are carried out in accordance with the methodologies and bases for estimation set out in the RICS "Red Book" UK Appendix 5 "Valuation of Local Authority Assets", and in accordance with International Financial Reporting Standards (IFRS) 13 & CIPFA Code of Practice on Local Authority Accounting.

Valuations for 2019/20 have been undertaken by Wilks Head and Eve LLP with prior year valuations having been undertaken by Gulley Howard Technical Ltd

Due to the ongoing Covid-19 pandemic at the reporting date, Wilks, Head and Eve reported the property valuations on the basis of 'material valuation uncertainty' as per VPS3 and VPGA10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuations than would normally be the case. However, the valuations have been professionally undertaken to RICS standards and therefore represent the best estimate at the current time

Historic cost is considered a reasonable proxy for current value for most of our vehicles and equipment, but adjustments are made to this category where appropriate using the latest list prices of active second hand markets adjusted for the condition of the asset.

It is important to distinguish valuations for the purpose of financial accounting and reporting from those which are made to support the management of assets and policy decisions. In particular, it must be understood that the valuations do not necessarily mean the price the asset might fetch on the open market; for instance, land currently valued as recreation space will have a completely different valuation if deemed in the future to be surplus to requirements and available for sale as building land.

There were no other material changes to the Council's accounting estimates for property, plant and equipment in 2018/19 or 2019/20.

## Notes to the financial statements

### 13 Property, plant and equipment (continued)

#### Revaluations (continued)

The following statement shows the valuation for each category of asset resulting from our rolling programme for the revaluation of non-current assets over the past 5 years:

	Council dwellings	Other land and buildings	Vehicles plant, etc.	Community assets	Surplus assets	Assets Under Construction	Total
	£000	£000	£000	£000	£000		£000
Valued at fair value as at:							
2019/2020	290,220	38,182			12,226		340,628
2018/2019		9,714					9,714
2017/2018		12,785					12,785
2016/2017		13,613					13,613
2015/2016							0
Valued at historic cost	756	1,515	11,557	6,486	429	27,916	48,659
<b>Total cost or valuation</b>	<b>290,976</b>	<b>75,809</b>	<b>11,557</b>	<b>6,486</b>	<b>12,655</b>	<b>27,916</b>	<b>425,399</b>

In addition the annual rolling provision, the Council also reviews its assets held in the other land and buildings category to ensure that the carrying value of assets last valued in previous years is not materially different from their current value.

### 14 Impairment losses

Impairment is caused either by the clear consumption of economic benefits or by a general fall in prices. Examples of events and circumstances that indicate an impairment caused by a consumption of economic benefits have incurred are physical damage to a fixed asset (e.g. as a result of a fire), obsolescence (e.g. a computer or computer system that no longer provides a useful service), or a major restructuring. Such impairments are recognised in the relevant service account in the income and expenditure account.

When impairment is caused through a general fall in prices it is treated as a revaluation. Where there are sufficient previous revaluation gains, the decrease in value is recognised in the statement of recognised gains and losses. Thereafter, the decrease is recognised in the relevant service account in the income and expenditure account.

The total impairments and their treatments in the year were as follows:

2018/19		2019/20	
£000		£000	£000
1,285	Offset against previous revaluation gains (net of depreciation adjustments)		20,459
Taken to comprehensive income and expenditure statement:			
7,603	Impairments in the year	3,269	
(49)	Reversal of previous years impairments	(11,618)	
<u>7,554</u>			<u>(8,349)</u>
<u>8,839</u>			<u>12,110</u>

## Notes to the financial statements

### 15 Capital expenditure and financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it.

The capital financing requirement is the term used to describe the underlying need to borrow for a capital purpose. The capital financing requirement will increase where existing resources (e.g. capital receipts or government grant or other contributions) are not sufficient to finance capital expenditure.

2018/19 £000		2019/20 £000	£000
382,469	<b>Opening Capital Financing Requirement</b>		<b>592,712</b>
	Capital Investment:		
19,181	Property, Plant and Equipment	27,683	
200,359	Investment Properties	34,859	
32	Intangible Assets	152	
16,497	Long Term Debtors	0	
778	Revenue Expenditure Funded from Capital Under Statute	755	
<u>236,847</u>			<u>63,449</u>
	Sources of Finance:		
(18,650)	Capital Receipts	(4,301)	
(729)	Government Grants and Other Contributions	(424)	
(2,086)	Major Repairs Reserve	(2,806)	
(1,793)	Direct Revenue Contributions - HRA	(495)	
(184)	Direct Revenue Contributions - General Fund	(799)	
<u>(3,162)</u>	Minimum Revenue Provision (MRP)	<u>(3,289)</u>	
(26,604)			<u>(12,114)</u>
<u><u>592,712</u></u>	<b>Closing Capital Financing Requirement (CFR)</b>		<u><u>644,047</u></u>
	<b>Explanation of movements in the year</b>		
382,469	Opening Capital Financing Requirement		592,712
213,405	Increase in underlying need to borrow (unsupported)		54,624
<u>(3,162)</u>	Statutory provision for repayment of debt (MRP)		<u>(3,289)</u>
<u><u>592,712</u></u>	Closing Capital Financing Requirement (CFR)		<u><u>644,047</u></u>

The Council has a capital programme listing proposed and potential schemes with a cost in the next financial year of £192.805m. At 31 March 2020, the Council had entered into a number of contracts for the purchase, construction or enhancement of property, plant and equipment in 2020/21 and future years of £25.849m.

## Notes to the financial statements

### 16 Investment properties

The following items of income and expenses have been accounted for in the financing and investment income and expenditure line in the comprehensive income and expenditure statement.

2018/19 £000		2019/20 £000
23,700	Rental income and other income arising from investment property	25,606
<u>(2,498)</u>	Direct operating expenses arising from investment property	<u>(1,937)</u>
<u>21,202</u>	Net gain	<u>23,669</u>

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

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

2018/19 £000		2019/20 £000
270,243	<b>Balance at start of the year</b>	478,789
200,359	Additions	34,859
7,340	Net gains/(losses) from fair value adjustments	11,199
<u>847</u>	Transfers (to) / from property plant and equipment	<u>(2,157)</u>
<u>478,789</u>	<b>Balance at the end of the year</b>	<u>522,690</u>

### Valuers

The investment property portfolio was valued at 31 January 2020 in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution for Chartered Surveyors. The assets were valued by S C Harbord MA MRICS IRRV (Hons) RICS Registered Valuer and reviewed by R G Messenger BSc FRICS FIRRV MCIARb REV, RICS Registered Valuer, both of Wilks Head & Eve LLP, the Council's new valuing agents.

### Fair value hierarchy

All the Council's investment property portfolio has been assessed as Level 2 for valuation purposes (see Note 1 for explanation of fair value levels). Net gains/(losses) from fair value adjustments are recognised in the Financing and Investment income and expenditure line in the Comprehensive Income and Expenditure Statement. When the degree of subjectivity or nature of the measurement inputs changes, consideration is given as to whether a transfer between fair value levels is deemed to have occurred.

Determining what is observable and what is unobservable can sometimes require significant judgment. Any unobservable data which becomes observable through additional market data would determine a transfer from Level 3 to Level 2. Following the change in valuing agents, Wilks, Head & Eve LLP argued for a change in the valuation assessment for investment properties from a Level 3 up to a Level 2 based on the strength of the market data, market knowledge and research undertaken by them in undertaking the valuations. This new assessment was reviewed and agreed and therefore all Investment property valuations for 2019/20 are therefore now assessed at Level 2.

### Valuation techniques used to determine Level 2 fair values for Investment Properties

The fair value of investment properties has been measured using a market approach, which takes into account quoted prices for similar assets in active markets, existing lease terms and rentals, research into market evidence including market rentals and yields, the covenant strength for existing tenants, and data and market knowledge gained in managing the Council's Investment Asset portfolio. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised as level 2 on the fair value hierarchy.

## Notes to the financial statements

### 16 Investment properties (Cont'd)

#### Highest and Best use

In estimating the fair value of the Authority's investment properties, the highest and best use of the properties is deemed to be their current use.

#### Valuation Process for Investment Properties

The Council's investment property has been valued as at 31 January 2020 by Wilks Head and Eve in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Due to the ongoing Covid-19 pandemic at the reporting date, Wilks, Head and Eve reported the property valuations on the basis of 'material valuation uncertainty' as per VPS3 and VPGA10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the review/ valuations than would normally be the case. However, the valuations have been professionally undertaken to RICS standards and therefore represent the best estimate at the current time.

### 17 Intangible assets

Intangible assets are assets that do not have a physical substance but are controlled by the Council through custody or legal rights. All the Council's intangible assets relate to purchased computer software.

Each asset is held in the books at its purchased cost value and is amortised on a straight-line basis over its useful economic life. Unless special circumstances dictate otherwise, the Council has deemed the useful economic lives of all software to be 5 years.

The amortisation was charged to the Computer Services cost centre and then absorbed as overhead across all the service headings in the net expenditure of services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

2018/19 £000		2019/20 £000
	<b>Balance at start of year:</b>	
1,549	Gross carrying amounts	1,561
(1,099)	Accumulated amortisation	(1,201)
<u>450</u>	<b>Net carrying amount at the start of the year</b>	<u>360</u>
32	Additions	152
(20)	Disposals	0
(122)	Amortisation for the period	(106)
20	Other changes - write out of amortisation on disposals	0
<u>360</u>	<b>Net carrying amount at the end of the year</b>	<u>406</u>
	<b>Comprising:</b>	
1,561	Gross carrying amounts	1,713
(1,201)	Accumulated amortisation	(1,307)
<u>360</u>		<u>406</u>

At 31 March 2020 the Council had entered into contracts for the purchase or enhancement of intangible assets relating to 2020/21 and future years in the sum of £234,530. The value of such commitments as at 31st March 2019 was £56,747



## Notes to the financial statements

### 18 Financial Instruments

#### 18.1 Categories of Financial Instruments

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

	Non-Current		Current	
	31 March 2019	31 March 2020	31 March 2019	31 March 2020
	£000	£000	£000	£000
<b>Financial Assets</b>				
Amortised cost:				
Short term investments	-	-	36,496	44,909
Cash and cash equivalents	-	-	12,952	31,201
Short term debtors	27,650	28,653	4,855	4,152
Fair value through profit or loss:				
Long term investments	10	10	-	-
Short term investments	-	-	4,467	4,200
<b>Total financial assets</b>	27,660	28,663	58,770	84,462
Non financial assets			3,795	(641)
<b>Total</b>	27,660	28,663	62,565	83,821
<b>Financial liabilities</b>				
Amortised cost:				
Short term creditors	-	-	16,346	17,784
Short term borrowing	-	-	254	5,282
Long term borrowing	571,292	627,292	-	-
<b>Total financial liabilities</b>	571,292	627,292	16,600	23,066
Non financial liabilities	44,866	46,118	16,613	10,983
<b>Total</b>	616,158	673,410	33,213	34,049

## Notes to the financial statements

### 18 Financial Instruments (Cont'd)

#### 18.2 Material soft loans at fair value (loans at low or interest-free rates)

##### Property loans

Home loans have been granted in the past to facilitate the redevelopment of council housing estates. All the new properties purchased via these loans are subject to a legal charge to protect the Council's interests thus ensuring repayment of the loan in the future. It has been assumed that these loans will be repaid on average after 10 years.

A loan has also been given to part purchase a scout headquarters to ensure continuation of an important local community activity. This loan is subject to a legal charge on the property.

##### Private sector improvement loans

As part of its private sector renewal strategy, the Council issues loans for private sector housing improvements which do not meet the criteria for the statutory disabled facilities grants. All such loans are subject to a legal charge to protect the Council's interests thus ensuring repayment of the loan in the future. It has been assumed that these loans will be repaid on average after 7 years.

	2018/19 £000		2019/20 £000
	<b>Loans at low or interest-free rates at fair value:</b>		
	624	Balance at the start of the year	552
	(15)	Less fair value adjustment	(6)
	(62)	Repayment of loan during year	0
	5	Credits for year	3
	552	<b>Balance at the end of the year</b>	<b>549</b>

#### 18.3 Income, expense, gains and losses

	2018/19 £000	2019/20 £000
	Total in surplus or deficit on the provision of services	Total in surplus or deficit on the provision of services
<b>Net gains/losses on:</b>		
Financial assets measured at fair value through profit or loss	99	267
<b>Total net gains/losses</b>	99	267
<b>Interest revenue:</b>		
Financial assets measured at amortised cost	1,579	1,959
<b>Total interest revenue</b>	1,579	1,959
<b>Interest expense</b>	(13,150)	(14,487)

## Notes to the financial statements

### 18 Financial instruments (continued)

#### 18.4 Fair values of financial assets

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

As at 31 March 2019		Valuation technique used to measure fair value	Fair value hierarchy	As at 31 March 2020
£000				£000
2,438	CCLA Property Fund	Unadjusted quoted prices in active markets for identical shares	Level 1	2,351
2,030	CCLA Diversified income Fund	Unadjusted quoted prices in active markets for identical shares	Level 1	1,849
<u>4,468</u>				<u>4,200</u>

The details of the fair value hierarchy is set out in the accounting policies. There were no transfers between input levels 1, 2 and 3 during the year, and no changes in the valuation technique used during the year for the financial instruments.

## Notes to the financial statements

### 18 Financial instruments (continued)

#### 18.5 Fair values of financial assets and liabilities that are not measured at fair value

Except for the financial assets carried at fair value (described in the table above), all other financial assets and liabilities held by the Council are carried in the balance sheet at amortised cost. The fair values of these assets and liabilities are calculated as follows:

31 March 2019			31 March 2020	
Carrying amount £000	Fair value £000		Carrying amount £000	Fair value £000
		<b>Financial liabilities held at amortised cost</b>		
571,292	747,234	Long term borrowing	627,292	995,652
254	254	Short term borrowing	5,282	5,270
11,991	11,991	Short term creditors - trade or operational liabilities	13,217	13,217
4,357	4,357	Short term creditors - other financial liabilities	4,567	4,567
<b>587,894</b>	<b>763,836</b>	<b>Total liabilities</b>	<b>650,358</b>	<b>1,018,706</b>

Fair value of long term borrowing is higher than the carrying amount. This is due to discounting the loans outstanding by the Public Works Loan Board (PWLB) rate for early repayment of such loans. The PWLB loan redemption rates are lower than the rates at which the loans were borrowed resulting in a higher fair value at the balance sheet date.

31 March 2019			31 March 2020	
Carrying amount £000	Fair value £000		Carrying amount £000	Fair value £000
		<b>Financial assets held at amortised cost</b>		
10	10	Long term investments	10	10
29,064	29,076	Short term investments	33,666	33,671
27,650	27,650	Long term debtors	28,653	28,653
5,769	5,769	Short term debtors - trade or operational assets	3,563	3,563
636	636	Short term debtors - other financial assets	589	589
<b>63,129</b>	<b>63,141</b>	<b>Total assets</b>	<b>66,481</b>	<b>66,486</b>

The fair value for financial liabilities and financial assets that are not measured at fair value been assessed as Level 2 for valuation purposes (see Accounting Policies for explanation of fair value levels) using a discounted cash flow analysis. The fair value for financial liabilities and financial assets that are not measured at fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments using the following assumptions:

#### Financial assets:

No early repayment or impairment is recognised.

Estimated ranges of interest rates at 31 March 2020 of 0.65% to 1.00% for loans receivable, based on new lending rates for equivalent loans at that date.

The fair value of trade and other receivables is taken to be the invoiced or billed amount, less provisions for uncollectable debts.

#### Financial liabilities:

No early payment is recognised.

Estimated ranges of interest rates at 31 March 2020 of 1.68% to 3.50% for loans (borrowings) payable based on new lending rates for equivalent loans at that date.

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

## Notes to the financial statements

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### 18 Financial instruments (continued)

#### 18.6 Nature and extent of risks arising from financial instruments

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

Credit risk: The possibility that other parties might fail to pay amounts due to the Council.

Liquidity risk: The possibility that a party might not have funds available to meet its commitments to make payments.

Re-financing risk - The possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.

Market risk: The possibility that the value of an investment will fluctuate as a result of changes in such measures as interest rates.

The Council's overall treasury policies and procedures focuses on the unpredictability of financial markets and seek to minimise potential adverse affects on the resources available to fund services. Treasury risk is managed under policies approved by the Council in the annual Treasury Management Strategy and Annual Investment Strategy. These policies cover the principles for overall treasury risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

#### Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. The risk is minimised through the annual investment strategy, which requires that deposits can only be made with financial institutions that meet defined credit criteria, and sets limits for the amount that can be let to any one institution (including any subsidiaries). We use the ratings supplied by the three main credit rating agencies, supplemented by other information. The annual investment strategy in force for 2019/20 was approved by the Council in February 2019, with further updates approved during the year.

Treasury management consultants are contracted to provide advice on investment strategy, counterparty suitability, credit ratings, and other treasury management issues. No credit limits were exceeded during 2019/20. The Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

Financial instruments designated at fair value through profit and loss are restricted to investments as per the Council's Investment Strategy. The Council will use pooled funds that offer enhanced returns over the longer term but are potentially more volatile over the shorter term. For this reason the Investment Strategy limits the number of holdings and the amount that can be held in each fund. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued stability in meeting the Council's investment objectives are monitored regularly

## Notes to the financial statements

### 18 Financial instruments (continued)

#### Credit risk (continued)

For trade and operational credit, where a significant commitment is entered into, customers are assessed for their credit-worthiness by taking into account their financial position, past experience and other factors.

The following table summarises the Council's exposure to credit risk by categorising assets classified as investments based on the long-term and short-term credit ratings (supplied by Fitch IBCA) of the institutions as at 31 March 2020:

<b>Long and short-term investments</b>		
Credit rating at 31 March	Carrying value at 31 March 2019	Carrying value at 31 March 2020
	£000	£000
Long-term investments		
Investment in associated companies	10	10
	10	10
Short-term investments and cash equivalents		
Banks	2,013	1,007
Banks	13,025	3,515
Building societies - with credit rating	5,005	2,001
Building societies - with credit rating	5,005	3,001
Cash and bank balance	672	594
Local authorities	4,015	24,142
Money market funds	12,276	30,595
Property funds	2,029	2,028
Diversified Income Fund	2,016	2,015
Funding circle	458	461
	<b>46,514</b>	<b>69,359</b>

Expected credit losses have been calculated for the Council's long and short term investments based upon historic default tables produced by the three main credit agencies. For Runnymede this has resulted in the following:

<b>Long and short-term investments</b>		
Credit rating at 31 March	Carrying value at 31 March 2019	Carrying value at 31 March 2020
	£000	£000
12 month expected credit losses		
AAA	5	12
A, A+/-	15	10
	20	22

The changes in the loss allowance for each class of financial asset during the year are as follows:

	<b>12 month expected credit loss</b>
	£000
<b>Opening balance as at 1 April</b>	<b>20</b>
New financial assets originated or purchased	22
Financial assets that have been derecognised	(20)
<b>Closing balance as at 31 March</b>	<b>22</b>

## Notes to the financial statements

### 18 Financial instruments (continued)

#### Liquidity risk

Liquidity risk is not a significant risk for the Council. This is because our short-term investments are placed to mature when known significant liabilities will become payable. Typically a proportion of investments will also be held on call or at short notice in deposits at banks and in money market funds. The Council also has ready access to borrowing from the money market or from the PWLB if funds are required for the short-term. There is no significant risk that the Council will be unable to meet its obligations under financial instruments. Instead, the risk is that the authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. To counter this, the Council sets aside amounts each year to repay all outstanding debt as it becomes due.

The Council carefully plans its borrowing to ensure that maturities do not all fall due at the same time. The Council will also seek to repay any loans early where it is economically beneficial to do so.

The maturity analysis of financial liabilities is as follows:

31 March 2019 £000		31 March 2020 £000
254	less than one year	5,282
58,292	Between one and 5 years	68,292
44,000	Between 5 and 10 years	30,000
45,000	Between 10 and 15 years	65,000
30,000	Between 15 and 20 years	30,000
30,000	Between 20 and 25 years	30,000
10,000	Between 25 and 30 years	10,000
90,000	Between 40 and 45 years	154,000
264,000	Between 45 and 50 years	240,000
<u>571,546</u>		<u>632,574</u>

The modest amount of short-term borrowing disclosed on our balance sheet represents balances held by the Council on behalf of local trusts and charities.

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

#### Refinancing and maturity risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. The risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are key parameters used to address this risk. These are approved as part of the Treasury Management Strategy each year and are regularly monitored by the Council's finance team.

#### Market risk - Interest rate risk

The fair value of a financial instrument held by the Council may fluctuate because of changes in short-term interest rates (interest rate risk), market prices (price risk) and foreign exchange rates.

The Council is exposed to risk in terms of its exposure to interest rate movements on its investments. Upward movements in interest rates will have a beneficial effect on the amount of interest income credited to the comprehensive income and expenditure account to the extent that short-term investments will be made at the higher interest rates. However, the fair value of investments made previously at fixed rates will fall. Downward movements in interest rates will have the opposite impact.

The strategy for managing interest rate risk includes making a proportion of investments for longer terms in order to provide stability in returns and as a defence against the financial impact of lower interest rates. This strategy is tempered by the need to consider the credit risk of counterparties, and the longer-term liquidity risk of having too many investments tied into longer maturities.

## Notes to the financial statements

### 18 Financial instruments (continued)

#### Interest rate risk (continued)

The following table shows our long and short term investments held at fixed and variable rates of interest:

As at 31 March 2019			As at 31 March 2020	
Fixed £000	Variable £000		Fixed £000	Variable £000
		<b>Term Investments</b>		
10	0	Long Term Investments	10	0
52,846	0	Short-Term Investments	79,766	0
		<b>Investments at Call or Short Notice</b>		
0	12,281	Money Market Funds	0	30,607
0	671	Cash and Bank Balances (note 21)	0	594
<b>52,856</b>	<b>12,952</b>		<b>79,776</b>	<b>31,201</b>

At the Balance sheet date, the investments held in money market funds and at deposit at banks were subject to daily changes in interest rates. The holdings in cash and bank balances currently attract no interest.

As a guide, the impact on the comprehensive income and expenditure account if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

<b>Notional effect on the comprehensive income and expenditure account:</b>	<b>£000</b>
Increase in interest receivable on variable rate investments	0
Increase in interest receivable on fixed rate investments made in the year	236
Impact on surplus or deficit on the provision of services	<u>236</u>

The share of the overall impact attributable to the HRA would be: 109

<b>Notional effect on the balance sheet:</b>	<b>£000</b>
Decrease in value of fixed rate borrowing liabilities	(257,279)
Decrease in the fair value of fixed-rate investments	0

#### Price risk

The only quoted investments during 2019/20 and 2020/21 were with the CCLA Property Fund and the CCLA Diversified Income Fund. These are all classed at fair value through profit and loss meaning that all movements in the price will impact on gains and losses recognised in the surplus or deficit on the provision of services. A general shift of 5% in the general price of shares (positive or negative) would have resulted in a gain or loss of approximately £207,758.



## Notes to the financial statements

### 19 Inventories and work in progress

All of the Council's inventories relate to consumable stores items. There were no works in progress in 2018/19 or 2019/20.

2018/19 £000		2019/20 £000
73	<b>Balance at start of year</b>	<b>98</b>
476	Purchases	451
(451)	Recognised as an expense in the year	(447)
<u>98</u>	<b>Balance at year-end</b>	<u>102</u>

### 20 Short term debtors

31 March 2019 £000		31 March 2020 £000
2,766	Trade Receivables	2,237
3,332	Council Tax and Business Rates	692
680	Prepayments	491
<u>3,398</u>	Other receivable amounts	<u>1,414</u>
10,176	<b>Gross debtors</b>	4,834
	Analysis of bad debt provision	
(359)	Council tax and Business Rate payers (attributable to Runnymede only)	(214)
(1,193)	General debtors	(1,537)
(199)	Council tenants arrears	(252)
<u>8,425</u>	<b>Total provision for impairment and expected credit losses on gross debtors</b>	<u>2,831</u>

### 21 Cash and cash equivalents

31 March 2019 £000		31 March 2020 £000
54	Cash balances held by the Council	14
617	Cash balances held at the bank	580
12,281	Short term deposits with money market funds	30,607
<u>12,952</u>		<u>31,201</u>

## Notes to the financial statements

### 22 Assets Held for Sale

2018/19		2019/20
£000		£000
0	<b>Balance at start of year</b>	<b>225</b>
	Property plant and equipment:	
225	Assets newly classified as held for sale:	<b>680</b>
0	Assets sold	<b>(225)</b>
<u>225</u>	<b>Balance at year-end</b>	<u><b>680</b></u>

### 23 Creditors and receipts in advance

31 March		31 March
2019		2020
£000		£000
(10,654)	Trade payables	<b>(10,088)</b>
(4,170)	Other payables	<b>(5,552)</b>
(15,172)	Council Tax and Business Rates	<b>(9,821)</b>
(1,516)	Receipts in advance	<b>(2,134)</b>
<u>(31,512)</u>	<b>Gross creditors and receipts in advance</b>	<u><b>(27,595)</b></u>

## Notes to the financial statements

### 24 Provisions

31 March 2019 £000		31 March 2020 £000
(7,100)	<b>Balance at 1 April</b>	(1,447)
(149)	Provisions made in the year	0
0	Amounts used in the year	254
5,802	Unused amounts reversed	21
<u>(1,447)</u>	<b>Balance at 31 March</b>	<u>(1,172)</u>

Provisions relate to the estimated Runnymede share of all outstanding business rate appeals based on an analysis of historic claims £1.04m (£1.06m in 2018/19) Provision has also been made for possible Commercial services compensation £0.13m (£0.39m in 2018/19).

### 25 Reserves

The movements in the Council's usable reserves are detailed in the Movement in Reserves Statement. Unusable reserves are set out in this note and are required to be held for statutory reasons and to comply with proper accounting practice.

#### 25.1 Revaluation reserve

The Revaluation reserve records the accumulated unrealised valuation gains made by the Council arising from increases in the value of its property, plant and equipment (and intangible assets). The balance is reduced when assets with accumulated gains are:

- 1) Revalued downwards or impaired and the gains are lost
- 2) Used in the provision of services and the gains are consumed through depreciation, or
- 3) Disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance sheet on the capital adjustment account.

2018/19 £000		2019/20 £000	£000
51,126	<b>Revaluation reserve balance as at 1 April</b>		54,072
9,957	Upward revaluations of assets	6,144	
(1,285)	Downward revaluations of assets and impairment losses not charged to the surplus/deficit on the provision of services	(20,459)	
	<b>Surplus (deficit) arising on revaluation of non-current assets not posted to the surplus or deficit on the provision of services</b>		<b>(14,315)</b>
8,672			
(4,050)	Difference between depreciation charged at fair value and historic cost depreciation	(1,461)	
(1,676)	Accumulated gains on assets sold or scrapped	(676)	
<u>(5,726)</u>	<b>Amount written off to the capital adjustment account</b>		<b>(2,137)</b>
<u>54,072</u>	<b>Revaluation reserve balance as at 31 March</b>		<u>37,620</u>

## Notes to the financial statements

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### 25.2 Pooled investment funds adjustment account

Following the introduction of International Financial Reporting Standard 9: Financial Instruments, the Government introduced a statutory override to allow authorities to mitigate the impact of fair value movements on Pooled Investment Funds. This reserve contains the gains and losses made by the Council arising from movements in these funds.

2018/19 £000	Note	2019/20 £000
323	<b>Balance as at 1 April</b>	<b>422</b>
99	Upward revaluations of investments	0
0	Downward revaluations of investments not charged to the surplus/deficit on the provision of services	(267)
<u>422</u>	<b>Balance as at 31 March</b>	<u>155</u>

## Notes to the financial statements

### 25 Unusable reserves (continued)

#### 25.3 Capital adjustment account

The capital adjustment account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and 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 by the Council as finance for the costs of acquisition, construction and enhancement.

The account contains accumulated gains and losses on investment properties and gains recognised on donated assets that have yet to be consumed by the Council.

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.

2018/19 £000	Note	2019/20 £000	2019/20 £000
260,575			<b>263,088</b>
			<b>Capital adjustment account balance as at 1 April</b>
			Reversal of items relating to capital expenditure debited or credited to the comprehensive income and expenditure
(4,092)		<b>(6,359)</b>	Depreciation losses of non-current assets
(752)		<b>(1,290)</b>	Impairment losses of non-current assets
(6,851)		<b>(1,978)</b>	Revaluation losses on property, land and equipment
49		<b>11,618</b>	Reversal of past impairments charged to the comprehensive income and expenditure statement
(122)		<b>(106)</b>	Amortisation of intangible assets
(778)		<b>(755)</b>	Revenue expenditure funded from capital under statute
(24,533)		<b>(4,974)</b>	Amounts of non-current assets written off on disposal or sale as part of gains/loss on disposal to the comprehensive income and expenditure statement
<u>(37,079)</u>		<u><b>(3,844)</b></u>	
5,726	25.1	<u><b>2,137</b></u>	Adjusting amounts written out of the revaluation reserve
(31,353)			Net written out amount of the cost of non-current assets consumed in the year
	15		Capital financing applied in the year:
18,650		<b>4,301</b>	Use of capital receipts reserve to finance capital expenditure
2,086		<b>2,806</b>	Use of major repairs reserve to finance capital expenditure
344		<b>239</b>	Capital grants and contributions credited to the comprehensive income and expenditure statement that have been applied to capital financing
385		<b>185</b>	Application of grants to capital financing from the capital grants unapplied account
1,977		<b>1,294</b>	Use of revenue reserves
3,162		<b>3,289</b>	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances
<u>26,604</u>		<u><b>12,114</b></u>	
7,340		<b>11,199</b>	Movements in the market value of investment properties debited or credited to the comprehensive income and expenditure statement
			Other Items:
(78)		<b>(6)</b>	Recognition of repayment of long term debtors and investments as capital receipts
<u>263,088</u>		<u><b>284,688</b></u>	<b>Capital adjustment account balance as at 31 March</b>

## Notes to the financial statements

### 25 Unusable reserves (continued)

#### 25.4 Financial instruments adjustment account

This account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefitting from gains in accordance with statutory provisions.

All the entries in this account relate to "soft loans" - loans at low or nil interest rate - awarded by the Council in pursuance of housing objectives.

2018/19 £000	2019/20 £000
(23)	(16)
	(16)
	(16)
2	1
	1
5	3
(16)	(12)
<b>Balance as at 1 April</b>	<b>(16)</b>
Transactions in the year	
Loans repaid; extinguishment of balances	1
Interest credits in the year	3
<b>Balance at 31 March</b>	<b>(12)</b>

#### 25.5 Pensions reserve

This 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 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 costs. However, statutory arrangements require benefits earned through the Local Government Pension Scheme to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible.

2018/19 £000	2019/20 £000
(37,944)	(45,715)
(4,422)	3,852
(5,995)	(6,080)
2,696	2,709
(50)	(97)
(45,715)	(45,331)
<b>Balance at 1 April</b>	<b>(45,715)</b>
<b>Remeasurement of net defined benefit liability</b>	<b>3,852</b>
<b>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</b>	<b>(6,080)</b>
<b>Employer's pensions contributions and direct payments to pensioners payable in the year:</b>	
Employer contributions	2,709
<b>Final year pay enhancements - pension liabilities</b>	
Net liabilities charged to the General Fund	(97)
<b>Balance at 31 March</b>	<b>(45,331)</b>

The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them.

This deficit represents the underlying commitments that Runnymede has in the long-run to pay retirement benefits through the statutory Surrey Pension Fund. It must be recognised that this figure is based on a number of assumptions and is a snapshot of the position at 31 March. The statutory arrangements for funding allows the deficit to be made good by increased contributions over the working life of employees, as assessed by the scheme actuary.

The pension liabilities at 31 March 2020 in respect of the final-year pay enhancements of £787,000 (31 March 2019 £884,000) are outside the statutory provisions and do not form part of this Reserve.

## Notes to the financial statements

### 25 Unusable reserves (continued)

#### 25.6 Collection fund adjustment account

This account holds the difference between council tax and business rates income included in the comprehensive income and expenditure statement and the amount required by regulation to be credited to the General Fund. The balance represents an accumulated deficit for the Runnymede share of council tax and business rates surpluses and deficits only. The shares of council tax and business rates surpluses and deficits and other taxpayer balances attributable to Surrey County Council, Surrey Police Authority and Central Government are included in the balance sheet (as a net debtor).

2018/19				2019/20		
Business Rates £000	Council Tax £000	Total £000		Business Rates £000	Council Tax £000	Total £000
(2,296)	(140)	(2,436)	<b>Balance as at 1st April</b>	2,889	(41)	2,848
			Amount by which income credited to the comprehensive income and expenditure statement is different from income calculated for the year in accordance with statutory requirements			
5,185	99	5,284		(2,151)	224	(1,927)
<u>2,889</u>	<u>(41)</u>	<u>2,848</u>	<b>Balance as at 31st March</b>	<u>738</u>	<u>183</u>	<u>921</u>

#### 25.7 Accumulated absences account

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

2018/19 £000		2019/20 £000	£000
(354)	<b>Balance at 1 April</b>		(360)
354	Settlement or cancellation of accrual made at the end of the preceding year	360	
<u>(360)</u>	Amounts accrued at the end of the current year	<u>(370)</u>	
	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		
(6)			(10)
<u>(360)</u>	<b>Balance at 31 March</b>		<u>(370)</u>

## Notes to the financial statements

### 26 External audit fees

Public Sector Audit Appointments Limited (PSAA) appoint the external auditors that examine our financial statements. The external auditor of our financial statements for 2019/20 is BDO LLP. The cost of audit and inspection work includes the estimated fees relating to the year of account, including the estimated cost of auditing these statements.

2018/19 Restated £000		2019/20 £000
35	Fees payable to the appointed auditor with regard to external audit services	35
15	Fees payable to the appointed auditor for the certification of grant claims and returns	10
2	Fees payable in respect of other services provided by the appointed auditor in respect of prior year accounts.	0
<u>52</u>		<u>45</u>

### 27 Members' allowances

The Council paid the following amounts to its Members during the year:

2018/19 £000		2019/20 £000
153	Basic allowance	164
97	Special allowance	142
1	Co-optees' allowance	1
4	Travel, subsistence & Carers' allowance	5
<u>255</u>	<b>Members Allowances sub total</b>	<u>312</u>
0	Working group attendance	32
<u>255</u>	<b>Total payments to Members</b>	<u>344</u>

Local authorities are required to disclose the amounts paid to each member; these are published annually on the Council's website.



## Notes to the financial statements

### 28 Officers remuneration

The Council undertook a major senior management reorganisation in June 2019 which saw the Corporate Leadership Team reduced to the Chief Executive, Assistant Chief Executive and the Monitoring Officer supported by a Senior Leadership Team comprising of various other Corporate Heads. The remuneration paid to the Council's senior employees is as follows:

2019/20	Note	Salary (including fees and allowances)	Other non salary payments	Compensation for loss of office	Employers pension contributions	Total including employers pension contributions
		£	£	£	£	£
Chief Executive	(a)	133,214	4,713		0	137,927
Assistant Chief Executive		102,291			6,784	109,075
Corporate Head of Law and Governance		102,763			14,410	117,173
Corporate Director of Planning and Environmental Services		23,706		66,306	3,184	93,196
Director of Commercial Services		141,141			0	141,141
Corporate Head of Community Development		83,252			12,388	95,640
Corporate Head of Community Services		70,252			10,737	80,989
Corporate Head of Customer, Digital and Collection Services		85,743			13,310	99,053
Corporate Head of Development Management & Building Control	(b)	4,317			673	4,990
Corporate Head of Environmental Services		75,906			11,307	87,213
Corporate Head of Finance		79,822			12,423	92,245
Corporate Head of Housing Services	(c)	0			0	0
Corporate Head of Human Resources		67,190			10,482	77,672
Corporate Head of Planning Policy & Economic Development		64,542			10,069	74,611

Notes:

- (a) The Chief Executive receives fees as shown relating to Returning Officer duties.  
 (b) The Corporate Head of Development Management & Building Control was appointed in March 2020 on an annualised salary of £72,999. The Corporate Director of Housing and Community Development retired during 2018/19. Under the restructure, this post has been redesignated Corporate Head of Housing Services and was filled temporarily by a contractor.  
 (c)

2018/19	Salary (including fees and allowances)	Other non salary payments	Compensation for loss of office	Employers pension contributions	Total including employers pension contributions
	£	£	£	£	£
Chief Executive	127,462	3,266		0	130,728
Corporate Head of Resources	95,490	0		0	95,490
Corporate Head of Law and Governance	94,072	0		13,738	107,810
Corporate Director of Housing and Community Development	24,344	0		2,874	27,218
Corporate Director of Planning and Environmental Services	90,871	0		13,577	104,448
Director of Commercial Services	139,766	0		0	139,766

There were no bonuses paid in 2018/19 or 2019/20.

The Council's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Remuneration band	Number of employees 2018/19	Number of employees 2019/20
£50,000 to £54,999	12	14
£55,000 to £59,999	8	8
£60,000 to £64,999	3	4
£65,000 to £69,999	5	0
£70,000 to £74,999	0	4
£75,000 to £79,999	0	0
£80,000 to £84,999	3	0
£125,000 to £129,999	1	1

The amounts paid or received include all sums paid to or receivable by an employee, expenses allowances chargeable to tax, and the estimated money value of any other benefits received.

## Notes to the financial statements

### 29 Officers remuneration (continued)

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

Exit package cost band (including special payments) £	Number of compulsory redundancies		Number of other departures		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19 £,000	2019/20 £,000
0 - 20,000	-	<b>2</b>	8	<b>5</b>	8	<b>7</b>	55	<b>73</b>
20,001 - 40,000	-	-	3	-	3	-	79	<b>0</b>
40,001 - 60,000	-	<b>1</b>	-	-	-	<b>1</b>	-	<b>41</b>
60,001 - 80,000	-	<b>1</b>	-	-	-	<b>1</b>	-	<b>66</b>
80,001 - 100,000	-	-	-	-	-	-	-	<b>0</b>
100,001 - 150,000	-	-	-	-	-	-	-	<b>0</b>
Total	<b>0</b>	<b>4</b>	11	<b>5</b>	11	<b>9</b>	134	<b>180</b>

The Council agreed to terminate the contracts of a number of employees in 2019/20, incurring liabilities of £153,187 (£134,339 in 2018/19).

There were no Termination costs attributable to the HRA in 2019/20 (£3,005 in 2018/19).

## Notes to the financial statements

### 30 Grant income

The Council credited the following grants, contributions and donations to the comprehensive income and expenditure statement:

2018/19 £000		Note	2019/20 £000
<b>Credited to taxation and non specific grant income</b>			
Grants:			
866	Non-ringfenced Government grants	11	1,198
<u>607</u>	Capital grants and contributions	11	<u>1,025</u>
1,473			2,223
<b>Credited to cost of services</b>			
Grants:			
39	Housing Revenue Account		28
22,529	Housing Committee		20,090
26	Community Services Committee		13
0	Environmental & Sustainability Committee		4
329	Planning Committee		150
<u>171</u>	Corporate Management Committee		<u>185</u>
23,094			20,470
Contributions:			
47	Housing Revenue Account		0
24	Housing Committee		11
409	Community Services Committee		436
74	Environmental & Sustainability Committee		81
37	Planning Committee		23
<u>0</u>	Corporate Management Committee		<u>6</u>
591			557
Donations:			
<u>1</u>	Community Services Committee		<u>28</u>
1			28
<u><u>25,159</u></u>			<u><u>23,278</u></u>

### 31 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 be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

#### **Central Government**

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, provides significant funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties. Grants received from government departments are set out in the subjective analysis in the note on reporting for resources allocation decisions.

#### **Members of Runnymede Borough Council**

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in the year is shown in note 27. Each year the Corporate Head of Resources invites members to declare any such interests including related parties. Details of Members' interests, both pecuniary and non-financial are recorded in the Register of Members' Interest, which is open to public inspection at the Runnymede Civic Centre in Addlestone. During 2018/19 and 2019/20 there were no reported material transactions with related parties advised by Members.

#### **Directors and senior officers**

Staff are required to disclose any pecuniary and non-financial interests with related parties in accordance with a Code of Conduct. In addition, on an annual basis chief and other senior staff are required to make a declaration of any such interests including related parties. In respect of the years 2018/19 and 2019/20 there were no reported material transactions with related parties advised by directors and senior officers.

#### **Pension Fund**

Details of transaction with the Surrey Pension Fund are set out in Note 33.

#### **Entities controlled or significantly influenced by the Council:**

##### RBC Investments (Surrey) Limited – (RBCI)

The Council owns 100% of the shares in RBCI which was formed in January 2015. The purpose of the company is to hold investments in residential property around the borough and act as the holding company of RBC Services (Addlestone One) Limited.

The Board of Directors of RBCI include the Council's Director of Commercial Services (acting as Managing Director), the Corporate Director of Resources (acting as Finance Director) and a Councillor acting as a Non Executive Director.

During the period the Council loaned the company a total of £1m under taking the total borrowings under various Loan Agreements to £28.0m (£27.0m 31 March 2019). Of this sum £1.745m (£745,000 31 March 2019) relates to Working Capital loans at rates of 7.36 - 7.54% with the remainder being for Development Loans at 4.86 -5.04%.

RBCI is also party to a 20 year lease agreement with the Council with a twelve month rolling break clause under which an annual rent of £51,300 is due.

### 31 Related parties (Cont'd)

#### Entities controlled or significantly influenced by the Council:

##### RBC Services (Addlestone One) Limited – (RBCS)

The Council owns 1% of the shares in the company with the remaining 99% owned by RBC Investments (Surrey) Limited. RBCS was set up to publicise and promote the Addlestone One development and to carry out its ongoing maintenance, landscaping, cleaning, residential concierge services, gritting, loading, and security (including CCTV).

The Board of Directors of RBCS include the Council's Director of Commercial Services (acting as Managing Director), the Corporate Director of Resources (acting as Finance Director) and one Councillor acting as a Non Executive Director.

RBCS is party to two twenty-five year leases with the Council with no break clauses. The entirety of the rent payable under these leases is £273,000. The annual rent payable is £11,885.

##### RBC Heat Company Limited – (RBCH)

RBC Heat Company is 100% owned by RBC Services (Addlestone One) Limited, and therefore Runnymede Borough Council has influence over it via its shares in RBC Investments (Surrey) Limited and RBC Services (Addlestone One) Limited. RBCH provides heat and light to all the residential properties within the Addlestone One development and any commercial properties that wish to take it.

The Board of Directors of RBCH include the Council's Director of Commercial Services (acting as Managing Director), the Corporate Director of Resources (acting as Finance Director) and one Councillor acting as a Non Executive Director.

##### Applied Resilience

Applied Resilience is a new Public Service Mutual company set up in 2015/16 to provide risk and resilience services. The Council invested £10,000 in the company at launch equating to a 10% holding. The Council currently has a 3 year agreement with the company for the provision of emergency planning and resilience services at a cost of £56,650 a year.

## Notes to the financial statements

### 32 Leases

#### Operating leases - Runnymede as lessee

The Council acts as lessee with regard to a whole range of assets. The amount paid under these arrangements in 2019/20 was £599,262 (£372,700 in 2018/19). The future minimum lease payments due under these leases in future years were:

At 31 March 2019 £000		At 31 March 2020 £000
367	Not later than one year	393
549	Later than one year and not later than five years	505
463	Later than five years	351
<u>1,379</u>		<u>1,249</u>

#### Operating leases - Runnymede as lessor

The Council acts as lessor with regard to a whole range of assets, from commercial property to room leases to leases for access all of which are leased to individuals and organisations. All these transactions are accounted for as operating leases. The minimum future rentals receivable from these leases are as follows:

2018/19 £000		2019/20 £000
19,735	Not later than one year	20,810
79,729	Later than one year and not later than five years	79,256
191,141	Later than five years	172,303
<u>290,605</u>		<u>272,369</u>

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

### 33 Defined benefit pension scheme

#### Participation in pension schemes

Runnymede Borough Council offers a funded defined benefit pension scheme as part of the terms and conditions of employment of its staff. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

Runnymede participates in the Local Government Pension Scheme (LGPS) - a funded defined benefit scheme - administered by Surrey County Council. Management expenses for administration of the scheme amount to 0.3% of payroll. The scheme provides index-linked pensions and other retirement benefits for employees based upon their pay and length of service. Contributions to the pension fund are made from both Runnymede Borough Council and its employees. Runnymede's pension assets and liabilities are part of the Surrey Fund.

Valuations are prepared by the professionally qualified actuary appointed by the Surrey Pension fund. The Balance Sheet discloses the net liability in relation to retirement benefits. The assessment process used to compile the figures takes account of the most recent actuarial valuation updated to reflect current conditions. Therefore the figures presented are based on the actuary's latest calculations. The assumptions used by the actuary are in accordance with the Code and are mutually compatible.

Further information on the Surrey Pension Fund can be found in the latest Surrey County Council Pension Fund Annual Report which is available from Surrey County Council, PO Box 5, County Hall, Kingston-upon-Thames, Surrey, KT1 2EA.

#### Runnymede local pension liability scheme

In 1990, Runnymede introduced a scheme whereby staff with 10 years satisfactory service qualified for a final-year salary enhancement of up to 10%. This scheme formed part of a comprehensive Member led initiative aimed to 'maintain the authority's competitive advantage in the employment market and to underline the policy of attracting and retaining able staff'. The scheme was modified in 2003 and again in 2007 to make it clear that it was discretionary rather than an entitlement and to ensure that the scheme was within the Council's powers. In February 2010, the Council resolved that the final-year salary enhancement scheme be abolished with effect from 1 April 2011.

In March 2011, Counsels advice commissioned by Runnymede and the Surrey Pension Fund concluded that the final-year salary enhancements were not pensionable payments under the rules governing the LGPS.

The Council decided to honour the pension commitments it made to pensioners in respect of final-year salary enhancements. The charges to the General Fund for pensions payable through the LGPS are limited to those cash sums determined by the fund actuary. There are no mitigating rules for pension payments made outside the statutory scheme. Therefore, the liability for pensions payable outside the LGPS are a direct charge to the General Fund.

## Notes to the financial statements

### 33 Defined benefit pension scheme (continued)

#### Transactions relating to retirement benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, legislation requires that the charge on council tax and housing finances for pensions paid within the LGPS is based on the cash payable to the pension fund in the year, so the real cost of retirement benefits is reversed out of the General Fund through the movement in reserves statement. The following transactions have been made in the comprehensive income and expenditure statement and the General Fund balance through the movement in reserves statement:

Comprehensive income and expenditure statement			
2018/19		2019/20	
£000		£000	£000
	<i>Service cost:</i>		
4,386	Current service cost	4,931	
570	Past service costs	2	
4,956	Total service cost		4,933
	<i>Finance and investment income and expenditure:</i>		
3,531	Interest cost on pension scheme liabilities	3,573	
(2,492)	Expected return on assets	(2,426)	
1,039	Net interest expense		1,147
5,995	<b>Total post employment benefit charged to the surplus or deficit on the provision of services</b>		<b>6,080</b>
	<i>Remeasurements of the Net defined liability comprising:</i>		
(3,216)	Return on plan assets	11,704	
	Actuarial gains and losses arising from changes in:		
	- demographic assumptions	(3,433)	
7,568	- financial assumptions	(10,336)	
70	Other	(1,787)	
4,422			(3,852)
10,417	<b>Total post employment benefit charged to the comprehensive income and expenditure statement</b>		<b>2,228</b>

Movement in reserves statement			
2018/19		2019/20	
£000		£000	
	Reversal of net charges made to the surplus or deficit for the provision of services for post employment benefits in accordance with the Code:		
2,697	Actual amount charged against the General Fund for the year - employers' contributions payable to the scheme		2,709
2,697			2,709
(50)	Amount charged to the General Fund for the pensions liability relating to Runnymede local scheme payable outside the LGPS		(97)



## Notes to the financial statements

### 33 Defined benefit pension scheme (continued)

#### Assets and liabilities for post-employment benefits (which includes both Surrey Pension Fund and Local Pension Liability)

##### Reconciliation of present value of the defined benefit obligation (scheme liabilities):

2018/19 £000		2019/20 £000
135,052	Opening balance at 1 April	147,959
4,386	Current service cost	4,931
3,531	Interest cost	3,573
726	Contributions by scheme participants	746
	Remeasurement (gains) and losses arising from:	
0	- changes in demographic assumptions	(3,433)
7,568	- changes in financial assumptions	(10,336)
70	- other	(1,787)
570	Past service costs	2
(3,944)	Benefits paid	(4,436)
<u>147,959</u>	<b>Closing balance at 31 March</b>	<u>137,219</u>

##### Reconciliation of fair value of the scheme assets:

2018/19 £000		2019/20 £000
96,173	Opening fair value of scheme assets	101,360
2,492	Interest income	2,426
3,216	Actuarial gains and (losses)	(11,704)
2,697	Contributions from employer	2,709
726	Contributions by scheme participants	746
(3,944)	Benefits paid	(4,436)
<u>101,360</u>	<b>Closing fair value of scheme assets</b>	<u>91,101</u>
<u>(46,599)</u>	<b>Net assets / (liabilities) for post-employment benefits</b>	<u>(46,118)</u>

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

2018/19 £000		2019/20 £000
147,959	Present value of the defined benefit obligation	137,219
101,360	Fair value of plan assets	91,101
<u>46,599</u>	<b>Net liability arising from defined benefit obligation</b>	<u>46,118</u>

## Notes to the financial statements

### 33 Defined benefit pension scheme (continued)

#### Summary of assets and liabilities in relation to retirement benefits

The underlying share of the overall assets and liabilities in the Surrey Pension Fund attributable to Runnymede Borough Council and also for the Runnymede local scheme are:

2018/19 £000		2019/20 £000
	<b>Estimated liabilities in the scheme</b>	
146,077	Funded benefits under the scheme regulations	135,535
998	Unfunded discretionary benefits awarded	897
884	Unfunded final-year salary enhancement pensions - local scheme	787
147,959	Estimated actuarial value of fund liabilities	137,219
101,360	<b>Estimated market value of scheme assets</b>	91,101
46,599	<b>Net pension liability</b>	46,118

The liabilities represent the underlying commitments that the Council has in the long-run to pay retirement benefits. The net total pension liability of £46.118m has a substantial impact on the net worth of the Council as recorded in the balance sheet. It must be recognised that this figure is based on a number of assumptions (set out in this note) and is a snapshot of the position at 31 March 2020. The statutory arrangements for funding pensions in the LGPS allow the deficit to be made good by increased contributions over the working life of employees (i.e. before payments fall due), as assessed by the scheme actuary. The liability in respect of the Runnymede local scheme has been recognised as a charge to the General Fund. Also, finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions in cash expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2021 is £2,607,000.



## Notes to the financial statements

### 33 Defined benefit pension scheme (continued)

#### Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc discounted to present values. The figures used in compiling the accounting entries for pensions were supplied by the Surrey Fund actuary, Hymans Robertson. The actuary has based the value of the Employer's liabilities as at 31 March 2020 on his latest formal valuation of the scheme at £137.219m. The principal assumptions used by the actuary are:

	31 March 2019	31 March 2020
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#### Mortality assumptions:

Longevity at 65 for current pensioners		
Men	22.5 years	<b>22.1 years</b>
Women	24.6 years	<b>24.3 years</b>
Longevity at 65 for future pensioners		
Men	24.1 years	<b>22.9 years</b>
Women	26.4 years	<b>25.7 years</b>

<b>Rate of increase in pensions</b>	2.50%	<b>1.90%</b>
<b>Rate of increase in salaries</b>	2.80%	<b>2.80%</b>
<b>Rate for discounting scheme liabilities (see below)</b>	2.40%	<b>2.30%</b>

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis 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 woman. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

#### Sensitivity analysis

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Change in assumptions at year ended at 31 March 2020	Approximate increase to employer liability	Approximate monetary amount £000
0.5% decrease in real discount rate	9%	11,800
0.5% increase in the salary increase rate	1%	1,165
0.5% increase in the pension increase rate	8%	10,531

The principal demographic assumption is the longevity assumption (i.e. member life expectancy). For sensitivity purposes, it is estimated that a one year increase in life expectancy would approximately increase the Employer's Deined Benefit Obligation by around 3-5%. In practice the actual cost of a one year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply at younger or older ages).

## Notes to the financial statements

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### 34 Contingent assets and liabilities

#### 34.1 Contingent assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly in the control of the Council. The Council has the following contingent assets as at 31 March 2020:

##### **Planning appeal**

Over several years numerous breaches of planning control have been observed at Padd Farm in Egham and the Council have proceeded with enforcement action to ensure that the planning controls are adhered to. Various planning inquiries and legal appeals have found in the Council's favour and bailiffs were duly appointed but failed to recover anything of value. The Council has subsequently placed a charge on the property to secure that amount. Nothing has been included in the Comprehensive Income and Expenditure Statement (CIES) for this money.

The Council has also undertaken proceedings against the owners and occupiers of Padd Farm on an individual basis under the Proceeds of Crime Act to recover additional sums. Various confiscation orders in excess of £1million have been granted and an Enforcement Receiver has been appointed who has made an application seeking directions to sell Padd Farm. The application was granted in July 2019 but is currently subject to an application for permission to appeal which has yet to be listed by the Court of Appeal. All costs to date have been included in the CIES, however it is uncertain how much income the Council can expect to receive, or when it will receive it, and therefore no amount has been included in the CIES for this element.

## Notes to the financial statements

### 34 Contingent assets and liabilities (Cont'd)

#### 34.2 Contingent liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly in the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. The Council has the following contingent liabilities as at 31 March 2020:

#### Achieve Lifestyle pensions

On 1 April 2011 the Council transferred the operation of its two leisure centres to Achieve Lifestyle, a newly created Leisure Trust. As part of the transfer, the Council agreed to cover any losses arising from actuarial changes to the cost of pensions borne by the Trust arising from obligations before the date of the transfer. The Council would be liable to pay any revised contributions deemed necessary by the pensions administering authority (Surrey County Council), that it cannot recover from the trust. It is not possible to quantify the amounts of any liability as any amount will depend on future factors and dates that are unknown and, certainly in the case of actuarial changes, outside of the Council's control. This agreement is in place for 9 years after first Actuarial Valuation (31 March 2013).

### 35 Reconciliation of liabilities arising from financing activities

	1 April 2019 £'000	Financing Cash Flows £'000	31 March 2020 £'000
Long term Borrowing	571,292	61,000	632,292
Short Term Borrowing	254	5,028	5,282
<b>Total liabilities from financing activities</b>	<b>571,546</b>	<b>66,028</b>	<b>637,574</b>

## Housing Revenue Account Income and Expenditure Statement

The Housing Revenue Account (HRA) income and expenditure statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount funded from rents and government grants. The Council charges rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the movement on the HRA statement.

2018/19 £000	Note	2019/20 £000
<b>Income</b>		
15,981	Dwelling rents	15,843
121	Non-dwelling rents	125
1,227	Charges for services and facilities	668
17,329	<b>Total income</b>	<b>16,636</b>
<b>Expenditure</b>		
2,588	Repairs and maintenance	2,125
3,607	Supervision and management	4,268
220	Rents, rates, taxes and other charges	247
2,092	Depreciation of non-current assets	4,292
798	Impairment of non-current assets	1,768
242	Revenue Expenditure Funded from Capital	0
9,547	<b>Total expenditure</b>	<b>12,700</b>
(7,782)	<b>Net cost/(surplus) of HRA services as included in the whole authority comprehensive income and expenditure statement</b>	<b>(3,936)</b>
251	HRA services share of corporate and democratic core costs	265
Exceptional costs:		
(1)	Reversal of previous impairments charged to the CIES	(11,618)
43	HRA share of other amounts included in the whole authority cost of services but not allocated to specific services	43
(7,489)	<b>Net cost for HRA services</b>	<b>(15,246)</b>
<b>HRA share of the operating income and expenditure included in the comprehensive income and expenditure statement:</b>		
Other operating expenditure:		
1,005	Payments to the Government housing capital receipts pool	983
(385)	Net (gains) and losses on the disposal of non-current assets	(389)
Financing and investment income and expenditure:		
3,324	Financing and investment expense	3,380
1,190	Income and expenditure in relation to investment properties and changes in fair value	(1,286)
148	Net interest on the net defined pension liability	167
15	HRA Impairments and Credit Loss adjustments	97
(2,192)	<b>(Surplus) or deficit on provision of HRA services</b>	<b>(12,294)</b>

## Housing Revenue Account Income and Expenditure Statement

This Statement takes the surplus or deficit on the HRA income and expenditure account and reconciles it to the surplus or deficit for the year on the HRA balance, calculated in accordance with the requirements of the Local Government and Housing Act 1989.

2018/19 £000		2019/20 £000	£000
(2,192)	(Surplus) or deficit for year on the HRA income and expenditure account	<b>(12,294)</b>	
<u>(5,428)</u>	Adjustments between accounting basis and funding basis under statute	<u>5,658</u>	
(7,620)	<b>Net (increase) or decrease before transfers to or from reserves</b>		<b>(6,636)</b>
2,088	Transfer to the Major Repairs Reserve		4,290
517	Transfer to the Earmarked Reserves		63
<u>(5,015)</u>	<b>(Surplus) or deficit in the year on the HRA</b>		<u>(2,283)</u>
£000			£000
(19,424)	<b>HRA balance at the beginning of the year</b>		<b>(22,646)</b>
(5,015)	(Surplus) or deficit in the year on the HRA		<b>(2,283)</b>
1,793	Capital expenditure funded from balances		495
<u>(22,646)</u>	<b>HRA Balance carried forward at the end of the year</b>		<u>(24,434)</u>

### Note to the movement on the Housing Revenue Account statement

2018/19 £000		2019/20 £000
	Note	
<b>Items included in the HRA income and expenditure statement but excluded from the movement on the HRA statement:</b>		
(797)	Impairment of non-current assets	9,850
(628)	Pension costs charged to the HRA in accordance with IAS 19	(717)
(148)	Net interest on the net defined pension liability	(167)
(2,088)	HRA Depreciation/amortisation	<b>(4,290)</b>
(242)	Revenue Expenditure Funded from Capital	0
(1,005)	Payments to the Government housing capital receipts pool	<b>(983)</b>
385	Net (gains) and losses on the disposal of non-current assets	389
(1,244)	Changes in fair value of investment properties	1,227
<b>Items not included in the HRA income and expenditure statement but included in the movement on the HRA statement:</b>		
339	HRA share of employer's contributions to the Surrey Pension Fund	349
<u>(5,428)</u>	<b>Adjustments between accounting basis and funding basis under statute</b>	<u>5,658</u>



## Housing Revenue Account Income and Expenditure Statement

### 36 Housing assets

#### Stock valuation - balance sheet basis

The basis for the balance sheet valuation for the bulk of the Council's housing stock is Existing Use Value - Social Housing (EUV-SH) as defined by the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual. The EUV-SH is broadly based on the vacant possession value of the properties, adjusted to reflect the occupation by a secure tenant. The adjustment factor is prescribed by the government and is currently set at 33% of the vacant possession value. The factor broadly represents the ratio of local authority rents and yields to private sector rents and yields for the south-east region.

The properties in the HRA are comprehensively revalued by the Council's valuer every five years in accordance with the government directions contained in *Guidance for valuers on stock valuation for resource accounting 2016*, published by the Department for Communities and Local Government. The last full valuation was undertaken in January 2020. Valuations between comprehensive reviews are adjusted by reference to relevant house price indexes as published by the Nationwide Building Society.

Valuations for HRA assets are:

	Council dwellings	Other land and buildings	Vehicles, plant, furniture & equipment	Investment Properties	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>						
<b>At 1 April 2019</b>	<b>294,160</b>	<b>828</b>	<b>30</b>	<b>7,085</b>	<b>1,616</b>	<b>303,719</b>
Additions	1,766				457	2,223
Accumulated depreciation and Impairment written out on revaluation	(4,397)			1,227		(3,170)
Revaluations	(938)					(938)
Disposals	(370)					(370)
Other movements	755				(755)	0
<b>At 31 March 2020</b>	<b>290,976</b>	<b>828</b>	<b>30</b>	<b>8,312</b>	<b>1,318</b>	<b>301,464</b>
<b>Accumulated depreciation and impairment</b>						
<b>At 1 April 2019</b>	<b>115</b>		<b>23</b>		<b>(12)</b>	<b>126</b>
Depreciation charge in the year	4,291		1			4,292
Accumulated depreciation written out on revaluation	(4,396)					(4,396)
Other movements in depreciation and impairments	12				12	24
<b>At 31 March 2020</b>	<b>22</b>	<b>0</b>	<b>24</b>	<b>0</b>	<b>0</b>	<b>46</b>
<b>Net book value</b>						
<b>At 31 March 2020</b>	<b>290,954</b>	<b>828</b>	<b>6</b>	<b>8,312</b>	<b>1,318</b>	<b>301,418</b>
<b>At 31 March 2019</b>	<b>294,045</b>	<b>828</b>	<b>7</b>	<b>7,085</b>	<b>1,628</b>	<b>303,593</b>

### 37 Stock valuation - vacant possession value

The vacant possession value and the balance sheet value of dwellings within the HRA show the economic cost of providing council housing at less than open market rent. The vacant possession value as at 1 April 2020 has been estimated at £841m for dwellings and £25m for other housing assets including development land.

## Housing Revenue Account Income and Expenditure Statement

### 38 Stock numbers

The Council was responsible for managing the following dwellings during 2019/20:

	DIYSO stock	Houses & bungalows	Flats & maisonettes	<b>Total stock</b>
<b>Stock at 1 April</b>	39	1,864	973	<b>2,876</b>
Sales of dwellings		(1)	(3)	<b>(4)</b>
New builds & adaptations			5	<b>5</b>
Purchased properties		1	3	<b>4</b>
<b>Stock at 31 March</b>	<b>39</b>	<b>1,864</b>	<b>978</b>	<b>2,881</b>

In addition at 31 March 2020 the Council owned a mobile home site at Heathervale Way which has 69 mobile home plots, of which 17 are occupied by mobile homes owned by the Council.

### 39 Capital expenditure

The following table summarises total capital expenditure on land, houses and other property accounted for within the HRA during 2019/20, and the source of finance:

2018/19 Total Expenditure		Source of funding in 2019/20			
£000		Capital receipts £000	Revenue contributions £000	Major Repairs Reserve £000	Total Expenditure £000
1,936	Improvements to stock			2,349	<b>2,349</b>
1,066	Purchase of property	212	495		<b>707</b>
1,646	Construction of new dwellings			457	<b>457</b>
242	Grants to Registered Providers				<b>0</b>
<b>4,890</b>	<b>Total capital expenditure on HRA assets</b>	<b>212</b>	<b>495</b>	<b>2,806</b>	<b>3,513</b>

### 40 Capital receipts from HRA property

The following table summarises total capital receipts arising from the disposal of land, houses and other property accounted for within the HRA:

2018/19 Total £000		Land £000	2019/20 Dwellings £000	Total £000
	808 Sale of council houses (right-to-buy)		781	<b>781</b>

Government Regulations require a proportion of housing receipts to be pooled. The payment to the Government in 2019/20 totalled £983,388 which included the repayment of £547,961 of unused retained receipts (£1,005,216 in 2018/19).

## Housing Revenue Account Income and Expenditure Statement

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### 41 HRA Impairments and Credit Loss adjustments - Debt provisions & Write offs

Rent arrears on all HRA housing as a proportion of gross rent income (including some small other charges collected with rents) was 2.10% as at 31 March 2020. This compares to 1.73% as at 31 March 2019.

A provision of £268,750 has been made for HRA arrears estimated to be uncollectable as at 31 March 2020 (£199,178 as at 31 March 2019). Amounts written off in the year totalled £23,071 (£30,745 in 2018/19), making a net change in uncollectable rents in the year of £92,643. This was partially offset by sums recovered by debt collection agencies during the year of £517, resulting in HRA debt provision in relation to rents of £92,126. In addition to the arrears of rent, there are £9,451 of court and debt collection costs outstanding as at 31 March 2020 (£11,297 at 31 March 2019).

Following the implementation of IFRS9, with effect from April 2018 the debt provisions in respect of HRA non-rent losses also need to be accounted for under this heading. During 2019/20 the increased provision for these arrears relating largely to leaseholders and recharges to tenants for property repairs amounted to £4,577 (The cumulative provision previously charged against income at 31 March 2019 was £17,834). The HRA debt provision in relation to rents and the debtors bad debt provision comes to £96,703 of HRA impairments and credit loss adjustments.

## Notes to the Collection Fund

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

2018/19			2019/20			
Business Rates £000	Council Tax £000	Total £000	Note	Business Rates £000	Council Tax £000	Total £000
<b>Income</b>						
-	60,844	60,844		-	64,428	<b>64,428</b>
56,835	-	56,835		56,227	-	<b>56,227</b>
660	-	660		730	-	<b>730</b>
<b>57,495</b>	<b>60,844</b>	<b>118,339</b>		<b>56,957</b>	<b>64,428</b>	<b>121,385</b>
<b>Expenditure</b>						
Contributions towards the previous year's surplus / (deficit)						
(1,308)	-	(1,308)		(1,562)	-	<b>(1,562)</b>
(1,046)	(444)	(1,490)		6,145	(1,328)	<b>4,817</b>
-	(75)	-75		-	(208)	<b>(208)</b>
(262)	-	(262)		1,518	(140)	<b>1,378</b>
<b>(2,616)</b>	<b>(519)</b>	<b>(3,135)</b>		<b>6,101</b>	<b>(1,676)</b>	<b>4,425</b>
Precepts demands and shares:			44			
-	-	0		29,499	-	<b>29,499</b>
39,982	47,264	87,246		5,900	48,561	<b>54,461</b>
-	7,923	7,923		-	8,706	<b>8,706</b>
17,135	5,345	22,480		23,599	5,499	<b>29,098</b>
<b>57,117</b>	<b>60,532</b>	<b>117,649</b>		<b>58,998</b>	<b>62,766</b>	<b>121,764</b>
Charges to the Collection Fund:						
164	84	248		312	94	<b>406</b>
(8,371)	157	(8,214)		31	149	<b>180</b>
(5,343)	-	(5,343)		(935)	-	<b>(935)</b>
132	-	132		135	-	<b>135</b>
<b>(13,418)</b>	<b>241</b>	<b>(13,177)</b>		<b>(457)</b>	<b>243</b>	<b>(214)</b>
<b>41,083</b>	<b>60,254</b>	<b>101,337</b>		<b>64,642</b>	<b>61,333</b>	<b>125,975</b>
<b>16,412</b>	<b>590</b>	<b>17,002</b>		<b>(7,685)</b>	<b>3,095</b>	<b>(4,590)</b>
<b>Collection Fund Balance</b>						
(5,738)	(1,588)	(7,326)		10,674	(998)	<b>9,676</b>
16,412	590	17,002		(7,685)	3,095	<b>(4,590)</b>
<b>10,674</b>	<b>(998)</b>	<b>9,676</b>		<b>2,989</b>	<b>2,097</b>	<b>5,086</b>

## Notes to the Collection Fund

### 42 Council tax

Council tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Surrey County Council, the Surrey Police Authority and Runnymede Borough Council for the forthcoming year and dividing this 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 dwellings where discounts apply) and converting this into an equivalent number of band "D" dwellings. The calculation of the council tax base for 2018/19 and 2019/20 together with the resulting Council tax for each band is set out below:

<b>Council tax base and amounts charged for 2018/19 and 2019/20</b>						
<b>2018/19</b>		Band	Range of property values	Proportion	<b>2019/20</b>	
Band D equivalent number	Council tax £				Band D equivalent number	Council tax £
675	1,204.97	A	Up to £40,000	6/9	661	1,252.44
647	1,405.79	B	£40,000 to £52,000	7/9	663	1,461.18
4,294	1,606.62	C	£52,001 to £68,000	8/9	4,406	1,669.92
9,115	1,807.45	D	£68,001 to £88,000	1	9,165	1,878.66
7,211	2,209.11	E	£88,001 to £120,000	11/9	7,225	2,296.14
5,172	2,610.76	F	£120,001 to £160,000	13/9	5,203	2,713.62
4,573	3,012.42	G	£160,001 to £320,000	15/9	4,634	3,131.10
2,042	3,614.90	H	More than £320,000	18/9	2,039	3,757.32
49			Other properties		47	
<b>33,778</b>			<b>Council tax base</b>		<b>34,043</b>	
<b>288</b>			<b>Less Provision for Non Collection</b>		<b>633</b>	
<b>33,490</b>			<b>Tax Base</b>		<b>33,410</b>	

### 43 Business Rates (National non-domestic rates)

Business rates is organised on a national basis. The latest rating list came into force on 1 April 2017. The Government specifies a rate poundage and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The rate poundage set for 2019/20 was 50.4p (2018/19 was 49.3p). Small businesses had a lower rate poundage of 49.1p in 2019/20 (48.0p in 2018/19).

The 2010 valuation list has a rateable value of £105.4m as at 31 March 2020 (£105.7m at 31 March 2019). The 2017 list has a valuation of £140.9m as at 31 March 2020 (£138.9m at 31 March 2019)

## Notes to the Collection Fund

### 44 Distribution of the Collection Fund Balance

The Collection Fund includes the actual net cash payments to the precepting authorities - Surrey County Council and Surrey Police Authority for council tax and Central Government and Surrey County Council for business rates - and the Demand transferred from the Collection Fund to the General Fund of Runnymede Borough Council. The income and expenditure account includes the share of council tax and business rates income accounted for on a full accruals basis.

In accordance with regulations, the balance on the Collection Fund has to be estimated in January each year with the resulting estimate being distributed between the relevant precepting authorities the following year in order to get the Collection Fund balance to zero. However, changes in yields and assumptions about collectability during the year will result in a surplus or deficit on the fund at the year-end. There are statutory arrangements that ensure that any surplus or deficit arising is distributed to or recovered from the billing authority (Runnymede) General Fund and from precepting authorities in succeeding financial years.

The estimated Surplus / (Deficit) on the collection fund is split as follows:

2018/19			2019/20	
Business Rates	Council Tax		Business Rates	Council Tax
£000	£000		£000	£000
(1,562)	-	Central Government	(792)	-
9,346	(810)	Surrey County Council	3,043	1,624
-	(146)	Surrey Police Authority	-	291
2,890	(42)	Runnymede Borough Council	738	182
10,674	(998)		2,989	2,097
9,676		Surplus (Deficit) on the collection fund as at 31 March	5,086	

## Group accounts

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### 45 Introduction

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

Runnymede Borough Council (the reporting authority) has three subsidiary companies:

#### RBC Investments (Surrey) Limited – (RBCI)

The Council owns 100% of the shares in RBCI. The purpose of the company is to hold investments in residential property around the borough and act as the holding company of RBC Services (Addlestone One) Limited.

#### RBC Services (Addlestone One) Limited – (RBCS)

The Council owns 1% of the shares in the company with the remaining 99% owned by RBC Investments (Surrey) Limited. RBCS was set up to publicise and promote the Addlestone One development and to carry out its ongoing maintenance via a service charge and to undertake other commercial service charge and property management activity for Council owned property including Egham Business Park and Egham Town Centre Car Park.

#### RBC Heat Company Limited – (RBCH)

RBC Heat Company is 100% owned by RBC Services (Addlestone One) Limited, and therefore Runnymede Borough Council has influence over it via its shares in RBC Investments (Surrey) Limited and RBC Services (Addlestone One) Limited. RBCH provides heat to all the residential properties within the Addlestone One development and any commercial properties that wish to take it.

The Council is required to prepare the key statements to the accounts together with the relevant notes where they are materially different to the reporting its own accounts. The following statements have been prepared:

- Group Comprehensive Income and Expenditure Statement
- Group Movement in Reserves Statement.
- Group Balance Sheet
- Group Cash Flow Statement

### **Basis of consolidation**

The group accounts have been prepared by consolidating the accounts of the Council and its subsidiaries on a line by line basis. The accounts of the subsidiaries have been prepared using similar accounting policies and practices to that of the Council. However some accounting policies and practices do differ in some respects from the authority's due to legislative requirements. The accounts of the subsidiaries have been prepared in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice). The accounts have been prepared under FRS 102. Any material differences are highlighted within the accounts themselves.

### **Accounting Policies**

There are no material differences between the accounting policies that have been adopted by the subsidiaries and those adopted by the Council as set out from page 29. Where there are minor differences the impact of applying a consistent policy would not lead to a material change in the group accounts.

## Group movement in reserves statement

This statement records the increases and decreases in the Group's reserves during the course of the year, including surpluses or deficits of expenditure and income and transfers between reserves.

	General Fund Reserves		HRA Reserves		Capital Reserves		Authority's share of subsidiaries reserves	Total usable reserves	Unusable reserves	Total
	General Fund balance	Earmarked Reserves	Housing Revenue account	Major Repairs reserve	Capital Receipts reserve (Note a)	Capital grants unapplied reserve				
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Movement in Reserves during 2019/20</b>										
Total comprehensive income and expenditure	20,111	0	12,294	0	0	0	(1,261)	31,144	(10,463)	20,681
Adjustments between Group Accounts and Council Accounts	(1,274)	0	0	0	0	0	1,965	691	(691)	0
<b>Net (increase)/Decrease before Adjustments</b>	<b>18,837</b>	<b>0</b>	<b>12,294</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>704</b>	<b>31,835</b>	<b>(11,154)</b>	<b>20,681</b>
Adjustments between accounting basis and funding basis under regulations	(11,619)	4,589	(10,505)	1,485	1,651	601	0	(13,798)	13,798	0
<b>Increase (decrease) in the year</b>	<b>7,218</b>	<b>4,589</b>	<b>1,789</b>	<b>1,485</b>	<b>1,651</b>	<b>601</b>	<b>704</b>	<b>18,037</b>	<b>2,644</b>	<b>20,681</b>
Balance at 31 March 2019	2,931	9,590	22,645	4,738	5,151	1,610	2,341	49,006	274,551	323,557
Increase (decrease) in the year	7,218	4,589	1,789	1,485	1,651	601	704	18,037	2,644	20,681
<b>Balance at 31 March 2020</b>	<b>10,149</b>	<b>14,179</b>	<b>24,434</b>	<b>6,223</b>	<b>6,802</b>	<b>2,211</b>	<b>3,045</b>	<b>67,043</b>	<b>277,195</b>	<b>344,238</b>
<b>Movement in Reserves during 2018/19</b>										
Total comprehensive income and expenditure	2,107	0	2,192	0	0	0	953	5,252	4,251	9,503
Adjustments between Group Accounts and Council Accounts	(735)	0	0	0	0	0	(684)	(1,419)	1,419	0
<b>Net (increase)/Decrease before Adjustments</b>	<b>1,372</b>	<b>0</b>	<b>2,192</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>269</b>	<b>3,833</b>	<b>5,670</b>	<b>9,503</b>
Adjustments between accounting basis and funding basis under regulations	(3,978)	4,630	1,029	1	(632)	227	0	1,277	(1,277)	0
<b>Increase (decrease) in the year</b>	<b>(2,606)</b>	<b>4,630</b>	<b>3,221</b>	<b>1</b>	<b>(632)</b>	<b>227</b>	<b>269</b>	<b>5,110</b>	<b>4,393</b>	<b>9,503</b>
Balance at 31 March 2018	5,537	4,960	19,424	4,737	5,783	1,383	2,072	43,896	270,158	314,054
Increase (decrease) in the year	(2,606)	4,630	3,221	1	(632)	227	269	5,110	4,393	9,503
<b>Balance at 31 March 2019</b>	<b>2,931</b>	<b>9,590</b>	<b>22,645</b>	<b>4,738</b>	<b>5,151</b>	<b>1,610</b>	<b>2,341</b>	<b>49,006</b>	<b>274,551</b>	<b>323,557</b>

Details of each reserve are set out in the main Runnymede Borough Council statements.



## Group comprehensive income and expenditure statement

This statement shows the expenditure and income for the group analysed by reporting segment and how it was financed

Year ended 31 March 2019			Year ended 31 March 2020		
Expend	Income	Net	Expend	Income	Net
£000	£000	£000	£000	£000	£000
<b>Gross expenditure, gross income and net expenditure of continuing operations</b>					
9,569	17,351	(7,782)	12,702	16,638	(3,936)
25,795	23,584	2,211	23,273	21,121	2,152
8,250	2,652	5,598	8,996	3,020	5,976
6,350	2,696	3,654	6,481	2,606	3,875
271	165	106	275	162	113
3,830	2,070	1,760	3,663	1,801	1,862
17,013	2,360	14,653	8,050	5,770	2,280
Exceptional costs -					
0	0	0	(11,618)	0	(11,618)
<u>71,078</u>	<u>50,878</u>	<u>20,200</u>	<u>51,822</u>	<u>51,118</u>	<u>704</u>
<b>Cost Of Services</b>					
	6,305				(498)
	(16,472)				(18,729)
	(15,462)				(12,391)
	<u>(5,429)</u>				<u>(30,914)</u>
	177				(231)
	<u>(5,252)</u>				<u>(31,145)</u>
<b>Items that will not be reclassified to the (surplus) or deficit on provision of services:</b>					
	(9,958)				(6,144)
	1,285				20,460
	4,422				(3,852)
	<u>(4,251)</u>				<u>10,464</u>
	<u>(9,503)</u>				<u>(20,681)</u>
<b>Other comprehensive income and expenditure</b>					
<b>Total comprehensive income and expenditure</b>					

## Group balance sheet

The balance sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the Group.

31 March 2019 (Restated) £000		31 March 2020 £000
432,401	Property, Plant and Equipment	443,950
479,269	Investment Property	522,690
360	Intangible Assets	406
10	Long-term Investments	10
579	Long-term Debtors	582
<u>912,619</u>	<b>Long term Assets</b>	<u>967,638</u>
40,963	Short-term Investments	49,109
98	Inventories and Work in Progress	102
8,076	Short-term Debtors and Payments in Advance	2,425
13,202	Cash and Cash Equivalents	32,056
225	Assets held for Sale	680
<u>62,564</u>	<b>Current Assets</b>	<u>84,372</u>
(254)	Short term Borrowing	(5,282)
(31,743)	Short-term Creditors	(27,847)
(1,447)	Provisions	(1,172)
(3)	Grants Received in Advance - Revenue	(3)
<u>(33,447)</u>	<b>Current Liabilities</b>	<u>(34,304)</u>
(571,292)	Long term Borrowing	(627,292)
(46,599)	Liability Related to Pensions	(46,118)
(288)	Deferred Tax Liability	(58)
<u>(618,179)</u>	<b>Long term Liabilities</b>	<u>(673,468)</u>
<u><u>323,557</u></u>	<b>Net Assets</b>	<u><u>344,238</u></u>
49,006	<b>Usable Reserves</b>	67,043
274,551	<b>Unusable Reserves</b>	277,195
<u><u>323,557</u></u>	<b>Total Reserves</b>	<u><u>344,238</u></u>

The restatement in 2018/19 relates to the correction of a brought forward error involving the movement of £1.731million from the investment property balance to property, plant and equipment. This error occurred due to the group accounts not being updated when adjustments were made to the Council balance sheet.

## Group cashflow statement

The cash flow statement shows the changes in cash and cash equivalents of the Group during the reporting period.

2018/19 £000		2019/20 £000
(5,252)	<b>Net (surplus) or deficit on the provision of services</b>	<b>(31,145)</b>
(8,758)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	<b>(736)</b>
	Adjustments for items included in the net surplus on the provision of services that are investing and financing activities:	
185	Interest Received	<b>529</b>
(11,416)	Interest Paid	<b>(17,565)</b>
184	Dividends received	<b>132</b>
(288)	Deferred Tax Liability	<b>(230)</b>
14,491	Other	<b>25,194</b>
(10,854)	Net cash flow from Operating Activities	<b>(23,821)</b>
221,430	Net cash flow from Investing Activities	<b>60,909</b>
(220,237)	Net cash flow from Financing activities	<b>(55,942)</b>
(9,661)	<b>Net (increase) or decrease in cash and cash equivalents</b>	<b>(18,854)</b>
(3,541)	<b>Cash and cash equivalents at the beginning of the reporting period</b>	<b>(13,202)</b>
<u>(13,202)</u>	<b>Cash and cash equivalents at the end of the reporting period</b>	<u><b>(32,056)</b></u>

## Notes to the Group accounts

### 46 Short term debtors

31 March 2019 £000		31 March 2020 £000
2,417	Trade Receivables	1,831
3,332	Council Tax and Business Rates	692
680	Prepayments	491
<u>3,398</u>	Other receivable amounts	<u>1,414</u>
9,827	<b>Gross debtors</b>	<b>4,428</b>
	Analysis of bad debt provision	
(359)	Council tax and Business Rate payers (attributable to Runnymede only)	(214)
(1,193)	General debtors	(1,537)
(199)	Council tenants arrears	(252)
<u><b>8,076</b></u>	<b>Total provision for impairment and expected credit losses on gross</b>	<u><b>2,425</b></u>

### 47 Creditors and receipts in advance

31 March 2019 £000		31 March 2020 £000
(10,885)	Trade payables	(10,340)
(4,170)	Other payables	(5,552)
(15,172)	Council Tax and Business Rates	(9,821)
(1,516)	Receipts in advance	(2,134)
<u><b>(31,743)</b></u>	<b>Gross creditors and receipts in advance</b>	<u><b>(27,847)</b></u>

## Trust funds

### 48 Cabrera Recreation Ground Trust

The Council are trustees of the Cabrera Recreation Ground Trust under a scheme of management made by the Secretary of State for Education and Science in March 1972. The trust lands are:

1.9 acres of open space land at Trumps Green, Virginia Water, being the remnant of land the rest of which has been sold to the Surrey County Council for educational purposes under the terms of a Compulsory Purchase Order.

51.74 acres of land either side of the River Bourne between Wellington Avenue and Virginia Water Station car park. The land is completely undeveloped and has a considerable interest because of its fauna and flora content.

The Trust also has powers to make payments to other recreational institutions in Virginia Water to be applied in or towards the achievement of the Trust's objectives.

The Committee of Management consists of three Virginia Water ward members and two officers of Runnymede Borough Council. This arrangement places the management of Trust land in the hands of local residents.

The Charity has holdings with the Charities Official Investment Fund (income shares) and M&G Charifund shares with the aim of providing an attractive yield, steadily growing income and capital appreciation.

This Trust has not been audited by BDO LLP as part of the Statement of Accounts audit.

<b>Revenue account</b>		
2018/19 Actual £		2019/20 Actual £
8,652	Income from investments and contributions etc.	8,339
(19,445)	Expenses and works	(16,484)
3,834	Gain/(loss) in valuation of investments	(28,904)
<u>(6,959)</u>	Surplus (deficit) for year	<u>(37,050)</u>

<b>Balance sheet as at 31 March</b>		
As at 31 Mar 2019 £		As at 31 Mar 2020 £
173,621	Fund balance at 1 April	166,661
(6,959)	Add surplus (deficit) for Year	(37,050)
<u>166,661</u>	<b>Fund balance at 31 March</b>	<u>129,611</u>
<b>Represented by:</b>		
Investments at market valuation:		
127,375	Charities official investment fund - income shares	98,943
29,663	M&G Charifund	29,191
Net current assets:		
9,623	Cash at bank	1,477
<u>166,661</u>		<u>129,611</u>

## Trust funds

### 49 Other trust funds held by the Council

The Council acts as sole custodian trustee for four other trust funds. In these cases the funds do not represent assets of the Council and they have not been included in the consolidated balance sheet

These Trusts have not been audited as part of the Statement of Accounts audit.

Information on these trust funds are set out below:

Registered Charity No.	Name of Trust	Balance as at 31 March 19 £	Receipts in year £	Payments in year £	Balance as at 31 March 20 £
305021	Runnymede Pleasure Ground Trust	237,394	132,317	96,885	<b>272,825</b>
304999	Sir Edward Stern Trust fund	1,868	17	0	<b>1,885</b>
289262	Victory Park Trust fund	25	0	0	<b>25</b>
257032	Egham War Memorial Upkeep fund	3,773	105	0	<b>3,878</b>
	<b>Totals</b>	<b>243,059</b>	<b>132,439</b>	<b>96,885</b>	<b>278,613</b>

#### Runnymede Pleasure Ground Trust

In August 1928 sixteen acres of land at Runnymede were given to Egham Urban District Council on trust "for the perpetual use thereof by the public for the purposes of exercise and recreation as an open space". Subsequently a caretaker's cottage, a refreshment chalet, a tea garden, a roadway, a parking area, a bathing pavilion and a residential property were built on the land. The fund's monies at 31 March were invested with Runnymede Borough Council.

#### Sir Edward Stern Trust fund

The Sir Edward Stern Trust fund relates to a legacy made by Sir Edward Stern of Fan Court, Chertsey to the Chertsey Urban District Council in 1954. Income from the investment is credited to the Chertsey Recreation Ground, for the purposes of maintenance of that recreation ground, in accordance with the provisions of the will.

#### Victory Park Trust fund

In 1985, a small part of Victory Park recreation ground was sold to Surrey County Council for £25 for the purpose of a road improvement scheme. This area of land was part of the area of Victory Park which the Council holds in charitable trust and, on the directions of the Charity Commissioners, the sale proceeds of £25 have been invested in trust for Victory Park and the income from the investment is applied towards the maintenance and improvement of Victory Park.

#### Egham War Memorial Upkeep fund

The Egham War Memorial Upkeep fund is a trust set up in 1923 for the upkeep in perpetuity of the War Memorial in Egham Churchyard and in 1985 was amended to include the upkeep of other war memorials in the area of the former Civil Parish of Egham. The trustees are the Council and the Vicar of Egham. Income from investments is accumulated in the fund and may be used for expenditure which falls within the terms of the trust. The fund's monies at 31 March 2020 were £ 2,878 invested with Runnymede Borough Council and £1,000 invested with the charities official investment fund (market valuation of £2,299).

#### Other land

The Council holds various pieces of land (often for recreational purposes) which have been donated by benefactors, often with conditions that the land is held in trust. So far as it can do so under the trust, the Council manages these land holdings as if they were Council owned property. No endowment was given with such land holdings and the Council bears any deficit on the running costs thereto.

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### Scope of responsibility

Runnymede Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Runnymede Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Runnymede Borough Council is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

Runnymede Borough Council has formally adopted a code of corporate governance as recommended in the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government 2016 edition*. This statement explains how Runnymede Borough Council meets the requirements of regulation 6 of the Accounts and Audit Regulations 2015 in relation to the publication of an Annual Governance Statement and the CIPFA/SOLACE Code of Practice.

The Council has also adopted the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

### The purpose of the Governance Framework

The Governance Framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that Framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Runnymede Borough Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The Governance Framework has been in place at Runnymede Borough Council for the year ended 31 March 2020 and up to the date of approval of these Financial Statements.

### The Governance Framework

The key principles and how the Council has complied with them are as set out in Chapter 6 of the 2016 Framework, are:

- A Behave with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
- B Ensure openness and comprehensive stakeholder engagement; /
- C Define outcomes in terms of sustainable economic, social, and environmental benefits;
- D Determine the interventions necessary to optimise the achievement of the intended outcomes
- E Develop the entity's capacity, including the capability of its leadership and the individuals within it
- F Managing risks and performance through robust internal control and strong public financial management
- G Implement good practices in transparency, reporting, and audit to deliver effective accountability

The key elements of the core principles are detailed below.

## Annual Governance Statement 2019/20

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### **A Behave with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;**

The Council has adopted a Constitution which has been revised in 2019/20 and formally adopted by the Council in April 2019. This sets out how the Council operates and how decisions are made with procedures to be followed to ensure they are fit for purpose. The Constitution details the roles and functions relative to these bodies, panels and officers. The Council's committee structure with main functions is shown below.

The Corporate Management Committee set up or continued with a number of member Working Groups between in 2019/20 to oversee significant projects or the business of the Council.

For example, the Digital Transformation Member Working Group reports to the same Committee on the implementation of ICT and solutions in the Customer Services section and how we communicate and transact with residents, businesses and visitors to the Borough – the aim being to significantly improve the services we provide. Other working groups include the HR working party. All the Member working groups have been very active in 2019/20 in implementing the objectives of the Corporate Plan

The Council has invested in the regeneration of the two major towns in the Borough – Addlestone and Egham. The first project is the Addlestone One investment followed by the Egham Gateway phase 1 and a new leisure centre in Egham was completed and opened in February 2019. The Property Acquisitions Member Working Group gives initial consideration to strategic asset acquisitions as part of the Council's place shaping and income generation strategy.

The Council operates to a set of Corporate Values which underpin individual and collective behavior and are reflected in discussion, communication and the decision-making processes. These values have been adopted as part of the Corporate Business Plan 2016-2020 **and** are stated below.

- **Customer-focused** – we will put our customers at the heart of what we do and they will be able to interact with us easily in the way they want.
- **Passionate** – we will empower our staff to be passionate about all we do.
- **Performance driven** – we will strive for excellence in all we do.
- **Innovative** – we will aim to creatively improve our services.
- **Promoting equality and diversity** – we believe in fairness as well as creating a diverse workforce so we can draw upon a wide range of views and experiences to meet the changing needs of our customers.
- **Delivering excellent value for money** – we will strive to be as efficient and effective as possible.

### **Corporate Goals**

Our Corporate Goals are our broad guiding principles which will help us to achieve Our Vision. These principles are:

- We will deliver cost effective services.
- We will have very satisfied customers.
- We will train, develop and motivate our staff.
- We will be financially stable.
- We will have sound leadership and governance.
- We will have a clear performance management system.
- We will provide customers with a range of channels to interact with us.
- We will be a more agile organisation responsive to changing circumstances.

Members have adopted a set of principles regarding behavior, contained in the Member Code of Conduct which forms part of the Constitution, which complement the procedures and codes operated. They were adopted in 2012 and minor amendments made since on three occasions.

The Code of Conduct for Members is based upon the Nolan Principles and section 28(1) of the Localism Act 2011

### **Selflessness**



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To serve only the public interest and never improperly confer an advantage or disadvantage on any person.

### **Integrity**

Not to place themselves in situations where their integrity may be questioned, should not behave improperly and should on all occasions avoid the appearance of such behavior

### **Objectivity**

Make decisions on merit, including when making appointments, awarding contracts or recommending individuals for rewards or benefits.

### **Accountability**

To be accountable to the public for their actions and the way they carry out their responsibilities and should co-operate fully and honestly with any scrutiny appropriate to their Office.

### **Openness**

To be as open as possible about their actions and those of the Council and should be prepared to give reasons for those actions.

### **Honesty**

Not to place themselves in situations where their honesty may be questioned, should not behave improperly and should, on all occasions, avoid the appearance of such behavior.

### **Leadership**

Should promote and support these principles by leadership and by example and should always act in a way that secures or preserves public confidence.

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## **B Ensure openness and comprehensive stakeholder engagement**

As stated above, the Council has a Corporate Business Plan 2016-2020 in place which sets out its vision, values, goals and priorities. This was based on extensive consultation with the local communities. In 2019 the Council went through a first phase consultation process with a view to creating a new four-year Corporate Business Plan from 2020, but due to the COVID pandemic this has been delayed. A review of the current draft document will now be necessary and further consultation will follow before a new plan is adopted to reflect the time period of 2021-2025.

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## **C Define outcomes in terms of sustainable economic, social, and environmental benefits**

The Council is responsible for many key services and functions including:

- Community grants and events.
- Council tax and business rates collection. Also administering the national council tax and housing benefit service locally. The Council has adopted a local council tax support scheme which it reviews annually.
- Environmental Services e.g. Engineering, parking, refuse collection, street cleaning and recycling.
- Housing – both the Council's own stock of dwellings for rent and some aspects of private sector housing including homelessness and improvement and disabled adaptation grants.
- Community Development e.g. Leisure development, green space, halls, museum, community safety, community alarms, community meals, community transport, independent retirement living, and

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centre's for over 55s.

- Regulation e.g. planning, building control, environmental health and licensing.
- Asset management focused until December 2019 on property acquisition to fund the Council's regeneration strategy. In 2020/21 the emphasis will change to consolidation and management of the Council's portfolio from property acquisition.
- Regeneration schemes – the Egham gateway West scheme commenced in 2019/20
- During 2019/2019 the three Council owned companies continued to grow at a slower rate than planned due to the extensive flooding of a number of units. That growth will continue in 2020/21 as more apartments in Addlestone One and other regeneration schemes are completed. The financial accounts of the companies are consolidated into the Council's main Statement of Accounts.

In 2012/13 the Council started a major, long term "place shaping" and revitalisation initiative. This included major projects in Addlestone and Egham which continued to be developed in 2019/20. The construction of the Addlestone One development commenced in the spring of 2015 and has been completed in 2018. However, many residential apartments have been flooded and the downturn in both the housing market and the commercial sector mean more units than anticipated remain vacant at 31 March 2020. The Council spent around £75m to fund the development and the governance structures are in place and strong, as confirmed by Internal Audit reports. The regeneration and place shaping plans have been further developed in 2019/20 with Egham Gateway West commencing in winter 2019. The likely cost of £92m is already part funded with a 40-year loan at a fixed rate of 2.88% from a private sector investment company. Clearly the Covid 19 pandemic will affect the high street and housing market. The Council is reviewing its regeneration strategies in the summer of 2020 as the UK economy moves into recovery.

In these schemes' residents, local businesses and other stakeholders have been involved in the design brief. These consultations have included numerous meetings with resident's associations and other public meetings. Officers report to Members on the progress of each regeneration scheme quarterly. To support the revenue costs of the place shaping and regeneration projects and to compensate for a marked reduction in Government funding, the Council's capital programme included £400 million over the period 2016/17 to 2018/19 to acquire assets which generate a sustainable income stream. Around £375m has been spent or committed as at 31 March 2020.

The role of the Standards and Audit Committee includes:

- Promoting and maintaining high standards of conduct by Councilors and co-opted Members
- Assisting Councilors and co-opted Members to observe the Members' Code of Conduct
- Advising the Council on the adoption or revision of the Members' Code of Conduct and monitoring its operation

The conduct of Members and Officers is further regulated through individual strategies including anti-fraud and corruption and money laundering strategies.

In 2019/20 there have been no allegations of financial irregularities involving members or officers.

The Chief Executive (Head of Paid Service), the Corporate Head of Law & Governance (Monitoring Officer) and the Asst Chief Executive & responsible financial officer each have specific responsibilities to ensure reports to Members for decision comply with Financial Regulations, Standing Orders and are lawful.

The Constitution includes protocols on Member /Officer relations. The Monitoring Officer has confirmed that during the course of 2019/20 there were two hearings held by the Standards (Hearing) Sub-Committee in respect of two complaints which had been made against a specific Councilor in 2018/19. In each case a breach was found to have taken place. No sanction was imposed but the matter was reported to Full Council. During 2019/20 eight complaints were received in respect of alleged breaches of

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the Member Code of Conduct. In four cases upon examination it was found the complaint did not merit investigation. In two cases further information was requested from the complainants which was not provided, and they could not be progressed. In one case no breach was found to have taken place and in one case the matter complained of did not fall within the jurisdiction of the Member Code of Conduct.

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### **D Determine the interventions necessary to optimise the achievement of the intended outcomes**

The Council sets the overall strategy and policy, and has put in place a well-defined organisational structure, with clearly understood lines of responsibility and delegation of authority to help ensure that strategies and policies are effectively implemented and adhered to. The system of internal control is based on a framework contained within the Constitution, including rules and procedures in respect of:

- Functions of the Council, Committees and Officers;
- Procedures for conducting the Council's business;
- Delegations to Officers;
- Budget and policy framework;
- Ethics and probity;
- Overview and scrutiny;
- Financial and contracts procedures;

Taken together, the Constitution defines how decisions are taken and the processes and controls required in managing risk. The Constitution also contains a wide range of control and policy documents to support sound corporate governance. These policy documents can be viewed on the Council's website at [www.runnymede.gov.uk](http://www.runnymede.gov.uk)

The Constitution is reviewed each year. This process includes consultation with staff and councillors, a report to the Corporate Management Committee on proposed changes, and the approval of the revised Constitution by the Full Council. Changes are made through the year as appropriate.

### **Companies owned by the Council**

RBC Investments (Surrey) Limited is the Council's investment and property development company which took long term leases on private dwellings that become owned by the Council and then manage those properties and is responsible for collecting rents etc. The long-term leases are independently valued using Section 123 Local Government Act 1972 criteria and will be paid for by the Company by way of a single payment using loan funding from the Council. The interest rate charged by the Council is a commercial loan rate which is compliant with the EU State Aid Rules having regard to the base rate and risk / security for the loan. The Framework for loans is provided by the Loan Facilities Agreement (LFA) which provides for the normal range of commercial pre-conditions for loan finance to a company and provides for securing loans against the assets, registering the loan at Companies House and for the registered title to declare the lease and loan.

Two of the Council's Officers are directors of this company:

- Mr. J Rice is the Managing Director who is employed by the Council as their Head of Commercial Services
- Mr. P McKenzie is the Finance Director who is employed by the Council as their Chief Financial Officer.

The Chairman of the Board and Non-Executive Director is Cllr M Maddox.

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Two other companies were created in 2015/16 and are active. These are:

- RBC Services (Addlestone one) Ltd, which provides the service charge regime to the commercial and domestic that require service charges to be administered.
- RBC Heat Company Ltd, which provides heating and hot water as a commercial undertaking to all the dwellings on the Addlestone ONE development and those commercial tenants who chose to buy the services.

Mr. V Sibley is the Operations Director. Mr. Sibley is employed by the Council as Commercial Services Manager. For both companies the Council's Corporate Head of Financial Services provides financial services and has oversight of the company affairs to protect the Council's financial interest. The Board has appointed local private sector accountants to prepare the company accounts and the required audits to report to the Council as the ultimate shareholders.

All three companies have Articles of Association in place, company registration documents and be-spoke Shareholder Agreements. A detailed business and financial plan have been prepared and the Loan Facilities Agreement (LFA) that will provide the mechanism for drawing down commercial loans from the Council.

At every stage of the development of the Council's regeneration programs and projects, Members have steered the direction of activity within the framework provided by the Property Investment Strategy and lately the Council's Capital Strategy via reports to the Corporate Management Committee and all Member briefings to Council who have made key decisions. That process will continue beyond 31 March 2020 as the regeneration activity develops through a development partner to deliver the Runnymede Regeneration Programme of a number of sites over an 8-10 year period.

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### **E      Develop the entity's capacity, including the capability of its leadership and the individuals within it**

The Corporate Business Plan focuses on the outcomes for the community and is the driver behind the Council's priorities. The Council updated its Corporate Business Plan 2016-2020 following extensive consultation with residents to focus scarce resources on those services residents see as important. Elected members adopted the Corporate Business Plan taking those views into account. Due to the coronavirus pandemic, the Business Plan will now be updated in 2020/21.

The Council has continued its partnership arrangements with other local authorities in areas such as:

- Transport and building maintenance.
- Emergency Planning. In 2015/16 the Council set up an employee led "mutual" with Spelthorne BC called "Applied Resilience". This has increased both Councils' capacity to respond to civil emergencies such as the severe flooding which impacted on Runnymede significantly in December 2013 to March 2014 and beyond, as well as business continuity. This arrangement continued in 2019/20
- Community Services providing a range of community services in partnership with Surrey Heath BC.
- Safer Runnymede provides a CCTV service for Spelthorne Borough Council as well as Thorpe Park (a large theme park) and various NHS establishments.

These arrangements enable the Council to receive or provide cost effective services which require specialist skills and knowledge. It also provides resilience and business continuity arrangements.

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Corporate Leadership Team (CLT) is led by the Chief Executive supported by:

- Corporate Head of Law & Governance (the Monitoring officer)
- Assistant Chief Executive (Responsible Finance Officer / Section 151 officer)

For all of 2019/20 that structure has been in place. CLT will be supported by a Senior Leadership Team (SLT) of 11 officers who cover all the Council's operations. The elected members have approved a new formal structure of Member Working Groups. This new structure will involve all members in developing policy and was implemented early in 2019 to specifically:

- Strengthen objective setting and delivering Council objectives
- Prescribes a new way of working between members and officers that better suits the challenges of the next decade and enables greater control of the organisation by members.
- Sets out a new competency framework for senior officers
- Strengthen the corporate center and provide greater uniformity and accountability across all services (e.g. performance management, procurement etc.)
- The member working groups propose a more effective use of members time in a challenging and demanding environment
- Describes a system of continuous service reviews to improve service delivery, corporate systems and to address the commercial requirements of the Council over the next decade.

The Corporate Leadership Team is also supported by a range of senior managers as appropriate e.g., the Corporate Head of Human Resources and Corporate Head of Financial Services. The Council has set up a management structure to support the following objectives:

- Focus management attention on performance management, and achievement of objectives set out in the Corporate Business Plan.
- Budget management is a key target for each manager – to forecast income and expenditure to the year end as part of the monthly monitoring cycle and to propose corrective action for Members consideration if an overspend / underspend is likely to occur.

Attached is the officer structure chart that was in place for 2019/20. One of the outcomes is to improve the Council's corporate governance arrangements together with individual management accountability.

The Council's Medium-Term Financial Strategy predicts significant reductions in Government support to local authorities. The reduction for this Council will be significant by the end of this decade. The revised officer structure "Fit for the Future" is designed to focus on the delivery of cost effective, efficient services which respond to residents needs and to generate additional income rather than cut expenditure and services.

Officers from CLT (Chief Executive, Monitoring Officer and Responsible Finance Officer - supported by 11 Heads of Service) meet weekly as a group (with specialist officer's support) to lead on:

- Strategy
- Business Planning
- Asset Management
- Risk Management
- Business Continuity
- Equalities
- Health and Safety
- Performance Management for Corporate Key Performance Indicators, Corporate Projects and Financial Management.
- Budget management

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- Governance

For Committees, each Member receives a copy of meeting agendas in advance, mostly five working days in advance of the meeting. A Committee or Sub-Committee may agree to accept an urgent item for decision at their discretion.

Reports which have resource implications (assets, financial, human) must receive clearance from the Chief Executive and Chief Finance Officer before being added to draft agenda. Reports contain, where appropriate, legal, financial, risk, equality and diversity implications.

It is a requirement for Members to declare any interests in the report at the beginning of the meeting. As part of the governance trail members also declare if they held any executive positions with organisations that carry out business with the Council. In 2019/2019 the Council received declarations from all 41 councillors.

The Overview and Scrutiny Select Committee carries out the overview and scrutiny functions conferred by regulations under Section 32 of the Local Government Act 2000. The Committee may review and/or scrutinise decisions made or actions taken relating to the discharge of any of the Council's functions. In exceptional cases it may "call in" a Committee decision for further consideration before it is implemented. The Committee makes reports and recommendations to the Full Council and any Committee as it sees fit. The Committee prepares an Annual Report on their work programme for the Full Council.

The main aim of the Overview and Scrutiny Select Committee is to act as a "critical friend" to the Council to promote better services, policies and decisions. No Member may be involved in scrutinising a decision in which he / she has been directly involved.

The Council also has Planning, Licensing and Regulatory Committees which discharge the following regulatory functions:

- Decisions on planning applications and enforcement items.
- Regulation of taxis, private hire vehicles and other licenses including liquor and public entertainment.

SLT regularly reviews the Corporate Risk Register. The objectives of the Risk Management Strategy are to support the Council identifying risks which need to be mitigated as well as identifying future threats and opportunities.

By ensuring our strategic risk position is reviewed regularly, we seek to improve our customers' lives by taking the appropriate action against risk which may impact on the services they value.

We also seek to minimise the financial impact by mitigating the cost of an event occurring through cost effective mitigation.

The Environment and Sustainability Committee agreed to enhance our emergency planning and risk management capacity by entering into a three-year contract with a staff led mutual, Applied Resilience. This Council and Spelthorne Borough Council each hold 10% of the shares and share in the future distribution of profit. However, the main reason for establishing the Mutual was to increase the staff base which brings additional expertise to the Council. The increase in capacity will benefit not only response to emergencies but disaster recovery, business continuity and general risk management. Both Runnymede and Spelthorne Councils have appointed their Chief Financial Officer as Non-Executive Directors of Applied Resilience to protect their Council's financial interests. This relationship was in place during 2019/20.

The CLT and the Applied Resilience team oversee and manage risk by:

- reviewing the strategy regularly
- ensuring a consistent approach to risk across the Council
- acting as a central point for the co-ordination and dissemination of information on risk
- meeting quarterly to review and update the Corporate Risk Register

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### **F Managing risks and performance through robust internal control and strong public financial management**

The Members and Officers, starting in early September 2018, spent a number of weeks preparing options for the 2019/20 budget. This member / officer group completed and produced a balanced 2019/20 budget by December 2018. The objective was not only the future financial resilience of the Council in an environment where Central Government grant may be reduced but to improve services to residents by reducing overhead costs.

Members receive specific training on the regulative functions, e.g. Planning, and on the Constitution from the Monitoring Officer. From 2016 to 2019/20 a number of training sessions have been run for newly elected Councillors on various topics including local government finance. Training and seminars are also provided on topics such as risk management, asset management and in December through to January 2019 the projected outturn for 2019/20 and future strategic financial risks.

The draft Council Tax Support Scheme was consulted with residents and was duly amended and approved by Members in January 2013. In February 2018 Council approved the scheme continuing into 2018/19. In February 2019, following an extensive consultation exercise, the council tax support scheme was significantly updated for implementation in 2019/20.

All Senior Officers completed a declaration relating to the governance, internal control and assurance framework in their business area. This covered areas such as risk management, use of resources to meet Council objectives, community safety, the Council's equalities obligations and financial probity.

#### **Financial management and controls**

The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Managers within the Council undertake development and maintenance of the system. The system includes:

- Comprehensive budgeting systems;
- Clearly defined capital expenditure guidelines;
- Named Budget Managers who have the responsibility for delivering services within the approved budget;
- Setting targets to measure financial and other performance;
- Periodic and annual financial reports comparing financial performance against forecasts;
- Formal project management disciplines with regular reporting mechanisms to the Corporate Leadership Team and a report on completion of each project to sponsoring service committees; and
- A detailed annual Internal Audit Plan with priorities and an inspection regime reflecting the risk assessment of the service.

The Council has also adopted a Procurement Strategy that aims to promote best practice and ensures that the procurement of goods and services achieves value for money. The internal audit review of "key financial systems and control" had no issues to report to the Standards and Audit Committee.

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### **G Implement good practices in transparency, reporting, and audit to deliver effective accountability**

The Council is committed to eliminating discrimination within the workplace and the community and had achieved the "achieving" level of the Equality Standard for Local Government". Due to cost implications the Council did not renew the accreditation. However, we have an Equality Policy and equality objectives in accordance with the Equalities Act 2010.

The Council has a Customer Complaints Policy which states that a complaint will be acknowledged within three working days. The key points of the Policy are:

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Runnymede Borough Council recognises the importance of providing an excellent service to every member of our community. A core part of this is an open, responsive approach to feedback and complaints, the central monitoring of which is a key governance role.

Runnymede has a formal approved process in place that details how staff should handle complaints. This was last updated in 2018 and is kept under continuous review. Runnymede has a two-stage procedure in place. Any complaint is initially handled by a senior manager in the appropriate section. It must be acknowledged within three working days and a full response given within 10 working days. If the complainant is not happy with the stage one response, they can make a stage two complaint which will be dealt with by the relevant head of service. This officer will review both the complaint and the stage one response and will respond further within 10 working days. The conclusion of stage two is the end of the Council's formal complaints procedure. The complainant, if they wish, can contact the Local Government Ombudsman and the Council provides all the relevant contact details

Complaints against Members and co-opted Members will be referred to the Monitoring Officer. Complaints against a member of staff who would normally handle the complaint at that stage will be referred to their line manager. Complaints against a business centre manager will be referred to the Chief Executive. There are separate arrangements in respect of allegations of financial impropriety, criminal activity or unlawful harassment or discrimination. A separate policy exists to deal with vexatious complaints.

If the complainant remains dissatisfied after having exhausted the formal complaints procedure, he/she may also decide to complain to the Local Government Ombudsman if he/she believes the Council has not handled matters properly.

Complaints (and compliments) are analysed quarterly and a report on these and any lessons learnt is considered by Standards and Audit Committee.

The Council has a "whistle blowing" policy included in the anti-fraud and corruption strategy which has been given to every member of staff.

The Council in 2019/20 had no findings of maladministration against it by the Local Government Ombudsman.

All Council meetings are open to the public, except where personal or confidential matters are to be discussed. All agendas and minutes are placed on the Council's public website and are also available by contacting the Council should electronic access not be possible.

The Council engages in formal consultation on the following year's budget and at the end of the financial year an Annual Statement of Accounts is produced and their availability for inspection by the local electorate is published. The public notice includes detail of how to contact the Appointed Auditor should an elector wish to make an objection to the accounts.

The Council's Corporate Business Plan 2016-2020 which was subject to wide range public consultation. The vision for Runnymede is:

*"A vibrant Borough with a high-quality environment, where we maximise opportunities with partners to provide services which are highly regarded by local people."*

The Corporate Business Plan 2016-2020 is the Council's highest-level strategic document for senior managers and the responsible committees to monitor and review, as well as highlight where slippage or other difficulties are occurring and appropriate recovery strategies need to be put in place. Progress reports on performance indicators are reported to Committees on a regular basis.

The Council's Performance Management Framework is a continuing process to increase the efficiency, accountability and analysis of performance management information, and aid greater ownership of performance by staff and Members alike. Business Centre/ Team Plans were in place for 2019/20.



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### Audit Committee and the internal audit function

The Constitution sets out the role and function of the Standards and Audit Committee. The Internal Audit section reports to the Assistant Chief Executive (Responsible Finance officer) The Chief Internal Auditor reports on the plans and progress of the internal audit function directly to the Standards and Audit Committee. The complete internal audit service has been provided under contract. The Audit Committee members meet privately with TIAA and the Council's appointed auditor, BDO LLP privately at least once a year

### Ensuring compliance with established policies, procedures, laws and regulations

The Corporate Directors and Heads, via the Chief Executive, are ultimately responsible to the Council for ensuring compliance with established policies, procedures, laws and regulations. The roles of the Head of Paid Service, the Monitoring Officer, and the Responsible Finance Officer are set out in legislation and reflected in the Constitution of the Council. The Council's Legal Section reviews all reports to service committees to ensure propriety and provides advice on the impact of legislation. This includes a review of forthcoming legislation likely to impact on Runnymede.

### Internal audit and external audit

The role of the Internal Audit function is to review compliance with financial procedures and other policies, to monitor the economy, efficiency and effectiveness of operations by advising and commenting on how risks are being managed, and to review arrangements for the security of the Council's assets. The Internal Audit Section contributes to the maintenance of effective corporate governance by:

- providing assistance in the development of internal financial controls
- ensuring that all significant business systems are subject to appropriate financial control, through targeted audit coverage using an appropriate risk-based approach

Internal Audit also provides an independent and objective opinion to the organisation on the degree to which internal controls support and promote the achievement of the organisation's objectives. The operational and management arrangements for Internal Audit are as follows:

- The Standards and Audit Committee reviews the audit coverage undertaken during the previous year and the audit plan for the forthcoming year;
- Internal Auditors conduct their work in accordance with professional standards set out in the Public Sector Internal Audit Standards (PSIAS);
- The Chief Internal Auditor has access to all senior managers and internal auditors have access to all records held by the Council when required;
- The work of Internal Audit is based on an evaluation of risk.
- Internal Audit produces an annual report that provides an opinion on the overall control and risk environment and reports on significant findings in the year.

A report on Internal Audit coverage in 2019/2020 will be presented to the Standards and Audit Committee in summer 2020.

Internal audit reports to the Corporate Head of Resources comply with the CIPFA Statements on the *Role of the chief financial officer in local government* in respect of his Section 151 Officer responsibilities.

At operational level, recommendations from Internal Audit Reviews are discussed and agreed with departmental management. At a strategic level, summary reports in respect of completed internal audit reviews are presented to the Standards and Audit Committee.

Local authorities are also required to review the effectiveness of their system of Internal Audit once a year and present the findings to a committee, or full Council, as part of the consideration of the system of internal control. The Standards and Audit Committee duly considered the results of this review in March 2018. The next review is to be considered by September 2020.

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The Council has set a balanced budget for 2019/2020 and 2020/21. The budget includes contingencies for managing risk and a planned use of reserves to mainly fund the regeneration plans of the Council. However, the Covid 19 pandemic does mean the Council will re-visit all of its financial plans in October 2020.

The Annual Governance Report and Annual Audit Letter are published on our website ([www.runnymede.gov.uk](http://www.runnymede.gov.uk))

### **Other explicit review and assurance mechanisms.**

A corporate compliance and review mechanism require all Senior Officers to be explicitly responsible for:

- reviews of plans and procedures;
- ensuring that process reviews demonstrate continuous improvement;
- implementing agreed actions from internal audit reports;
- ensuring that staff personal development programmes are relevant to service delivery;
- monitoring Business Centre/Team Plan targets and budgets and report performance and variations.
- budget monitoring and control with monthly projected full year spend reported to the Corporate Leadership Team

Internal Audit investigations provide scrutiny of the required actions and report on instances of non-compliance

### **Significant governance issues**

Where weaknesses in controls have been identified the Council has acted to strengthen controls in these areas. No significant weaknesses in internal control have been identified.

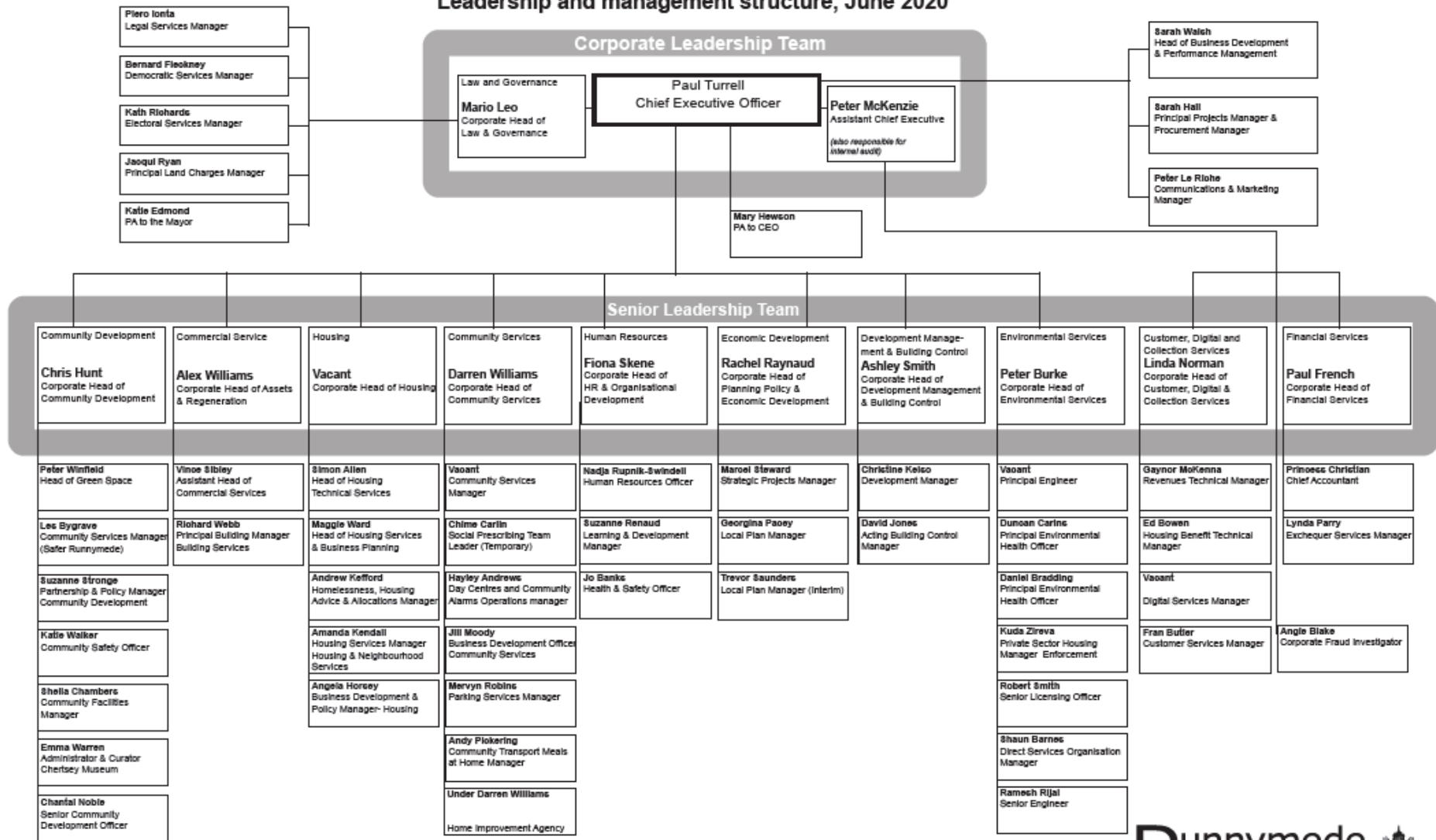
The need to achieve improvements in the following areas to further enhance our governance arrangements had been identified in the attached action plan.

**Councillor N H Prescot**  
**Leader of the Council**  
**30 July 2020**

**Mr. P Turrell**  
**Chief Executive**  
**30 July 2020**

# Annual Governance Statement 2019/20

## Leadership and management structure, June 2020



## Annual Governance Statement 2019/20

### Action Plan

Issue	Actions taken	Further actions required	Timescale
<p><b>Partnership working</b></p> <p>There is a growing pressure for the Council to deliver services and policy objectives in partnership with a wide range of organisations from the public, private and voluntary sectors.</p> <p>There is a risk that local authorities may enter into partnerships without due regard to controls, financial and operational risks, and robust governance procedures.</p>	<p>The Council's Internal Control Framework deals with aspects of joint working in a comprehensive way e.g. contract standing orders set out the arrangements to follow for contractual arrangements, service level agreements are established with organisations receiving annual revenue grants.</p> <p>During 2019/2020 a number of partnerships increased in size and / or scope. This includes a partnership agreement with Surrey Heath Borough</p> <p>In 2018/19 the Council entered into a partnership with Reigate and Banstead Borough Council to provide additional fraud investigation capacity. The partnership continued in 2019/20</p>	<p>1. The Council has developed its shared service strategy formulating a number of partnerships with Spelthorne BC, Elmbridge BC, Surrey Heath BC and Surrey CC. This policy will continue where it is clear this will provide business improvement, savings or greater resilience</p> <p>2. The Council continues to work with Surrey County Council on its transformation plans in 2019/20 and beyond as the UK moves into Covid recovery</p> <p>This has resulted in some significant short term but predominantly longer-term opportunities for savings and service improvement</p>	<p>On-going</p> <p>On-going</p>
<p><b>Business Continuity Planning</b></p> <p>A Business Continuity Plan is a series of arrangements to ensure that standards of service are maintained during a period of disruption. There are some gaps in the planning process which could be improved i.e. plans at a service level. The greatest risk is an incident that leaves all or a substantial part of the Civic Centre unusable for a period.</p>	<p>The role of the Risk and Resilience service provided by Applied Resilience is to help prepare the organisation to effectively respond to disruptive events that threaten delivery of services.</p>	<p>As the Councils new management structure is embedded Business Continuity Plans will be re-visited in 2020/21</p>	<p>On-going</p>
<p><b>Commercial property Rents</b></p> <p>In late 2016 it became clear that a number of commercial rent reviews had not taken place for a number of years. Over the last decade the loss on income to the Council is likely to exceed £1m on one rent review. The internal Audit undertaken identified a number of recommended actions which have been agreed by the Standards and Audit Committee</p>	<p>Members approved a new structure that transferred responsibility for reviewing commercial rents to the Commercial Services Section.</p>	<p>Additional professional resources have been brought in to review all the Council's leases and carry out rent reviews where needed.</p> <p>Corporate Management Committee and Standards and Audit Committee will continue to receive update reports for decision as.</p>	<p>Mar 2018 and on-going</p>