

# Statement of Accounts 2017/2018

Runnymede Borough Council  
**Useful information**

**Address and telephone number**

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**Mayor and Deputy Mayor in the 2017/18 municipal year**

Mayor: Councillor I A Chaudhri  
Deputy Mayor: Councillor Mrs DV Clarke

**Chairmen of Committees in 2017/18**

Corporate Management Committee	Councillor N H Prescott
Community Services	Councillor Miss M N Heath
Crime and Disorder Committee	Councillor M J Maddox
Englefield Green Committee	Councillor Miss M N Heath
Environment and Sustainability Committee	Councillor J J Wilson
Housing Committee	Councillor Ms C M Simmons
Licensing Committee	Councillor Mrs J Gracey
Overview and Scrutiny Select Committee	Councillor M J Maddox
Planning Committee	Councillor Mrs G M Kingerley
Regulatory Committee	Councillor Mrs J Gracey
Standards and Audit Committee	Councillor M G Nuti

**Chief Officers in 2017/18**

Chief Executive	Mr P Turrell
Corporate Head of Law and Governance	Mr M Leo
Corporate Director of Resources	Mr P McKenzie
Corporate Director of Housing and Community Development	Mrs J Margetts
Corporate Director of Planning and Environmental Services	Mr I Maguire

**External Auditor in 2017/18**

Appointed Auditor: KPMG LLP  
Address: 8<sup>th</sup> Floor  
15 Canada Square East  
Canary Wharf  
London, E14 5GL

**Bankers in 2017/18**

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 2017/18

### 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 numerous other urban and rural 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, 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.

The population of the Borough is just over 80,000 with 35,500 dwellings and 2,589 industrial and commercial premises.

A study of vibrant economies shows that Runnymede is ranked 13 out of 324 areas in England as set out in the table below.

Top performing in the SE	Council	Vibrant economy score	National rank
1	Oxford	108.54	2
2	Guildford	107.87	5
3	Wokingham	107.44	6
4	Windsor and Maidenhead	107.27	7
5	Vale of White Horse	107.17	8
6	Winchester	106.78	9
7	Reigate and Banstead	105.82	10
8	Chiltern	105.54	1
<b>9</b>	<b>Runnymede</b>	<b>105.34</b>	<b>13</b>
10	West Berkshire	105.15	16

Source – Grant Thornton vibrant economy index

### Introduction by the Corporate Director of Resources

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. In particular, the statement follows the *Code of Practice for Local Authority Accounting in the United Kingdom 2017/18* (the Code) and associated guidance. The overriding requirement of the Code is

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that the statement of accounts gives a true and fair view of the financial position of the Council as at 31 March 2018.

These statements were audited and published in draft in May 2018. Following the Audit the final version was published in July 2018 to comply with the new regulations for the year ended 31 March 2018.

The aim of this report is to provide readers with an 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.

As the financial statements demonstrate, the financial standing of the Council continues to be viable with no pressure to reduce services to balance the budget in 2018/19 onwards. 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.

A glossary to assist with some of the necessary technical terms used within the Accounts can be found at the end of this publication. I hope readers find this approach helpful.

### Sources of funding

#### Revenue Support Grant

Government funding provided to all local authorities has been steadily declining since 2008 as Government sought to re-balance the national economy. One part of the Government strategy was to reduce the Revenue Support Grant paid to local authorities by 53% between April 2015 and March 2020 as shown below.

Government published national data						
	2015/16	2016/17	2017/18	2018/19	2019/20	Total change
	£ billion	£ billion	£ billion	£ billion	£ billion	£ billion
Local government expenditure limit	11.5	9.6	7.4	6.1	5.4	-6.1
Percentage change (year on year)		-16.5%	-22.9%	-17.6%	-11.5%	-53.0%
Local taxes , other funds	28.8	29	31.5	33.6	35.1	6.3
Percentage change (year on year)		0.7%	8.6%	6.7%	4.5%	21.9%
Total local government funding	40.3	38.6	38.9	39.7	40.5	0.2
Percentage change (year on year)		-4.2%	0.8%	2.1%	2.0%	0.5%

Government national assumptions are that local authorities will increase income from council tax, fees and charges so that by 2019/20 net expenditure will return to the same level as 2015/16. The Council has chosen to invest in a place shaping and regeneration agenda commencing with the Addlestone One development. The Council has also invested significant sums in acquiring commercial premises, all but one in the borough. The aim is to provide a sustainable commercial income to the Council to, not only replace reduced Government grant, but to provide the funds to commence significant regeneration schemes in the Borough.

Runnymede BC has had significant reductions in Government funding, the reduction between 2017/18 and 2018/19 was 22.8%. 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 investing in commercial property

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In 2010/11 Runnymede BC received £5.6 million in Government grant. The table below shows the Revenue Support Grant paid to Runnymede from 2015/16. The reduction has been partially offset by the Council retaining part of the Business rates it collects, but this has not fully replaced the grant reduction. In the summer of 2018 the Government commenced a consultation process, the Fair Funding Review. While most Council's in Surrey had planned "negative" RSG from 2017/18 the Government has reduced this figure to zero. However it is not clear if this will continue into 2019/20. The Council has prepared its financial plans assuming the "negative" RSG will be applied.

Revenue Support grant (RSG) - Councils Financial Plan February 2017					
	2015/16	2016/17	2017/18	2018/19	2019/20
	£'000	£'000	£'000	£'000	£'000
RSG settlement as at Dec 2015	1,279	816	442	442	0
Revised settlement Jan 2017	1,322	750	290	1	(300)
Reduction		(572)	(460)	(289)	(301)
Cumulative reduction		(572)	(1,032)	(1,321)	(1,622)

The settlement announced in the January 2017 budget from Government means that over the five years between 2015 and 2020 the Council may lose £1.622 million Revenue Support grant.

Historically the shire districts in Surrey have faced the largest reduction in Government grant as shown below. While it is not clear how the "fair funding" review will change Government funding in 2019 onwards, the financial strategies of the Council are placing more emphasis on generating a sustainable income stream from the regeneration strategies, community transport, CCTV services which it sells to customers on a commercial basis.

Changes in Government funding 2017/18 to 2018/19					
UK ranking		Biggest reductions	UK ranking		Lowest reduction, or increase
1	Brentwood	-32.7%	1	Daventry	4.5%
8	Epsom & Ewell	-25.3%	2	Chelmsford	2.7%
12	Mole Valley	-24.5%	3	Greater London Authority	2.3%
14	Tandridge	-23.8%	7	Isles of Scilly	0.0%
16	Richmond upon Thames	-23.5%	20	Kingston upon Hull	-2.8%
<b>19</b>	<b>Runnymede</b>	<b>-22.8%</b>			
20	Guildford	-22.6%			

Source – DCLF core spending power- supporting information

### New Homes Bonus

A further significant source of funding was the New Homes Bonus. This is a reward grant paid to local authorities for increasing the number of homes in the borough, bringing back into use long term empty properties and increasing the number of affordable dwellings for rent. The reward grant was paid for six years and Runnymede has been able to claim significant sums with the New Homes Bonus grant peaking in 2016/17 at just over £2 million. However in the budget Government decreased retrospectively the grant period from six years to four and significantly reduced the grant paid per dwelling to local authorities. The areas highlighted in the table below show the grant lost.

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Future year's New Homes Bonus grant to be received is far from certain. Government reserves the right to alter the scheme to meet national spending priorities. Using the current scheme the Council could expect to receive the following sums:

New Homes Bonus - reward grant paid										
	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	£	£	£	£	£	£	£	£	£	£
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Grant paid	430	743	1,062	1,294	1,504	2,015	1,314	792	506	503
Year on year increase / Reduction)		313	319	232	210	511	(701)	(522)	(286)	(3)
Reduction from the peak in 2016/17 to 2020/21										(1,512)

### 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 BC 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 BC and Surrey County Council would retain a proportion of the tax collected.

It is the Government's intention that by 2020 Business Rates will be retained totally by local authorities. However the final scheme is being developed as part of the "Fair Funding" review due to be in place for 2019/20. All of the districts and boroughs in Surrey, with the County Council, successfully applied to the Government to be a "pilot" group of Councils in 2018/19 which has the potential to significantly increase the proportion of business rates retained.

There are a number of significant variables affecting the income we receive.

The first is the tax base which can vary significantly. The tax base is the total ratable value of the business premises in the borough. The table below shows our tax base which can alter significantly during the year; however the general trend is an increase in the Borough's ratable value. For April 2017 there was a national revaluation of ratable values carried out by Government which significantly increased the ratable value of the Borough from around £107 million to £133 million.

<u>Rateable value of the Borough</u>						
	Opening rateable value	Additions	Deletions	Reductions	Appeals reductions	Closing value 31 March
	£'000	£'000	£'000	£'000	£'000	
2013/14	104,800	3,814	(387)	(785)	(1,373)	106,070
2014/15	106,070	3,519	(2,292)	(1,547)	(273)	105,476
2015/16	105,476	4,264	(1,152)	(942)	(164)	107,482
2016/17	107,482	2,667	(2,154)	(455)	(508)	107,032
2017/18	133,360	22,664	(14,554)	(1,795)	(4)	139,671

The business rate to be collected is the sum of the ratable values multiplied by the rate in the pound sterling. This rate poundage is also set by government.

This change to tax collectable, the full year tax due has varied by £1million during the year, from £53.4 million to £54.4 million. As at 31 March the Council had collected 98.88% of the tax due, and will continue to collect those arrears from April 2018 onwards. The Council has collected close to 99%

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of the business rates due within the financial year. The financial plans assume this high collection rate is maintained.

The second major variable is the provision held by the Council to pay those businesses a refund should their appeal on the ratable value be successful with the Government Valuation Office. Government set a deadline of March 2015 for businesses to lodge an appeal. While the total value of the appeals has not increased, each year that goes by increases the potential for a significant refund to be made. Each year Runnymede Borough Council retains part of the business rates collected in its collection fund to provide for the most likely outcome on the appeals outstanding. The table below shows that the Council maintains a reasonable provision to pay any business which is successful in its appeal to the Valuation Office. Some appeals go back to 2010.

In 2017/18 very few new appeals have been made, however there is a considerable backlog awaiting a decision from the Government's Valuation Office. If an appeal is successful the Council makes a full refund from its cash reserves, with the final settlement of the sums owed by Surrey County Council and Government coming back to the Council up to 18 months later. For that reason the Council makes a cash backed reserve for the "collection fund" in the accounts to pay any successful appeal.

A new provision has been set up to mitigate risk of an appeal currently being considered by the High Court. While the case is complex, basically NHS trusts maintain they have been set up with charitable purposes and should be entitled to the mandatory 80% rate relief as prescribed by Acts of Parliament. Local authorities, including Runnymede, are defending this action via the Local Government Association.

The table below shows a trail of the provision made by the Council since the business rates scheme was introduced. In calculating the provision required the Council looks at the historic success rate of appeals. Appeals made have resulted in a refund of around 5.2% of the rates paid. The provision required to mitigate risk on historic appeals assumes that same percentage success rate on outstanding appeals. As at March 2018 that provision would be just under £8.9 million. A further provision of £8.281 million has been created for the NHS appeal.

<b>Provision for appeals</b>									
As at 31 March -	2010	2011	2012	2013	2014	2015	2016	2017	Total
	£ M	£ M	£ M	£ M	£ M	£ M	£ M	£ M	£ M
No of appeals outstanding	99	117	116	154	187	201	222	222	222
Rateable value	30.862	34.198	35.323	40.206	53.812	61.086	63.883	65.25	65.25
Actual annual bill	12.777	14.808	16.178	18.937	25.938	30.115	31.750	31.255	181.758
Success rate is 5.2%									9.376
Reduce provision for those appeals which may be speculative									-0.500
Appeals provision required March 2018									8.876
Additional Provision required for NHS trust									8.281
TOTAL provision required 31 March 2018									17.157
Appeals provision March 2018									7.829
Additional provision made 2017/18									9.328

The third variable is the "tariff" levied on the Council's Business Rate Income to be redistributed to other parts of the UK. The tariff is set annually by central government. In December each year the Council provides an estimate for the next whole financial year of the business rates received taking into account the three main variables mentioned above. Other adjustments include irrevocable tax written off due to insolvency, properties remaining empty and any changes in the provision for bad debts.

If the income due to the Council falls below a minimum level then a "safety net" payment is claimed which returns the income to the minimum Government allows.



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The table below is a simplified version of the "Collection fund" produced in the Statement of Accounts. In 2016/17 we paid a tariff to Government, in 2017/18, mainly due to the additional appeals provision; we will receive a safety net payment.

	2016/17	2017/18
	£'000	£'000
Rates collected after small business, charitable reliefs etc.,	45,504.8	45,873.9
Sum due to Runnymede BC @40%	18,201.9	18,349.6
Less tariff	-15,947.3	-18,760.4
	2,254.6	-410.8
Adjustments for rate in the £1 multiplier etc.		377.7
	2,254.6	-33.1
Base level for growth	1,696.3	
Or baseline safety net level		1,601.1
	558.3	
50% of growth retained by Runnymede	279.2	
Safety net received to bring Runnymede to minimum income		1,634.2

The system of "safety net" and "tariff" has affected the income the Council retains since its introduction in 2013/14 as shown below.

	2013/14	2014/15	2015/16	2016/17	2017/18	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000
Safety net claimed	-142	-208		0	-1634	-1984
Tariff paid			353	0		353

Note - In 2016/17 Runnymede BC joined a "pool " to share growth with Surrey County Council and London Borough of Croydon. Therefore the safety net was removed

The Council maintains a collection fund to account for the council tax and business rates it collects. Each year the surplus or deficit is paid out, or recovered, from the following year's income.

Business rates collection account					
	2013/14	2014/15	2015/16	2016/17	2017/18
	£'000	£'000	£'000	£'000	£'000
Balance b/f	0	-3875	-5616	-3324	1062
Surplus / (deficit) in year	-3875	-1741	2292	4386	-6800
Balance c/f	-3875	-5616	-3324	1062	-5738

In 2017/18 the collection fund deficit of £5.738 m is shared in the ratio below

2017/18 collection fund deficit		
	%	£'000
Government	50%	-2,869
Runnymede BC	40%	-2,295
Surrey CC	10%	-574
		-5,738

## Narrative Report to the Statement of Accounts 2017/18

To cover the deficit in Runnymede Borough Council's accounts an earmarked reserve has been set up for £2.5 million to cover the deficit in future years. This reserve will give some protection to General Fund income as the share of business rate income can fluctuate by considerable sums.

All of the districts and boroughs in Surrey, with the County Council, are in a business rates "pilot scheme" for 2018/19, a one Surrey pool in effect. The scheme could produce significant new income of over £500,000 in 2018/19 for Runnymede alone. However much depends on the total ratable value of Surrey increasing, the collection rates being maintained at high levels and changes in the provisions made for appeals not increasing significantly. The Council has not anticipated any increase in retained business rates income in setting the budget for 2018/19 as the income retained from business rates is volatile for the reasons above.

Any additional income received in 2018/19 will be considered by Council when the outcome from the Fair Funding Review is known. The Council's financial plans contain the assumption that future year's income will not reduce, or increase, significantly. Elected members see this as the most prudent approach in preparing their financial plans to fund service delivery in the future.

### Other sources of funding

The previous section has dealt with the reductions in income the Council faces from reduced Government funding from Revenue Support Grant, New Homes Bonus and uncertainty around the Business Rates Retention scheme. The Council has three other sources of income

- Council tax
- Fees and charges for services
- Income from its regeneration schemes

In 2017/18 the income from Fees and charges was just over £5.5 million. Mainly from car parking income, planning fees, trade waste charges etc. The scope for raising additional income is limited by the local economy. A number of fees are also determined by Government legislation.

The Council has one of the lowest tax rates in the UK, for 2017/18 an average (band D) charge was £154.59 a year, or £2.97 a week. Legislation allows the Council to increase its tax by £5 a year or 2%, whichever is the greater. Assuming a realistic increase in the number of dwellings, and a £5 a year tax increase, the additional income of £190k a year will not make up for the loss of Revenue Support Grant and New Homes Bonus or general inflationary pressures all organisations and households face. The table below shows the likely council tax income included in the Council's financial plans.

Council tax income	2016/17	2017/18	2018/19	2019/20	2020/21
Tax base (band D equivalent dwelling numbers)	32,847	32,997	33,147	33,297	33,447
<b>Income</b>	£	£	£	£	£
Runnymede BC Band D tax rate	149.59	154.59	159.59	164.59	169.59
Annual income	4,913,583	5,101,006	5,289,930	5,480,353	5,672,277
Increase		187,424	188,924	190,424	191,924

### **Financial strategies**

In 2012 the Council's elected Members embarked on a number of financial strategies designed to increase income and reduce costs through efficient ways of working with no reductions in services provided. For example the Assistant Chief Executive retired in March 2016 and the post was deleted. In the management restructure that followed in 2017/18 the Chief Executive and Corporate Director of

## Narrative Report to the Statement of Accounts 2017/18

Resources commenced the process of the integration of Customer Services into the Resources section to make a further full year savings of £200,000.

The Council has made efficiency savings of over £6.5 million and reduced the workforce by 16% in the five years to March 2018. At the same time it has increased the General Fund working balance from £2.990 million at 31 March 2011 to £5.971 million at March 2018.

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 make adjustments to the Council's long term plans.

Government has not implemented "negative RSG, giving the County Council and other Surrey districts zero RSG. However the prospect of negative RSG and or reductions in retained business rates has not completely receded for 2019/20 onwards.

The table below shows the income to the Council from Government, business rates retained and council tax. What has been clear to the Council for some time is that council tax alone cannot replace lost government funding, either directly or through business rates retained.

	2015/16	2016/17	2017/18	2018/19	2019/20	TOTAL CHANGE
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue Support grant	1,322	746	290	10	(300)	(1,622)
New Homes Bonus	1,504	2,015	1,314	792	507	(997)
Retained Business Rates	2,491	2,233	1,634	2,402	1,963	(528)
	5,317	4,994	3,460	2,681	2,170	(3,147)
Council tax income	4,637	4,914	5,101	5,344	5,480	843
	9,954	9,908	8,561	7,971	7,650	(2,304)

The Members second objective was to hold reserves to commence major regeneration projects commencing with Addlestone One in 2014 and a major scheme in Egham commencing in late 2018.

The 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.

The table below shows the income and costs for 2017/18 from its asset acquisition strategy and its contribution to replacing reductions in Government funding which cannot be replaced with council tax income alone. As well as making a contribution to the General fund of £3.3m the assets have appreciated in value. Properties in Egham have reduced in value as a number may be demolished as part of a scheme to regenerate Egham Gateway

Investment properties	2017/18	Capital values		TOTAL		Value as at		Increase	
	Actual	TOTAL	Actual	Value as at	31 Mar 18	Increase			
	£'000	£'000	£'000	£'000	£'000	£'000	%		
Income from rents	(10,449)	181,449	186,908	5,459	3.0%				
Running costs - salaries etc.	972								
Interest on borrowing	4,606	19,862	17,106	(2,755)	-13.9%				
Cash benefit	(4,871)	201,311	204,014	2,703	1%				
Less set aside income to repay debt	1,529								
Net income to the general fund	(3,342)								

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The Council has set up three companies to manage part of its infra-structure and commercial investment in the Borough. The first company, RBC Investments (Surrey) Limited, deals with the dwellings for rent provided at full market rent, primarily, but not exclusively, the apartments in Addlestone One.

The second company, RBC Services (Addlestone One) Limited, deals exclusively with the service charges, for the commercial units (hotel, supermarket, cinema etc.), the units sold to a registered social housing provider who provide dwellings at affordable rent levels and those sold to owner occupiers and those rented at full market rents.

The third company, RBC Heat Company Limited, manages the production and sale of heating and hot water to the dwellings and most of the commercial units in the Addlestone One development.

To fund the developments, the Council uses a mixture of its own cash balances and borrowing at an average rate of 2.3%. The income from the regeneration schemes is around 5%. The income stream covers the interest charges and the Council policy is to set aside a further portion of the income to fully repay all borrowing when loans mature. This policy recognises that interest rates are at a low level currently but will rise in the future. In the future the Council will be able to reduce its borrowing and will not need to re-finance loans at potentially higher interest rates.

In 2012 the Council recognised that to fund the first major scheme, Addlestone One, significant sums would be borrowed during construction, with income not being received for some time. For that reason the efficiency savings made, and other commercial income received, have been held in the working balance to pay loan charges during construction.

General Fund working balance								
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Opening balance April	3,043	2,993	5,860	6,174	7,968	9,421	7,981	6,536
Increase / (decrease)	(50)	2,867	314	1,794	1,453	(1,440)	(1,445)	(688)
Closing balance 31 March	2,993	5,860	6,174	7,968	9,421	7,981	6,536	5,848

The Council also plans to use part of the additional income stream to fund the purchase of "short life assets" (plant, equipment, vehicles etc.) from revenue rather than capital receipts.

### 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.

## Narrative Report to the Statement of Accounts 2017/18

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 2018 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.

A further part of the Council's strategy is to prevent loss from fraud. The table below shows the fraud investigation results up to 31 March 2018. Most of the investigations relate to people fraudulently claiming temporary housing through homelessness or social housing fraud. A number of serious frauds have been prevented which maintains the Council's social housing stock for the benefit of residents. The financial values are those assigned by the Government's Cabinet Office and reflect the value to the public purse of preventing a fraud. A number of council tax frauds have also been detected benefiting not only Runnymede BC but also Surrey CC and Surrey Police.

The results below show the activities of the Council's Corporate Fraud officer. Finance officers also work very closely with fraud officers from the Department of Works and Pensions on other types of welfare benefit fraud.

Fraud detected and prevented							
Financial values as assigned by the Cabinet office - value to the public purse							
Tenancy HRA	Housing register	Homelessness	Right to buy	Business rates	C tax support	C tax discount	TOTAL
£	£	£	£	£	£	£	£
488,796	450,189	468,000	407,500	10,415	79,652	14,339	1,918,891

### Property Investment Strategy

A major part of the Council's Corporate Plan is to invest in the Borough's towns as part of a wider regeneration strategy. The two main projects are Addlestone One which commenced in 2013/14 and Egham phase one due to commence in 2018/19.

The elected Members consider each business case on its merits but the financial evaluation includes

- Cost of capital – The Council can take out loans from H.M. Treasury or private sector institutions. Council policy is to borrow at a fixed rate of interest. The loans are “maturity loans” so the Council pays interest only. Maturity loans have the advantage of reducing cash payments. However in the next two years the Council plans to move to annuity loans which reduce the loan outstanding over time. The business cases assume interest is charged at 3% and the total cost of the scheme is financed by loan. The tables below show the Council has consistently borrowed at rates below 3% producing further savings to the Council.
- A business case assumes the income will give a return on investment of around 5%.

## Narrative Report to the Statement of Accounts 2017/18

- Part of the income set aside is invested to enable loans to be fully repaid when they mature as elected Members recognise that while interest rates are low at present, future rates may not be attractive and the Members wish to give future councilors the opportunity of being debt free.

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 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.

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.

Council policy is to only borrow to finance property construction e.g. Addlestone One or property acquisition to facilitate future regeneration schemes. The Council has owned a number of premises in Egham and has acquired more to prepare for a major regeneration scheme which will commence in 2018, subject to a business case and planning permission

### **General Fund Borrowing**

<b>General fund borrowing as at 31 March 2018</b>						
Loan	Repaid	Balance		End date	Original term	2017/18 interest
£	£	£				£
400,000		400,000	2.40%	28/03/22	10	9,600
506,000		506,000	2.40%	28/03/22	10	12,144
430,000		430,000	2.40%	28/03/22	10	10,320
3,000,000	(2,500,000)	500,000	1.3%	09/02/18	3	59,301
5,000,000	(5,000,000)	0	0.0%	30/09/18	3	0
5,000,000		5,000,000	1.97%	17/08/20	5	98,500
10,000,000		10,000,000	2.56%	17/08/25	10	256,000
15,000,000		15,000,000	2.76%	04/12/30	15	414,000
4,000,000		4,000,000	2.16%	08/06/28	12	86,400
10,000,000		10,000,000	2.44%	12/07/46	30	244,000
20,000,000		20,000,000	1.88%	01/09/61	45	376,000
10,000,000		10,000,000	2.07%	29/09/63	47	207,000
14,000,000		14,000,000	2.07%	29/09/63	47	289,800
20,000,000		20,000,000	2.62%	16/12/66	50	524,000
20,000,000		20,000,000	2.57%	20/01/65	48	514,000
15,000,000		15,000,000	2.34%	04/04/62	45	347,153
15,000,000		15,000,000	2.34%	04/04/62	45	347,153
20,000,000		20,000,000	2.35%	05/04/63	46	463,562
10,000,000		10,000,000	2.30%	12/06/67	50	184,000
10,000,000		10,000,000	2.19%	23/01/28	10	40,200
15,000,000		15,000,000	2.45%	08/02/68	50	51,349
15,000,000		15,000,000	2.45%	08/02/68	50	51,349
5,000,000		5,000,000	0.65%	21/05/18	3 months	888
10,000,000		10,000,000	2.40%	05/03/67	49	17,096
10,000,000		10,000,000	2.28%	27/03/66	48	2,499
<b>262,336,000</b>	<b>-7,500,000</b>	<b>254,836,000</b>				<b>4,606,315</b>
						Interest paid on borrowing 2017/18
						1.81%
						Full year interest rate
						2.30%

## Narrative Report to the Statement of Accounts 2017/18

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The table below demonstrates how the Council uses its cash reserves and capital receipts to fund part of its Property Investment Strategy and consistently borrow less than it spends to reduce interest payments. For a number of years interest rates have been historically low, but most economists agree they will increase in the later part of 2018/19. The Council will continue to borrow to fund its regeneration strategy but use its cash reserves to temporarily fund schemes until interest rates for borrowing are favorable.

	2017/18
Total property spend	222,547,264
Add Addlestone One	63,181,000
	285,728,264
Total borrowing	254,836,000

### Impact of the economic climate

The economic climate has a significant impact on the valuation of assets and liabilities, and the cost of services that the Council provides.

#### 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 5 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.

However, the present economic climate has resulted in more volatile asset values. 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.

All of our commercial assets have been valued as at 31 January 2018.

#### Financial assets

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 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 2018. The cost of any impairment (bad debts in this case) is included in the comprehensive income and expenditure statement.

### Company accounts

The Council has set up three Limited Companies as part of its ongoing regeneration and investment strategy. These are as follows:

1. RBC Investments (Surrey) Ltd. Formed in January 2015 the company holds investments in residential property in the Borough and acts as the holding company for RBC Services (Addlestone One) Ltd. The Council owns 100% of the shares.
2. RBC Services (Addlestone One) Ltd. The Council owns 1% of the shares and the RBC Investments (Surrey) Ltd owns 99% of the shares. The company has been set up to publicise



## Narrative Report to the Statement of Accounts 2017/18

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and promote the Addlestone One development and to carry out its ongoing maintenance, landscaping, cleaning, residential concierge services, security, CCTV etc.

3. RBC Heat Company Ltd. is 100% owned by RBC Services (Addlestone One) Ltd. The company provides heat, hot water and light to all of the residential properties and any commercial units who wish to buy it in Addlestone One.

The Boards of the two active companies have appointed a local firm of accountants, CSL Partnership Ltd, to prepare the company accounts, audit and tax returns. The Statement of Accounts includes the Group Comprehensive income and expenditure account, Movement in Reserves Statement, Balance sheet and Cash Flow Statement.

### 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 2018. It comprises core and supplementary 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 2017/18, which in turn is underpinned by International Financial Reporting Standards;

The financial statements are divided into 'core' statements and 'supplementary' statements. The core statements are the:

- Comprehensive income and expenditure statement
- Movement in reserves statement
- Balance sheet
- Cash flow statement

The supplementary statements are:

- Housing Revenue Account (HRA)
- Collection fund
- Group Accounts

The purpose of each of these statements is set out at the beginning of each statement and they are supported by notes. The Councils accounting policies remain unchanged for 2017/18.

There have been several changes to the Statements this year to reflect the new reporting requirements of the Code. The new requirements can be seen in the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement and in the notes with the introduction of a new Expenditure and Funding Analysis note.

The Expenditure and Funding Analysis note shows how annual expenditure is used and funded from resources (Government Grants, HRA dwelling rents, council tax and retained 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.

The Council has prepared consolidated Group Accounts.

### Movement in reserves statement

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



## Narrative Report to the Statement of Accounts 2017/18

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 2018 in January 2017 and risk assessed those items which could cause an increase in expenditure or income. The Council's policy is to maintain a working balance of over £2.3m 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. As the Council's income from its Regeneration Strategy has significantly increased, the General Fund minimum balance has been increased from £2.3 million to £3.3 million. Council has considered the financial risks it faces in 2018/19 onwards in great detail and judges this sum to a prudent contingency.

<b>Useable Reserves - General Fund</b>						
	General fund balance	Earmarked Reserves	Total usable revenue reserves	Capital receipts reserve	Capital grants unapplied reserve	Total usable capital reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Balance 1 April 2017	6,536	2,130	8,666	14,282	926	15,208
Increase / (decrease) in the year	(688)	2,830	2,142	(8,499)	457	(8,042)
Balance 31 March 2018	5,848	4,960	10,808	5,783	1,383	7,166

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.

### 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 2017/18 of £34.711m, compared to the surplus of £29.523m for 2016/17.

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 take into account when setting local taxes. The entries in this statement turn the overall net surplus of £36.861m into a surplus in the General Fund balance of £5.848m.

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 fixed assets (now renamed 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.

## Narrative Report to the Statement of Accounts 2017/18

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The Council set its budget and council tax for 2017/18 at a meeting of the Full Council in February 2017. The following table compares the major elements of the budget and the result in 2017/18:

<b>Comparison of Budget to actual for the General Fund 2017/18</b>			
	Original budget	Revised budget	Actual
	£'000	£'000	£'000
<b>Net expenditure on services</b>	<b>1,282</b>	<b>4,346</b>	<b>3,812</b>
Transfers to and from other reserves		(115)	2,385
Financing and investments	8,020	6,732	5,670
Government grants	(1,601)	(1,605)	(1,679)
Business rates retained	(1,847)	(1,847)	(4,348)
Council tax (net of collection fund adjustments)	(5,152)	(5,152)	(5,152)
	702	2,359	688

The significant changes at Net expenditure on General Fund services level between the revised budget and actual expenditure that arose are listed below:

## Narrative Report to the Statement of Accounts 2017/18

	Increase in Cost or reduced income £000	Reduction in costs or increased income £000
<b>General</b>		
Planned underspends - controlled centrally		556
Depreciation - controlled centrally		273
<b>Housing Services</b>		
Property Leases - lower property running costs		29
Reduced numbers of clients placed in Bed & Breakfast accommodation (net)		22
Magna Carta Lettings - lower than budgeted costs of rent deposits etc		36
Increased housing benefit administration costs	43	
Increased government grants to cover costs of new housing benefit initiatives.		48
<b>Community Services</b>		
Net increase in salary/wages	72	
Reduction in building maintenance work undertaken		48
Community transport - additional income from Partnership work		45
Community transport - additional income from fees and charges		22
Parks - increased income		30
Cemeteries - additional income		61
<b>Environmental and Sustainability Services</b>		
Net salary/wages savings		158
Net variation in vehicle costs		21
Additional refuse tipping away compensation		70
Car parks – net increase in income		36
Yellow bus s106 income not forthcoming	196	
<b>Corporate Management</b>		
Corporate management – New initiatives fund not required		24
Corporate management – Business transformation restructuring & review		23
Increased termination costs from revenues restructure	78	
Corporate property management– maintenance expenditure, offset by recoveries		45
Corporate property management– service charges partially offset by recoveries	169	117
Corporate property management – increased provision for compensation costs	41	
Corporate property management - rents target not met due to a delay in acquisitions	689	
(Loss of income offset by lower borrowing costs shown under Financing and Investments in table above)		
Corporate property development - variation on development scheme costs (net)		285
Financial services - salary savings		51
Computer services - salary savings		38
Computer services - communications and computing provision not required		30
Document management - salary savings		40
Runnymede Web services - salary savings		49
Runnymede Web services - supplies & services savings		21
<b>Planning Services</b>		
Planning Policy & Strategy - Salaries		22
Planning Policy & Strategy - Consultancy (Local Plan)	43	
Development Management - Variations in income		86
Building Control - Salaries		60
Building Control - Decreased Application/ Inspection Fees	27	
<b>Total Significant changes</b>	<b>1,358</b>	<b>2,346</b>

The planned underspends of 556k have been budgeted for, but not completed in 2017/18; the budget has been carried forward to 2018/19 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 2018/19.

## Narrative Report to the Statement of Accounts 2017/18

### Pension accounting

The provision of public service pensions represents a substantial revenue cost and a long-term liability for the Council. There has been minimal change in the accounting valuation and the actuary does not require any additional contributions to the fund in 2018/19

#### Surrey Pension Fund

Runnymede Borough Council is a contributor to the statutory pension fund administered by Surrey County Council. The fund actuary (Hymans Robinson) 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 2016) compiled by Hymans Robinson disclosed that Runnymede's element of the Pension Fund had a funding level of 86%. 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 2018 is a deficit of £38.879m, (£37.729m as at 31 March 2017).

The pension fund deficit of £38.879m 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.

In 1990, the Council introduced a scheme whereby staff with 10 years satisfactory service with Runnymede qualified for a final-year enhancement of salary of up to 10%. The scheme was abolished with effect from 1 April 2011. In March 2011, Counsel's advice commissioned by Runnymede and the Surrey Pension Fund concluded that the final-year salary enhancements were not pensionable pay under the rules of the Local Government Pension Scheme (LGPS). The accounting treatment of these pensions is broadly the same whether the pension liability sits inside the LGPS or elsewhere.

However, there is a direct impact on the Council balances of this change. The charges to the General Fund and HRA for pensions through the LGPS are limited by Regulations to those cash sums determined by the fund actuary. However, there are no mitigating rules for pension payments made outside the statutory scheme. Therefore, the liabilities for pensions that sit outside the LGPS are a direct charge to the General Fund and HRA. The liability for the final-year pay enhancement pensions totalled £0.934m at 31 March 2018 (£0.960m at March 2017).

### Balance Sheet

The Balance Sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves 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 reserves 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). Each of the categories in the balance sheet has notes attached giving more details behind the figures.

## Narrative Report to the Statement of Accounts 2017/18

### Cash flow statement

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.

### 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 2017/18:

Comarison of budget to actual for the net cost of HRA services in 2017/18					
	Original budget	Revised budget	Actual	Variance	Reason for variance
	£'000	£'000	£'000	£'000	
Management expenses	2,949	2,956	2,740	(216)	Salary vacancies, external costs on major works, schemes
Housing repairs and maintenance	7,328	6,218	5,756	(462)	Slippage in the Major Works programme and reduced void & demand maint. costs
Debt charges	3,426	3,426	3,426	0	
Depreciation	1,789	1,789	3,233	1,444	Changes in the way accounting depreciation is charged for previous years
<b>TOTAL EXPENDITURE</b>	<b>15,492</b>	<b>14,389</b>	<b>15,155</b>	<b>766</b>	
Rent income and charges	16,435	16,439	16,490	51	
Investment income	45	74	121	47	
Use of capital reserves	3,370	2,565	2,328	(237)	To reflect reduced cost of Repairs.
	19,850	19,078	18,939	(139)	
<b>Surplus for the yer</b>	<b>4,358</b>	<b>4,689</b>	<b>3,784</b>	<b>(905)</b>	

The HRA balance has increased from £17.506 million at 1 April 2017 to £19,424 million and the major repairs reserve reduced from £3.849 million to £4.737 million as at 31 March 2018. The Councils policy is to maintain its stock to meet the decent homes standard and also to set aside resources to repay the HRA debt taken out in March 2012 to end the Governments negative HRA subsidy regime.

### 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.

## Narrative Report to the Statement of Accounts 2017/18

### Capital finance

Capital expenditure totalled £106.590 million in 2017/18. This was financed by the use of 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

Capital financing summary 2017/18								
	Budget	Gross	Grants &	Capital	GF Revenue	HRA Revenue	HRA Major	Borrowing
	£	Expend	Contributions	Receipts	Reserves	Reserves	Reserve	
	£	£	£	£	£	£	£	£
Works to the housing stock - HRA	6,759,853	5,395,726	339,611	843,764		1,867,859	2,344,492	
Private sector - improvement grants etc.	917,115	331,318	331,318					
Environmental Services	1,041,955	482,449	0	482,449				
Community Development	515,406	339,342	116,424	126,474	96,444			
Property investment and regeneration	174,808,683	162,645,555		24,007,680				138,637,875
Future provision	92,113,247	0		0				
Corporate management	450,940	396,052		180,811	215,241			
	276,607,199	169,590,441	787,353	25,641,178	311,685	1,867,859	2,344,492	138,637,875

### 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 £14.282m in available capital receipts and ended with £5.783m.

The sale of dwellings under right-to-buy legislation or sales of HRA land and legislation requires this is 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 £5.783m at the year end, all 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 2017/18 this payment was £0.435m.

### Audit

The auditor appointed by Public Sector Audit Appointments Ltd (PSAA) for the Council is KPMG LLP.

Regulations give members of the public a statutory right for 20 working days to inspect the accounts before the audit is completed. For 2017/18 the inspection dates were 1 June 2018 until 12 July 2018 inclusive.

The auditor has issued a *report to those charged with governance (ISA 260) 2017/18* that sets out the key issues the auditor identified during their audit of the statement of accounts. This report is available on the Council's website.

### 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 Revenue Support Grant. The other risks the Council faces include increased inflation, interest rate increases and other unknown events.

The Council holds significant usable financial reserves to mitigate those risks.

## Narrative Report to the Statement of Accounts 2017/18

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- The General Fund balance stands at £5.848m and other General Fund Earmarked Reserves total £4.960m at 31 March 2018.
- The balance in the ring-fenced Housing Revenue Account stands at £19.424m.
- The balance in the Housing Revenue Account – Major Repairs Reserve stands at £4.737m
- Capital receipts are £5.783m at 31 March 2018.

The Councils financial strategies commit part of the General Fund balance to fund its Regeneration Strategy. Addlestone One will be completed in phases over 2017 and 2018. The income from that development will replenish balances and also fund the major schemes to commence in Egham in 2018/19.

The Council invests over £10 million in relatively short life assets which include refuse collection vehicles, Meals at Home and Community transport vehicles. The additional income streams from the regeneration strategies will allow the Council to set up a “Repairs and Renewals” fund to spread the cost of vehicle, plant and equipment over a number of years.

The Council also plans to use the income to increase service provision and remain one of the lowest tax rate Councils in the country.

All of these plans are contained in the Council’s “Medium Term Financial Strategy” which can give readers more detail on the Councils plans to not only remain financially stable, but increase spending on services where possible.

The Statement of Accounts was signed by me on 31 May 2018 as the Councils 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.

There have been no material events which would alter the financial statements or any other items I would wish to draw to reader’s attention after the 31 March 2018.

I have set out on the following page the responsibilities of the Council and my responsibilities as the Corporate Director of Resources for the accounts. This shows the requirements of the legislation together with my professional and legal responsibilities for the statement of accounts.

### Further information

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**  
**Corporate Director of Resources**  
**July 2018**

## 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 Corporate Director of Resources;
  - Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
  - Approve the Statement of Accounts.
- 

### The Corporate Director of Resources' responsibilities

The Corporate Director of Resources 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 Corporate Director of Resources 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 Corporate Director of Resources 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 Corporate Director of Resources

I certify that the Statement of Accounts for 2017/18 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 2018.

**Mr P McKenzie**  
Corporate Director of Resources

**Date: 26 July 2018**

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### Certification of approval by the Corporate Management Committee

The Statement of Accounts 2017/18 was approved by the Corporate Management Committee of the Council on 26 July 2018.

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

**Date: 26 July 2018**



# Auditor's report to the Council

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

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Opinion

We have audited the financial statements of Runnymede Borough Council ('the Authority') for the year ended 31 March 2018 which comprise the Authority and Group Comprehensive Income and Expenditure Statements, the Authority and Group Balance Sheets, the Authority and Group Movement in Reserves Statements, the Authority and Group Cash Flow Statements, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority and the Group as at 31 March 2018 and of the Authority's and the Group's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Authority in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

#### Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

#### Other information published with the financial statements

The Corporate Head of Resources is responsible for the other information published with the financial statements, including the Narrative Statement and the Annual Governance Statement. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information. In our opinion the other information published with the financial statements for the financial year is consistent with the financial statements.

#### Corporate Head of Resources responsibilities

As explained more fully in the statement set out on page 22, the Corporate Head of Resources is responsible for: the preparation of the Authority's 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 2017/18; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Authority's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting on the assumption that the functions of the Authority and the Group will continue in operational existence for the foreseeable future.

#### Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities)

# Auditor's report to the Council

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## REPORT ON OTHER LEGAL AND REGULATORY MATTERS

### Report on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

#### Conclusion

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, Runnymede Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

#### Respective responsibilities in respect of our review of arrangements for securing economy, efficiency and effectiveness in the use of resources

The Authority 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.

We are required under Section 20(1) (c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We report if significant matters have come to our attention which prevent us from concluding that the Authority 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 Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether Runnymede Borough 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 Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Runnymede Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

#### Statutory reporting matters

The Code of Audit Practice requires us to report to you if:

- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit;
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014;
- an application has been made 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;
- an advisory notice has been issued under Section 29 of the Local Audit and Accountability Act 2014;
- an application for judicial review has been made under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

## THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, 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 members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

## CERTIFICATE OF COMPLETION OF THE AUDIT

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

**Joanne Lees**  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
15 Canada Square  
London  
E14 5GL

**Date:** September 2018

## Comprehensive income and expenditure statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices rather than the amount to be funded from taxation (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 accompanying notes form part of the financial statements.

Year ended 31 March 2017			Note	Year ended 31 March 2018		
Expend £000	Income £000	Net £000		Expend £000	Income £000	Net £000
<b>Gross expenditure, gross income and net expenditure of continuing operations</b>						
10,822	17,325	(6,503)	Housing Revenue Account	10,386	16,880	(6,494)
25,602	23,687	1,915	Housing Committee	25,651	23,312	2,339
7,331	2,716	4,615	Community Services Committee	7,828	2,608	5,220
6,213	2,784	3,429	Environmental & Sustainability Committee	6,415	2,691	3,724
288	195	93	Licensing & Regulatory Committees	302	188	114
2,501	1,246	1,255	Planning Committee	3,194	1,880	1,314
6,300	1,807	4,493	Corporate Management Committee	7,879	2,418	5,461
Exceptional costs -						
(17,715)		(17,715)	Reversal of previous impairments charged to the CIES	(a)	(7,804)	0
<u>41,342</u>	<u>49,760</u>	<u>(8,418)</u>	<b>Cost Of Services</b>		<u>53,851</u>	<u>49,977</u>
		(627)	Other operating expenditure	9		(384)
		5,285	Financing and investment income and expenditure	10		(21,030)
		(11,146)	Taxation and non-specific grant income	11		(9,626)
		<u>(14,906)</u>	<b>(Surplus) or deficit on provision of services</b>			<u>(27,166)</u>
<b>Items that will not be reclassified to the (surplus) or deficit on provision of services:</b>						
	(23,646)		(Surplus) or deficit on revaluation of non-current assets	25.1		(6,509)
	16		Impairment losses on non-current assets charged to the Revaluation Reserve	25.1		657
	8,977		Remeasurement of the net defined benefit liability or (asset)	35		(1,634)
<b>Items that will be reclassified to the (surplus) or deficit on provision of services upon the sale of investments:</b>						
		36	(Surplus) or deficit on revaluation of available for sale assets	25.2		(59)
		<u>(14,617)</u>	<b>Other comprehensive income and expenditure</b>			<u>(7,545)</u>
		<u>(29,523)</u>	<b>Total comprehensive income and expenditure</b>			<u>(34,711)</u>

(a) accounting adjustments to bring HRA valuations in line with national indices

## Movement in reserves statement

This 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 adjustments. The accompanying notes form part of the financial statements.

	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>Movement in Reserves during 2017/18</b>										
Total comprehensive income and expenditure		14,889	0	12,277	0	0	0	27,166	7,545	34,711
Adjustments between accounting basis and funding basis under regulations	12	(15,577)	2,830	(10,359)	888	(8,499)	457	(30,260)	30,260	0
<b>Increase (decrease) in the year</b>		<b>(688)</b>	<b>2,830</b>	<b>1,918</b>	<b>888</b>	<b>(8,499)</b>	<b>457</b>	<b>(3,094)</b>	<b>37,805</b>	<b>34,711</b>
Balance at 31 March 2017		6,536	2,130	17,506	3,849	14,282	926	45,229	233,461	278,690
Increase (decrease) in the year		(688)	2,830	1,918	888	(8,499)	457	(3,094)	37,805	34,711
<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>
<b>Movement in Reserves during 2016/17</b>										
Total comprehensive income and expenditure		(3,523)	0	18,429	0	0	0	14,906	14,617	29,523
Adjustments between accounting basis and funding basis under regulations	12	2,078	11	(15,012)	1,757	10,340	454	(372)	372	0
<b>Increase (decrease) in the year</b>		<b>(1,445)</b>	<b>11</b>	<b>3,417</b>	<b>1,757</b>	<b>10,340</b>	<b>454</b>	<b>14,534</b>	<b>14,989</b>	<b>29,523</b>
Balance at 31 March 2016		7,981	2,119	14,089	2,092	3,942	472	30,695	218,472	249,167
Increase (decrease) in the year		(1,445)	11	3,417	1,757	10,340	454	14,534	14,989	29,523
<b>Balance at 31 March 2017</b>		<b>6,536</b>	<b>2,130</b>	<b>17,506</b>	<b>3,849</b>	<b>14,282</b>	<b>926</b>	<b>45,229</b>	<b>233,461</b>	<b>278,690</b>

Note (a) The Capital Receipts reserve includes £5.784m for HRA debt repayment and Housing 1-4-1 replacements as at 31 March 2018 (£5.320m at 31 March 2017)

## Balance sheet

The balance sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves 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 are 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". The accompanying notes form part of the financial statements.

31 March 2017 £000		Note	31 March 2018 £000
344,899	Property, plant and equipment	13	412,983
168,261	Investment property	16	270,243
267	Intangible assets	17	450
10	Long-term investments	18	10
2,030	Long-term debtors	18	10,690
515,467	<b>Long term assets</b>		<b>694,376</b>
36,784	Short-term investments	18	38,413
109	Inventories and work in progress	20	73
10,739	Short-term debtors and payments in advance	19.1	7,020
(1,826)	Provision for impairment on gross debtors	19.2	(1,858)
14,292	Cash and cash equivalents	21	3,439
60,098	<b>Current assets</b>		<b>47,087</b>
(5,163)	Short term borrowing	18	(5,697)
(18,059)	Short-term creditors	22	(25,091)
(3,129)	Provisions	23	(7,100)
(3)	Grants received in advance	32	(3)
(26,354)	<b>Current liabilities</b>		<b>(37,891)</b>
(232,792)	Long term borrowing	18	(351,292)
(37,729)	Liability related to pensions	35	(38,879)
(270,521)	<b>Long term liabilities</b>		<b>(390,171)</b>
278,690	<b>Net assets</b>		<b>313,401</b>
45,229	<b>Usable reserves</b>	MIRS	42,134
233,461	<b>Unusable reserves</b>	25	271,267
278,690	<b>Total reserves</b>		<b>313,401</b>

## Cash flow statement

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 accompanying notes form part of the financial statements.

2016/17 £000		Note	2017/18 £000
(14,906)	<b>Net (surplus) or deficit on the provision of services</b>		<b>(27,166)</b>
(7,973)	Adjustments to net surplus or deficit on the provision of services for non-cash movements		<b>(14,230)</b>
16,984	Adjustments for items included in the net surplus on the provision of services that are investing or financing activities		<b>(52,942)</b>
(5,895)	Net cash flow from operating activities	26	<b>(94,338)</b>
100,827	Investing activities	27	<b>224,648</b>
(98,278)	Financing activities	28	<b>(119,457)</b>
(3,346)	<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>10,853</b>
(10,946)	<b>Cash and cash equivalents at the beginning of the reporting period</b>		<b>(14,292)</b>
<u>(14,292)</u>	<b>Cash and cash equivalents at the end of the reporting period</b>	21	<u><b>(3,439)</b></u>

## 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 2017/18 financial year and the position at the year-end of 31 March 2018. 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 2017/18* (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.

There are no changes in accounting policy for 2017/18.

#### 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.

##### 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

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

## Notes to the financial statements

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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 Contingent assets & liabilities

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

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. Contingent liabilities are not recognised in the balance sheet, but are disclosed in a note to the accounts.

### 1.6 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.

### 1.7 Employee benefits

#### Benefits payable during employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which



## Notes to the financial statements

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

Termination benefits are amounts payable as a result of a decision by the Council to terminate an employee's employment before normal retirement age or an employee's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service line in the comprehensive income and expenditure statement when the Council is demonstrably committed to the termination of the employment of an employee or group of employees or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the general fund balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the movement in reserves statement, appropriations are required to and from the pensions reserve to remove accounting entries for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and any amounts payable but unpaid at the year-end.

### 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: The increase in liabilities as result of years of service earned this year, allocated in the comprehensive income and expenditure statement to the revenue account of services for which employees worked.
  - Past service cost: The increase in liabilities arising from current year decisions whose effect relates to years of service earned in previous years, debited to the surplus or deficit on the provision of services in the comprehensive income and expenditure statement as part of non distributed costs.
  - Interest cost: The expected increase in the present value of liabilities during the year as they move a year closer to being paid, debited to the financing and investment income and expenditure line in the comprehensive income and expenditure statement.

## Notes to the financial statements

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- Expected return on assets: The annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return, credited to the financing investment income expenditure line in the comprehensive income and expenditure statement.
- Gains or losses on settlements and curtailments: The results of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees, debited to the surplus or deficit on the provision of services in the comprehensive income and expenditure statement as part of non distributed costs.
- Actuarial gains and losses: changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions, debited or credited as appropriate to the comprehensive income and expenditure statement.
- Contributions paid to the Surrey Pension fund: Cash paid as employer's contributions to the pension fund in settlement of liabilities.

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.

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.

### Valuation of pension fund assets and liabilities

Regular 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.

## **1.8 Events after the balance sheet date**

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

Two types of events can be identified:

- Those that provide evidence of conditions existing at the balance sheet date; the statement of accounts is adjusted to reflect such events
- Those that are indicative of conditions that arose after the balance sheet date; the statement of accounts is not adjusted to reflect such events, but where an event would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

## Notes to the financial statements

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Events taking place after the date of authorisation for issue are not reflected in the statement of accounts.

### 1.9 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.

### 1.10 Financial instruments

#### Financial liabilities

Financial liabilities are recognised on the balance sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the financing and investment income and expenditure line in the comprehensive income and expenditure statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. All interest on borrowings is currently paid on 31 March and, therefore, the amount presented in the balance sheet is the outstanding principal repayable and the interest charged to the comprehensive income and expenditure statement is the amount payable for the year in the loan agreement.

#### Financial assets

Financial assets are classified into two types:

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

#### Loans and receivables

Loans and receivables 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 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 loans that the Council has made, this means the amount presented in the balance sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the comprehensive income and expenditure statement 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 balance is managed by a transfer to or from the financial instruments adjustment account in the movement in reserves statement.

## Notes to the financial statements

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

### Available-for-sale assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (for example dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

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

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 Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

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

### **1.11 Government grants and contributions**

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

- the Council will comply with the conditions attached to the payments, and
- the monies will be received

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

Monies advanced as grants or contributions for which conditions have not been satisfied are carried in the balance sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the

## Notes to the financial statements

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relevant service line (for attributable revenue grants and contributions) or taxation and non-specific grant income (non-ringfenced revenue grants and all capital grants) in the comprehensive income and expenditure statement.

Where capital grants are credited to the comprehensive income and expenditure statement, they are reversed out of the general fund balance in the movement in reserves statement. Where the capital grant or contribution has been received and no conditions remain outstanding at the balance sheet date and it 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.

Where a capital grant or contribution has been received and the conditions remain outstanding at the balance sheet date, the grant or contribution is held in the capital grants receipts in advance account.

### 1.12 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.

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.

### 1.13 Interests in companies and other entities

Group accounts should be 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.

### 1.14 Inventories

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.

### 1.15 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.

## Notes to the financial statements

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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.

### 1.16 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)

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

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant and equipment; applied to write down the lease liability, and
- A finance charge, debited to the financing and investment income and expenditure line in the comprehensive income and expenditure statement.

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated 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)

## Notes to the financial statements

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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.

### 1.17 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)*.

### 1.18 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
- 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 revaluated 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.

## Notes to the financial statements

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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.

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

- Where there is a balance of revaluation gains for the asset in the revaluation reserve, the carrying amount of the asset is written down against 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.

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

### Depreciation

Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a 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 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

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is classified as an asset held for sale. Assets held for sale comprises assets that are available for immediate sale in its present condition and where the sale is highly probable. There will be an agreed plan to sell the asset, an active programme to find a buyer, an active marketing exercise at a price that is reasonable in relation to its current fair value, and a completed sale is expected within one year of the date of the classification of the asset. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the other operating expenditure line in the comprehensive income and expenditure statement. Gains in fair value are



## Notes to the financial statements

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recognised only up to the amount of any previously recognised losses recognised in the surplus or deficit on provision of services. Depreciation is not charged on assets held for sale.

If assets no longer meet the criteria to be classified as assets held for sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale - adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as assets held for sale - and the recoverable amount at the date of the decision not to sell.

Assets that the Council intends to sell at some point, but which do not meet the criteria set out in this policy, are treated as surplus assets.

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

When an asset is disposed of or decommissioned, the 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.

Amounts in excess of £10,000 are categorised as capital receipts.

A pre-determined proportion of receipts relating to housing disposals are payable to the government. The balance of receipts is split in accordance with the government formula with some being retained by the Council to use as it wishes and the remaining balance being credited to the capital receipts reserve, which can then only be used for new capital investment. Receipts are appropriated to the capital receipts reserve from the general fund balance in the movement in reserves statement.

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

### 1.19 Provisions

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

Provisions are charged to the appropriate service line in the comprehensive income and expenditure statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the likely settlement. When payments are eventually made, they are charged to the provision carried in the balance sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less probable that a transfer of economic benefits will be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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

### 1.20 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.

## Notes to the financial statements

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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.

### 1.21 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.

### 1.22 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.
- 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.

### 1.23 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. This applies to the adoption of the following new or amended standards within the 2017/18 Code:

- (a) **IFRS 9 Financial Instruments** has been implemented in the 2018/19 CIPFA Accounting Code of Practice. Its introduction will see the classifications of financial assets change to Amortised Cost, Fair Value through Comprehensive Income and Fair Value through Profit and Loss, from the previous categories of Loans and Receivables, Available for Sale and Fair Value through Profit and Loss. The second main change will be the introduction of an expected credit loss model for particular asset types, rather than an impairment of the asset resulting from a specific incident.

Certain aspects of the introduction of IFRS 9 have been adapted for local authorities, effectively removing the IFRS 9 implications. These cover such areas as soft loans, Lender Option Borrowing Option (LOBO) loans, immaterial transactions, exchanges of debt instruments and hedge accounting.

The impact of these changes on the Council's financial position can be summarised as follows (choose those applicable):

- The Council currently holds shares in a subsidiary company which forms part of its business model. Under the IFRS 9 changes these shares will be elected to be categorised as Fair Value through Comprehensive Income which, subject to any impairment, will be held at cost with fuller details of the company shown in the Group Accounts.
  - The Council currently hold investments in property/bond/multi asset funds which, under the revised arrangements, will no longer be classified as Available for Sale, but Fair Value through the Profit and Loss. This will mean any capital gains or losses will have a direct impact on the General Fund Balance. The Council currently holds £4m of such assets. There are indications that the Government will introduce a statutory over-ride to protect short term fluctuations from impacting on the General Fund Balance, although details of this arrangement have not yet been formalised.
  - The expected credit loss implications for those financial assets not treated as Fair Value are expected to be minimal for the majority of the treasury investments as the Council adopts strict credit quality arrangements in accordance with the CIPFA Treasury Management Code of Practice. In addition to the day to day treasury investments the Council also has outstanding loan agreements with third parties. Excluding loan to group companies, there is currently 1 loan totalling £90,000. The Council undertook due diligence on the credit quality of these third parties during the awarding of the loans and there is no indication of credit impairment or default at the time these accounts were finalised.
- (b) **IFRS 15 Revenue from Contracts with Customers** presents new requirements for the recognition of revenue, based on a control-based revenue recognition model. The Council does not have any material revenue streams within the scope of the new standard.
- (c) **IAS 7 Statement of Cash Flows (Disclosure Initiative)** will potentially require some additional analysis of Cash Flows from Financing Activities in future years. If the standard had applied in 2017/18 there would be no additional disclosure because the Council does not have activities which would require additional disclosure.

## Notes to the financial statements

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### 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 about future levels of funding for local government. The Council anticipates that the pressures on public expenditure will continue to be severe. These pressures will be mitigated by further service area and corporate savings, and a limited use of reserves. An assessment of the ongoing pressures and means of mitigation has been made by way of the Council's Medium Term Financial Strategy (MTFS) which has assessed the period to 31 March 2022. As a consequence, the Council is of the view that the level of uncertainty is not significant enough in terms of its anticipated impact to warrant an impairment of assets due to reduced levels of service provision, or a need to close facilities.
2. The Council acts as lessor in a large number of property transactions, mainly involving the letting of land and buildings to third parties. In deciding whether these transactions score as finance leases or operating leases under the accounting requirements of *IAS 17 leases* it has been necessary to make judgements about the underlying economic substance of the lease agreement. Details of the councils leases can be found in Note 34.
3. 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. Estimated fair values may vary from the actual prices that would be achieved in an arms length transaction at the reporting date.

### 4 Events after the balance sheet due

The statement of accounts was authorised for issue by the Corporate Head of Resources on 31 May 2018. 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 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## 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
Property, plant and equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain a full maintenance programme for all its assets, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings (excluding council houses) would increase by £75,261 for every year that useful lives had to be reduced.
Fair Value Measurements	<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>
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 £12.114m. The effects of other assumptions made in relation to the Pensions liability can be found in Note 35.
Business Rates	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 2017. 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 £1,820,000, which in turn would increase or decrease the deficit on the Collection Fund by £1,820,000. The Council's share of the increase or decrease would be £728,000, which would increase or decrease the surplus on provision of services in the CIES.

## Notes to the financial statements

## 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 2018

Note	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis			Net Expenditure in the Comprehensive Income and Expenditure Statement
		Adjustments for Capital Purposes (Note 1)	Net change for the Pensions Adjustments (Note 2)	Other Differences (Note 3)	
	£000	£000	£000	£000	£000
	(3,785)	598	344	(3,651)	(6,494)
	1,887	331	302	(181)	2,339
	4,482	27	596	115	5,220
	3,147	74	503	0	3,724
	69	0	45	0	114
	1,382	0	348	(416)	1,314
	(5,203)	1,238	(293)	9,719	5,461
	0	(7,804)	0	0	(7,804)
<b>Net Cost Of Services</b>	<b>1,979</b>	<b>(5,536)</b>	<b>1,845</b>	<b>5,586</b>	<b>3,874</b>
<b>Other Income and Expenditure</b>	<b>(3,206)</b>	<b>(1,630)</b>	<b>965</b>	<b>(27,169)</b>	<b>(31,040)</b>
<b>(Surplus) or deficit on provision of services</b>	<b>(1,227)</b>	<b>(7,166)</b>	<b>2,810</b>	<b>(21,583)</b>	<b>(27,166)</b>
<b>Opening General Fund and HRA Balance</b>	<b>(24,042)</b>				
(Surplus) or deficit on General Fund and HRA Balance in the year	(a) (1,227)				
<b>Closing General Fund and HRA Balance at 31 March</b>	<b>(25,269)</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 2017

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	(3,417)	389	140	(3,613)	(3,084)	(6,501)
Housing Committee	1,423	358	118	16	492	1,915
Community Services Committee	4,293	22	251	49	322	4,615
Environmental & Sustainability Committee	2,891	295	215	28	538	3,429
Licensing & Regulatory Committees	77	0	15	0	15	92
Planning Committee	1,179	0	130	(54)	76	1,255
Corporate Management Committee	795	1,803	(670)	4,370	5,503	6,298
Exceptional items	0	(19,521)	0	0	(19,521)	(19,521)
<b>Net Cost Of Services</b>	<b>7,241</b>	<b>(16,654)</b>	<b>199</b>	<b>796</b>	<b>(15,659)</b>	<b>(8,418)</b>
<b>Other Income and Expenditure</b>	<b>(9,218)</b>	<b>1,052</b>	<b>968</b>	<b>710</b>	<b>2,730</b>	<b>(6,488)</b>
<b>(Surplus) or deficit on provision of services</b>	<b>(1,977)</b>	<b>(15,602)</b>	<b>1,167</b>	<b>1,506</b>	<b>(12,929)</b>	<b>(14,906)</b>
<b>Opening General Fund and HRA Balance</b>	<b>(22,065)</b>					
(Surplus) or deficit on General Fund and HRA Balance in the year	(a) (1,977)					
<b>Closing General Fund and HRA Balance at 31 March</b>	<b>(24,042)</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:

**Other operating expenditure**

adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

**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

**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 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

**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:

For financing and investment income and expenditure the other differences column recognises adjustments for the timing differences for premiums and discounts

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:

2016/17 £000		2017/2018 £000
	Revenues from external customers:	
16,982	Housing Revenue Account	16,677
353	Housing Committee	495
2,026	Community Services Committee	1,814
2,016	Environmental & Sustainability Committee	2,164
191	Licensing & Regulatory Committees	184
1,071	Planning Committee	1,325
5,595	Corporate Management Committee	11,289
	Depreciation & amortisation:	
3,881	Housing Revenue Account	3,238
959	Community Services Committee	913
318	Environmental & Sustainability Committee	360
1	Planning Committee	1
1,464	Corporate Management Committee	900

### 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:

2016/17 £000		2017/2018 £000
	<b>Expenditure:</b>	
17,753	Employer benefits expenses	20,067
22,476	Housing Benefits	22,169
11,155	Other service expenses	12,007
673	Revenue expenditure funded from capital under statute	358
(7,217)	Depreciation, amortisation and impairment	(16,088)
5,309	Interest payments	8,115
444	Payments to housing capital receipts pool	435
(659)	Gain / (Loss) on the disposal of assets	(5,168)
49,934	<b>Total expenditure</b>	<b>41,895</b>
	<b>Income</b>	
27,764	Fees charges and other service income	33,266
22,710	Housing Benefit subsidy	22,193
409	Interest and investment income	672
4,925	Income from council tax, business rates	5,075
5,850	Government grants and contributions	3,931
3,182	Other grants and contributions	3,924
64,840	<b>Total income</b>	<b>69,061</b>
(14,906)	<b>(Surplus) or Deficit on the provision of services</b>	<b>(27,166)</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.

2016/17 £000		2017/18 £000
444	Payments to the Government housing capital receipts pool	435
(1,071)	Net (gains) and losses on the disposal of non-current assets	(819)
<u>(627)</u>		<u>(384)</u>

### 10 Financing and investment income and expenditure

2016/17 £000		2017/18 £000
5,309	Interest payable and similar charges	8,115
968	Net interest on the net defined pension liability	965
(410)	Interest receivable and similar income	(673)
(582)	Income and expenditure in relation to investment properties and changes in fair value	(29,437)
0	Other investment income	0
<u>5,285</u>	<b>Total</b>	<u>(21,030)</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.

2016/17 £000		2017/18 £000
(4,925)	Council tax income	(5,075)
(746)	Revenue Support Grant (RSG)	(289)
(2,233)	Retained business rates income	(1,627)
(2,297)	Other non-ringfenced Government Grants	(1,391)
(945)	Capital grants and contributions:	(1,244)
<u>(11,146)</u>	<b>Total</b>	<u>(9,626)</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:

#### 2017/18

Business Rates (NNDR) equalisation reserve	380	0	2,500	2,880
Egham Leisure Centre all weather pitch reserve	112	115	3	0
Englefield Green maintenance reserve	272	2	0	270
Insurance reserve	106	0	0	106
Museum purchase and conservation fund	34	1	0	33
Maintenance of graves in perpetuity	2	0	0	2
Section 106 and other contributions reserve	1,224	902	1,347	1,669
<b>Total</b>	<b>2,130</b>	<b>1,020</b>	<b>3,850</b>	<b>4,960</b>

Balance at 1 April 2017	Transfers out	Transfers in	Balance at 31 March 2018
£000	£000	£000	£000
380	0	2,500	2,880
112	115	3	0
272	2	0	270
106	0	0	106
34	1	0	33
2	0	0	2
1,224	902	1,347	1,669
<b>2,130</b>	<b>1,020</b>	<b>3,850</b>	<b>4,960</b>

#### 2016/17

Business Rates (NNDR) equalisation reserve	380	0	0	380
Egham Leisure Centre all weather pitch reserve	112	0	0	112
Englefield Green maintenance reserve	271	1	2	272
Insurance reserve	106	0	0	106
Museum purchase and conservation fund	33	0	1	34
Maintenance of graves in perpetuity	2	0	0	2
Section 106 and other contributions reserve	1,215	148	157	1,224
<b>Total</b>	<b>2,119</b>	<b>149</b>	<b>160</b>	<b>2,130</b>

Balance at 1 April 2016	Transfers out	Transfers in	Balance at 31 March 2017
£000	£000	£000	£000
380	0	0	380
112	0	0	112
271	1	2	272
106	0	0	106
33	0	1	34
2	0	0	2
1,215	148	157	1,224
<b>2,119</b>	<b>149</b>	<b>160</b>	<b>2,130</b>

### 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 **Egham Leisure Centre all weather pitch reserve** is for the replacement of the 3rd generation all weather 5-a-side football pitches.

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 **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.

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 **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 2017/18					
	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)	2,448	362			
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	(74)				
Council Tax and Business Rates (transferred to (or from) the Collection Fund adjustment account)	2,798				
Holiday pay (transferred to the Accumulated Absences reserve)	12				
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)	421	(4,091)			
<b>Total Adjustments to Revenue Reserves</b>	<b>5,605</b>	<b>(3,729)</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	(15,796)	(1,991)		17,787	
Administrative costs of non-current asset disposals (funded by a contribution from the capital receipts reserve)	184	25		(209)	
Payments to the Government housing receipts pool (funded by a contribution from the capital receipts reserve)		435		(435)	
Posting of HRA resources from revenue to the Major repairs reserve		(3,232)	3,232		
Statutory provision for the repayment of debt (transfer from the capital adjustment account)	(1,529)				
Capital grants and contributions credited to the comprehensive income and expenditure statement	(899)				899
Capital expenditure financed from revenue balances (transfer to the capital adjustment account)	(312)	(1,867)			
<b>Total adjustments between revenue and capital resources</b>	<b>(18,352)</b>	<b>(6,630)</b>	<b>3,232</b>	<b>17,143</b>	<b>899</b>

#### Adjustments to capital resources

Use of capital receipts reserve to finance capital expenditure				(25,642)	
Use of major repairs reserve to finance capital expenditure			(2,344)		
Application of capital grants to finance capital expenditure					(442)
<b>Total adjustments to capital resources</b>	<b>0</b>	<b>0</b>	<b>(2,344)</b>	<b>(25,642)</b>	<b>(442)</b>

<b>Total adjustments</b>	<b>(12,747)</b>	<b>(10,359)</b>	<b>888</b>	<b>(8,499)</b>	<b>457</b>
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## Notes to the financial statements

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

Adjustments in 2016/17					
	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)	1,017	171			
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	9				
Council Tax and Business Rates (transferred to (or from) the Collection Fund adjustment account)	(1,539)				
Holiday pay (transferred to the Accumulated Absences reserve)	9				
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)	17,643	(9,076)			
<b>Total Adjustments to Revenue Reserves</b>	<b>17,139</b>	<b>(8,905)</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	(13,730)	(2,359)		16,089	
Administrative costs of non-current asset disposals (funded by a contribution from the capital receipts reserve)	33	16		(49)	
Payments to the Government housing receipts pool (funded by a contribution from the capital receipts reserve)		444		(444)	
Posting of HRA resources from revenue to the Major repairs reserve		(3,876)	3,876		
Statutory provision for the repayment of debt (transfer from the capital adjustment account)	(535)				
Capital grants and contributions credited to the comprehensive income and expenditure statement	(695)				695
Capital expenditure financed from revenue balances (transfer to the capital adjustment account)	(123)	(332)			
<b>Total adjustments between revenue and capital resources</b>	<b>(15,050)</b>	<b>(6,107)</b>	<b>3,876</b>	<b>15,596</b>	<b>695</b>

#### Adjustments to capital resources

Use of capital receipts reserve to finance capital expenditure				(5,261)	
Use of major repairs reserve to finance capital expenditure			(2,119)		
Application of capital grants to finance capital expenditure					(241)
cash payments in relation to deferred capital receipts				5	
<b>Total adjustments to capital resources</b>	<b>0</b>	<b>0</b>	<b>(2,119)</b>	<b>(5,256)</b>	<b>(241)</b>

<b>Total adjustments</b>	<b>2,089</b>	<b>(15,012)</b>	<b>1,757</b>	<b>10,340</b>	<b>454</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	Total Property, plant and equipment
	£000	£000	£000	£000	£000	£000
<b><u>Cost or Valuation</u></b>						
<b>At 1 April 2017</b>	<b>285,641</b>	<b>49,869</b>	<b>11,111</b>	<b>6,399</b>	<b>0</b>	<b>353,020</b>
Additions	3,090	13,767	733	2	179	17,771
Accumulated depreciation and Impairment written out on revaluation to GCA	(3,827)	(551)				<b>(4,378)</b>
Revaluations	9,130	3,215				<b>12,345</b>
Disposals	(1,048)	(61)	(494)			<b>(1,603)</b>
Assets reclassified to/from investment property		7,115			37,915	<b>45,030</b>
<b>At 31 March 2018</b>	<b>292,986</b>	<b>73,354</b>	<b>11,350</b>	<b>6,401</b>	<b>38,094</b>	<b>422,185</b>
<b>Accumulated depreciation and impairment</b>						
<b>At 1 April 2017</b>	<b>0</b>	<b>769</b>	<b>7,340</b>	<b>11</b>	<b>0</b>	<b>8,120</b>
Depreciation charge in the year	3,232	1,103	937			<b>5,272</b>
Impairments charge in the year	(3,228)	(550)				<b>(3,778)</b>
Disposals	(4)		(407)			<b>(411)</b>
<b>At 31 March 2018</b>	<b>0</b>	<b>1,322</b>	<b>7,870</b>	<b>11</b>	<b>0</b>	<b>9,203</b>
<b>Net book value</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>412,982</b>
<b>At 31 March 2017</b>	<b>285,641</b>	<b>49,100</b>	<b>3,770</b>	<b>6,388</b>	<b>0</b>	<b>344,899</b>



## Notes to the financial statements

### 13 Property, plant and equipment

	Council dwellings	Other land and buildings	Vehicles, plant, furniture and Equipment	Community assets	Total Property, plant and equipment
	£000	£000	£000	£000	£000
<b><u>Cost or Valuation</u></b>					
<b>At 1 April 2016</b>	<b>269,063</b>	<b>40,510</b>	<b>10,502</b>	<b>6,399</b>	<b>326,474</b>
Additions	2,481	152	781	0	3,414
Accumulated depreciation and Impairment written out on revaluation to GCA	(4,491)	(5,623)	0	0	(10,114)
Revaluations	19,701	21,645	0	0	41,346
Disposals	(1,289)	(6,202)	(172)	0	(7,663)
Assets reclassified to/from investment property	0	(437)	0	0	(437)
Other movements	176	(176)	0	0	0
<b>At 31 March 2017</b>	<b>285,641</b>	<b>49,869</b>	<b>11,111</b>	<b>6,399</b>	<b>353,020</b>
<b>Accumulated depreciation and impairment</b>					
<b>At 1 April 2016</b>	<b>0</b>	<b>4,536</b>	<b>6,616</b>	<b>11</b>	<b>11,163</b>
Depreciation charge in the year	3,876	1,801	861	0	6,538
Accumulated depreciation written out on revaluation	(3,872)	(5,613)	0	0	(9,485)
Accumulated impairment written out on revaluation	0	(10)	0	0	(10)
Derecognition - Disposals	(4)	(47)	(136)	0	(187)
<b>At 31 March 2017</b>	<b>0</b>	<b>769</b>	<b>7,341</b>	<b>11</b>	<b>8,121</b>
<b>Net book value</b>					
<b>At 31 March 2017</b>	<b>285,641</b>	<b>49,100</b>	<b>3,770</b>	<b>6,388</b>	<b>344,899</b>
<b>At 31 March 2016</b>	<b>269,063</b>	<b>35,974</b>	<b>3,886</b>	<b>6,388</b>	<b>315,311</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 (non-housing) 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 five 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 have been undertaken by Gulley Howard Technical Ltd

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 2016/17 or 2017/18.

## 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	Total
	£000	£000	£000	£000	£000	£000
Valued at fair value as at:						
2017/2018	295,136	19,549			37,481	<b>352,166</b>
2016/2017		37,162				<b>37,162</b>
2015/2016						<b>0</b>
2014/2015		3,409		1,949		<b>5,358</b>
2013/2014						<b>0</b>
Valued at historic cost		13,233	11,351	4,452	613	<b>29,649</b>
<b>Total cost or valuation</b>	<b>295,136</b>	<b>73,353</b>	<b>11,351</b>	<b>6,401</b>	<b>38,094</b>	<b>424,335</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:

2016/17 £000		2017/18 £000	£000
16	Offset against previous revaluation gains (net of depreciation adjustments)		<b>657</b>
722	Taken to comprehensive income and expenditure statement:		
(17,715)	Impairments in the year	<b>1,910</b>	
	Reversal of previous years impairments	<b>(7,804)</b>	
			<b>(5,894)</b>
<u>(16,977)</u>			<u><b>(5,237)</b></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.

2016/17 £000		2017/18 £000	£000
150,862	<b>Opening Capital Financing Requirement</b>		<b>245,457</b>
	Capital Investment:		
3,415	Property, Plant and Equipment	17,771	
97,930	Investment Properties	142,620	
39	Intangible Assets	322	
1,400	Long Term Debtors	90	
673	Revenue Expenditure Funded from Capital Under Statute	8,787	
<u>103,457</u>		<u>169,590</u>	
	Sources of Finance:		
(5,261)	Capital Receipts	(25,641)	
(491)	Government Grants and Other Contributions	(787)	
(2,119)	Major Repairs Reserve	(2,328)	
(333)	Direct Revenue Contributions - HRA	(1,981)	
(123)	Direct Revenue Contributions - General Fund	(312)	
(535)	Minimum Revenue Provision (MRP)	(1,529)	
<u>(8,862)</u>		<u>(32,578)</u>	
<u>245,457</u>	<b>Closing Capital Financing Requirement (CFR)</b>		<u>382,469</u>
	<b>Explanation of movements in the year</b>		
150,862	Opening Capital Financing Requirement		245,457
95,130	Increase in underlying need to borrow (unsupported)		138,541
(535)	Statutory provision for repayment of debt (MRP)		(1,529)
<u>245,457</u>	Closing Capital Financing Requirement (CFR)		<u>382,469</u>

The Council has a capital programme listing proposed and potential schemes with a cost in the next financial year of £275.873m. At 31 March 2018 the Council had entered into a number of contracts for the purchase, construction or enhancement of property, plant and equipment in 2018/19 and future years of £23.225m.

Each capital scheme is examined in detail before authority to proceed is granted. A financial appraisal, including associated future revenue implications is undertaken for each new scheme. Schemes which do not meet the Council's policy objectives are rejected.

## 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.

2016/17 £000		2017/18 £000
4,969	Rental income from investment property	10,449
<u>(828)</u>	Direct operating expenses arising from investment property	<u>(972)</u>
<u>4,141</u>	Net gain	<u>9,477</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:

2016/17 £000		2017/18 £000
80,919	<b>Balance at start of the year</b>	168,261
97,813	Additions	142,620
117	Enhancements	0
(7,877)	Disposals	(11,218)
(3,148)	Net gains/(losses) from fair value adjustments	15,611
<u>437</u>	Transfers (to) / from property plant and equipment	<u>(45,031)</u>
<u>168,261</u>	<b>Balance at the end of the year</b>	<u>270,243</u>

#### Fair value hierarchy

All the Council's investment property portfolio has been assessed as Level 3 for valuation purposes (see Note 1 for explanation of fair value levels), with the exception of those assets purchased during the year which are deemed to be level 1 having been exchanged at arms length transactions in an active open market. 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.

#### Valuation techniques used to determine Level 3 fair values for Investment Properties

The fair value of investment property has been measured on the basis of the income approach using both the direct capitalisation and discounted cash-flow (DCF) analysis techniques. The direct capitalisation approach is the process applied to capitalise the net rental income from an investment property using a 'Years' Purchase' multiplier. The DCF involves discounting future anticipated revenues to reflect their equivalent present value.

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

#### 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.

#### Valuers

The investment property portfolio was valued at 31 January 2017 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 Adam Wales BEng (Hons) PGDipSurveying MRICS and Stephen Williams BSc (Hons) Building Surveying and overseen by Michael Barber FRICS all of Gulley Howard Technical Limited, the Council's valuing agents.

## Notes to the financial statements

### 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 of £139,383 charged to revenue in 2017/18 (£85,458 in 2016/17) 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.

2016/17 £000		2017/18 £000
	<b>Balance at start of year:</b>	
1,220	Gross carrying amounts	1,227
(880)	Accumulated amortisation	(960)
<u>340</u>	<b>Net carrying amount at the start of the year</b>	<u>267</u>
39	Additions	322
(33)	Disposals	0
(85)	Amortisation for the period	(139)
6	Other changes - write out of amortisation on disposals	0
<u><u>267</u></u>	<b>Net carrying amount at the end of the year</b>	<u><u>450</u></u>
	<b>Comprising:</b>	
1,227	Gross carrying amounts	1,549
(960)	Accumulated amortisation	(1,099)
<u><u>267</u></u>		<u><u>450</u></u>

At 31 March 2018 the Council had entered into contracts for the purchase or enhancement of intangible assets relating to 2018/19 and future years in the sum of £180,150. The value of such commitments as at 31st March 2017 was £Nil.

## Notes to the financial statements

### 18 Financial Instruments

#### Summary of Borrowing and Investment Balances

##### Categories of Financial Investments

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

		Long term		Current	
		31 March 2017	31 March 2018	31 March 2017	31 March 2018
		£000	£000	£000	£000
<b>Investments</b>					
Long-term investments:					
	Unquoted Equity Investments at cost	18.1	10	10	-
Short-term investments:					
	Loans and receivables at amortised cost	-	-	34,034	33,560
	Available-for-sale financial assets at fair value	18.5	-	2,750	4,850
	Cash and cash equivalents	21	-	14,292	3,439
<b>Total investments</b>			10	10	51,076
<b>Debtors</b>					
Long-term loans and receivables:					
	Balances on mortgages and advances	18.2	25	25	-
	Loans at low or interest-free rates at fair value	18.3	550	624	-
	Loans to RBC owned companies		1,450	9,949	-
	Other Long term loans and receivables		5	92	-
	Financial assets carried at contract amounts		-	-	9,687
	Provisions for bad debts		-	-	(1,689)
<b>Total debtors</b>			2,030	10,690	7,998
<b>Borrowings</b>					
	Loans and receivables at amortised cost		237,792	351,292	5,163
<b>Total borrowings</b>			237,792	351,292	5,163
<b>Creditors</b>					
	Financial liabilities at amortised cost		-	-	-
	Financial liabilities carried at contract amount		-	-	10,620
<b>Total creditors</b>			0	0	10,620
					16,415

#### 18.1 Unquoted Equity Investment at cost:

The authority has shareholdings in Applied Resilience Ltd (representing 10% of the Company's capital). The shares are carried at cost amounting to £10,000 and have not been valued at fair value as the fair value cannot be measured reliably. The company was formed in July 2015 and has no established trading history. The authority has no current intention to dispose of the shareholding.

## Notes to the financial statements

### 18 Financial instruments (continued)

#### 18.2 Analysis of long-term loans and receivables

31 March 2017 £000		31 March 2018 £000
<b>Balances on mortgages and advances granted to:</b>		
0	Individuals in respect of works in default	0
<u>25</u>	For private sector home improvements	<u>25</u>
<u>25</u>		<u>25</u>

#### 18.3 Loans at low or interest-free rates at fair value

##### Home 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.

##### 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.

2016/17 £000		2017/18 £000    £000	
<b>Loans at low or interest-free rates at fair value:</b>			
Balance at the start of the year			
405	For home loans arising from estate redevelopments		412
<u>153</u>	For private sector home improvements		<u>138</u>
558			550
0	New loans granted in year	90	
<u>0</u>	Less fair value adjustment	<u>(21)</u>	
			69
(19)	Repayment of loan during year		(1)
<u>11</u>	Credits for year		<u>6</u>
<u>550</u>	<b>Balance at the end of the year</b>		<u>624</u>
Balance made up of:			
412	Home loans arising from estate redevelopments		412
<u>138</u>	Private sector home improvements		<u>212</u>
<u>550</u>			<u>624</u>



## Notes to the financial statements

### 18 Financial instruments (continued)

#### 18.4 Income, expense, gains and losses

	Financial liabilities at amortised cost	Financial assets: loans and receivables	Financial assets: Available for sale	Total
	£000	£000	£000	£000
<b>2017/18</b>				
Interest expense in surplus or deficit on the provision of services	(8,115)	0	0	(8,115)
Interest income in surplus or deficit on the provision of services	0	673	0	673
Gains/(Losses) on revaluation	0	0	60	60
<b>Net gain/(loss) for the year</b>	<b>(8,115)</b>	<b>673</b>	<b>60</b>	<b>(7,382)</b>
	£000	£000	£000	£000
<b>2016/17</b>				
Interest expense in surplus or deficit on the provision of services	(5,309)	0	0	(5,309)
Interest income in surplus or deficit on the provision of services	0	410	0	410
Gains/(Losses) on revaluation	0	0	(36)	(36)
<b>Net gain/(loss) for the year</b>	<b>(5,309)</b>	<b>410</b>	<b>(36)</b>	<b>(4,935)</b>

#### 18.5 Fair values of assets and liabilities

Except for the financial assets carried at fair value, all other financial liabilities and financial assets represented by loans and receivables and long term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Estimated interest rates ranging from 0.65% to 3.5% for loans (borrowings) and 0.42% to 0.73% for receivables (investments), dependent on the term remaining and market rates for similar investments at 31 March 2018
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount, less provisions for uncollectable debts

## Notes to the financial statements

### 18 Financial instruments (continued)

#### 18.5 Fair values of assets and liabilities (continued)

The fair values calculated are as follows:

31 March 2017			31 March 2018	
Carrying amount £000	Fair value £000		Carrying amount £000	Fair value £000
		<b>Financial liabilities</b>		
231,292	294,112	Long term borrowing - PWLB	351,292	451,526
1,500	1,546	Long term borrowing - other	0	0
5,163	5,189	Short-term borrowing	5,697	5,700
8,890	8,890	Trade and operational liabilities	12,158	12,337
1,730	1,730	Other creditors categorised as financial instruments	4,077	4,077
<b>248,575</b>	<b>311,467</b>	<b>Total liabilities</b>	<b>373,224</b>	<b>473,640</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 2017			31 March 2018	
Carrying amount £000	Fair value £000		Carrying amount £000	Fair value £000
		<b>Financial assets</b>		
10	10	Long-term investments	10	10
34,030	34,040	Short-term investments	33,560	33,534
2,750	2,750	Available for sale investments (see below)	4,526	4,850
2,030	2,030	Long-term debtors	10,690	10,690
9,075	9,075	Trade and operational debtors	5,191	5,247
612	612	Other debtors categorised as financial instruments	662	662
<b>48,507</b>	<b>48,517</b>	<b>Total assets</b>	<b>54,639</b>	<b>54,993</b>

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

**Available-for-sale financial assets:** These assets are carried in the balance sheet at their fair value on a recurring basis. These are grouped into three levels of a fair value hierarchy which are defined based on the observability of significant inputs to the measurement as follows:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities as at the balance sheet 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

As at 31 March 2017		Valuation technique used to measure fair value	Fair value hierarchy	As at 31 March 2018
£000				£000
2,293	CCLA Property Fund	Current valuation plus accrued interest	Level 1	2,400
0	CCLA Diversified income F	Current valuation plus accrued interest	Level 1	1,961
457	Funding Circle	Value of investments at historic cost	Level 2	489
<u>2,750</u>				<u>4,850</u>

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

### 18 Financial instruments (continued)

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

##### Treasury policy and financial risk management

The main classes of financial instruments for the Council are as follows:

- Investments in money market funds, term instruments and deposits at short notice
- Short-term debtors, creditors, deposits and cash arising directly from operations
- Long term borrowing from the Public Works Loans Board

The class of financial instruments that has the most significant risk exposures is investments.

##### Investment management

Runnymede Borough Council has adopted the "Treasury Management in the Public Services: Code of Practice" published by CIPFA, and sets treasury management indicators to control key financial instrument risks in accordance with the CIPFA "Prudential Code for Capital Finance in Local Authorities".

The Council invests in wholesale money markets for the short and medium term so as to manage effectively short-term cash flows and to secure a degree of stability in returns over the medium term. Cash required to meet short-term needs is held in money market funds and in call or short-notice deposit accounts. The Council has a long-term borrowing requirement related to the changed arrangements for the financing of the Housing Revenue Account. The Council does not hold or issue financial instruments for trading purposes. The treasury function is managed as a cost centre and does not engage in speculative trading.

Treasury activities expose the Council to a variety of financial risks:

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

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

**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 2017/18 was approved by the Council in March 2017, 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 2017/18. The Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

## Notes to the financial statements

### 18 Financial instruments (continued)

#### Credit risk (continued)

Many building societies do not have credit ratings and therefore a separate set of criteria is used for assessing their credit risk. Our policy on asset distribution is that, as far as reasonably possible, no more than 50% of total investments made are to be lent to building societies at any one time.

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.

#### Credit risk: Investments

All investments are made to organisations that hold strong credit ratings at the time the investment is made. There is currently no reason to assume that there will be any default by the borrowers and, therefore, no provision for impairment has been made in respect of any investments.

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 2018:

<b>Long and short-term investments</b>		
Credit rating at 31 March	Carrying value at 31 March 2017	Carrying value at 31 March 2018
	£000	£000
Long-term investments		
Investment in associated companies	10	10
	10	10
Short-term investments and cash equivalents		
Banks	1,001	0
Banks	13,019	12,042
Building societies - with credit rating	4,002	7,011
Building societies - with credit rating	2,002	1,003
Building societies - no credit rating	2,001	1,503
Cash and bank balance	1,413	1,018
Local authorities	12,005	12,014
Money market funds	8,982	2,407
Money market funds - longer duration	3,897	0
Property funds	2,293	2,029
Diversified Income Fund	0	2,008
Funding circle	458	489
	<b>51,073</b>	<b>41,524</b>

## Notes to the financial statements

### 18 Financial instruments (continued)

#### Credit risk: trade and operational receivables

The Council does not generally allow credit for customers. The impairment is based on the type of debt and time elapsed since the debt was due and, for larger debts, an individual appraisal of the likelihood of recovery. The past due amount by age is as follows:

<b>Trade and operational receivables</b>			
2016/17		2017/18	
Gross debt due	Impairment provision	Gross debt due	Impairment provision
£000	£000	£000	£000
Less than three months	7,142	735	4,299
Three to six months	454	260	782
Six months to one year	1,507	260	376
More than one year	584	260	452
<b>Total trade &amp; operational receivables</b>	<b>9,687</b>	<b>1,515</b>	<b>5,909</b>
		<b>1,477</b>	

None of the Council's financial assets is secured by collateral or other credit enhancements.

The Council has other types of debtors that are categorised as financial instruments. These are itemised in note 16 to the accounts. All these items are expected to be repaid in full.

#### Credit risk: Housing - tenant arrears

The following table discloses arrears and the provision made for council tenants arrears. These include all forms of housing that the Council provides, including properties accounted for within the Housing Revenue account.

<b>Housing - Tenant arrears</b>			
2016/17		2017/18	
Gross debt due	Impairment provision	Gross debt due	Impairment provision
£000	£000	£000	£000
Less than three months	242	137	268
Three to six months	44	25	54
Six months to one year	4	2	29
More than one year	17	9	29
<b>Housing - tenant arrears</b>	<b>307</b>	<b>173</b>	<b>380</b>
			<b>233</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 economic to do so.

The maturity analysis of financial liabilities is as follows:

31 March 2017 £000		31 March 2018 £000
14,792	Between one and 5 years	13,792
20,000	Between 5 and 10 years	30,000
49,000	Between 10 and 15 years	49,000
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
20,000	Between 40 and 45 years	50,000
64,000	Between 45 and 50 years	144,000
<u>237,792</u>		<u>356,792</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.

Contractual liabilities are disclosed in note 22 for creditors and elsewhere in note 18 for short-term borrowing. All these liabilities are current.

#### Market 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.

#### Interest rate risk

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 2017			As at 31 March 2018	
Fixed £000	Variable £000		Fixed £000	Variable £000
		<b>Term Investments</b>		
10	0	Long Term Investments	10	0
30,028	0	Short-Term Investments	33,560	0
		<b>Investments at Call or Short Notice</b>		
0	12,879	Money Market Funds	0	2,407
0	4,002	Deposit Accounts at Banks at Call	0	13
0	1,414	Cash and Bank Balances (note 21)	0	1,018
0	2,750	Available-for-Sale Assets at Fair Value	0	4,850
<b>30,038</b>	<b>21,045</b>		<b>33,570</b>	<b>8,288</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	<b>0</b>
Increase in interest receivable on fixed rate investments made in the year	<b>188</b>
Impact on surplus or deficit on the provision of services	<b>188</b>
The share of the overall impact attributable to the HRA would be:	<b>107</b>
<b>Notional effect on the balance sheet:</b>	<b>£000</b>
Decrease in value of fixed rate borrowing liabilities	<b>(9,863)</b>
Decrease in the fair value of fixed-rate investments	<b>(132)</b>

#### Price risk

The Council does not generally invest in equity shares or joint ventures. The only quoted investments during 2016/17 and 2017/18 were with the CCLA property fund.

#### Foreign exchange risk

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

## Notes to the financial statements

### 19 Short term debtors and payments in advance

#### 19.1 Gross debtors and payments in advance

31 March 2017 £000		31 March 2018 £000
339	Central government bodies	1,015
1,220	Other local authorities	1,736
9,180	Other entities and individuals	4,269
<u>10,739</u>	<b>Gross current debtors and payments in advance</b>	<u>7,020</u>

#### 19.2 Provision for impairment on gross debtor balances

31 March 2017 £000		31 March 2018 £000
(137)	Council tax payers arrears (attributable to Runnymede only)	(148)
(1,515)	General debtors	(1,477)
(174)	Council tenants arrears	(233)
<u>(1,826)</u>	<b>Total provision for impairment on gross debtors</b>	<u>(1,858)</u>

### 20 Inventories

All of the Council's inventories relate to consumable stores items. There were no works in progress in 2015/16 or 2016/17.

2016/17 £000		2017/18 £000
80	<b>Balance at start of year</b>	109
442	Purchases	386
(413)	Recognised as an expense in the year	(422)
<u>109</u>	<b>Balance at year-end</b>	<u>73</u>



## Notes to the financial statements

### 21 Cash and cash equivalents

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

31 March 2017 £000		31 March 2018 £000
14	Cash balances held by the Council	7
1,399	Cash balances held at the bank	1,012
0	Short term deposits with banks & building societies	13
12,879	Short term deposits with money market funds	2,407
<u>14,292</u>		<u>3,439</u>

### 22 Creditors and receipts in advance

31 March 2017 £000		31 March 2018 £000
(5,393)	Central government bodies	(6,554)
(2,168)	Other local authorities	(2,501)
(10,498)	Other entities and individuals	(16,036)
<u>(18,059)</u>	<b>Gross creditors and receipts in advance</b>	<u>(25,091)</u>

## Notes to the financial statements

### 23 Provisions

31 March 2017 £000		31 March 2018 £000
(2,329)	<b>Balance at 1 April</b>	<b>(3,129)</b>
(800)	Provisions made in the year	<b>(3,971)</b>
<u>(3,129)</u>	<b>Balance at 31 March</b>	<u><b>(7,100)</b></u>

Provisions relate to the estimated Runnymede share of all outstanding business rate appeals based on an analysis of historic claims (£3.6m) and Provision for the impact of NHS request for mandatory rates relief (£3.3m). Provision has also been made for possible car park compensation (£0.2m).

### 24 Usable reserves

The movements in the Council's usable reserves are detailed in the Movement in Reserves Statement.

### 25 Unusable Reserves

Unusable reserves are required to be held for statutory reasons and to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans.

31 March 2017 £000		31 March 2018 £000
47,964	Revaluation reserve	51,126
264	Available for sale financial instruments reserve	323
221,989	Capital adjustments account	260,575
(7)	Financial instruments adjustment account	(23)
0	Deferred capital receipts	0
(36,769)	Pensions reserve	(37,944)
362	Collection Fund adjustment account	(2,436)
(342)	Accumulated absences account	(354)
<u>233,461</u>		<u><b>271,267</b></u>

## Notes to the financial statements

### 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.

2016/17 £000		2017/18 £000	2017/18 £000
31,700	<b>Revaluation reserve balance as at 1 April</b>		<b>47,964</b>
23,646	Upward revaluations of assets	<b>6,509</b>	
(16)	Downward revaluations of assets and impairment losses not charged to the surplus/deficit on the provision of services	<b>(657)</b>	
	<b>Surplus (deficit) arising on revaluation of non-current assets not posted to the surplus or deficit on the provision of services</b>		<b>5,852</b>
(377)	Difference between depreciation charged at fair value and historic cost depreciation	<b>(1,642)</b>	
(6,989)	Accumulated gains on assets sold or scrapped	<b>(1,048)</b>	
(7,366)	<b>Amount written off to the capital adjustment account</b>		<b>(2,690)</b>
<u>47,964</u>	<b>Revaluation reserve balance as at 31 March</b>		<u><b>51,126</b></u>

### 25.2 Available for sale financial instruments reserve

This reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted prices. The balance is reduced when investments with accumulated gains are:

- a) Revalued downwards or impaired and the gains are lost
- b) Disposed of and the gains are realised.

2016/17 £000		2017/18 £000	2017/18 £000
300	<b>Balance as at 1 April</b>		<b>264</b>
0	Upward revaluations of investments	<b>107</b>	
(36)	Downward revaluations of investments not charged to the surplus/deficit on the provision of services	<b>(48)</b>	
			<b>59</b>
<u>264</u>	<b>Available for sale financial instruments reserve as at 31 March</b>		<u><b>323</b></u>



## 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.

2016/17 £000		2017/18 £000
(17)	<b>Balance as at 1 April</b>	(7)
	Transactions in the year	
0	Loans repaid; extinguishment of balances	(1)
0	New loans; difference between loan granted and fair value	(21)
10	Interest credits in the year	6
<u>(7)</u>	<b>Balance at 31 March</b>	<u>(23)</u>

#### 25.5 Deferred capital receipts reserve

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

The balances on this reserve all derive from the sale of assets (all from the sale of council dwellings) which will be received in instalments over agreed periods of time.

2016/17 £000		2017/18 £000
5	<b>Balance as at 1 April</b>	0
<u>(5)</u>	Transfer to the Capital receipts reserve upon receipt of cash	<u>0</u>
<u>0</u>	<b>Balance as at 31 March</b>	<u>0</u>

## Notes to the financial statements

### 25 Unusable reserves (continued)

#### 25.6 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.

2016/17 £000		2017/18 £000
(26,617)	<b>Balance at 1 April</b>	<b>(36,769)</b>
(8,977)	<b>Remeasurement of net defined benefit liability</b>	<b>1,634</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>	
(2,799)	Current service cost	<b>(4,464)</b>
(4)	Past service costs	<b>(39)</b>
(3,832)	Interest cost	<b>(3,330)</b>
2,864	Expected rate of return on scheme assets	<b>2,366</b>
	<b>Employer's pensions contributions and direct payments to pensioners payable in the year:</b>	
2,583	Employer contributions	<b>2,684</b>
	<b>Final year pay enhancements - pension liabilities</b>	
13	Net liabilities charged to the General Fund	<b>(26)</b>
<u>(36,769)</u>	<b>Balance at 31 March</b>	<u><b>(37,944)</b></u>

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 2017 in respect of the final-year pay enhancements of £934,000 (31 March 2017 £960,000) are outside the statutory provisions and do not form part of this Reserve.

## Notes to the financial statements

### 25 Unusable reserves (continued)

#### 25.7 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).

2016/17				2017/18		
Business Rates £000	Council Tax £000	Total £000		Business Rates £000	Council Tax £000	Total £000
(1,330)	153	(1,177)	<b>Balance as at 1st April</b>	425	(63)	362
			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			
1,755	(216)	1,539		(2,721)	(77)	(2,798)
<u>425</u>	<u>(63)</u>	<u>362</u>	<b>Balance as at 31st March</b>	<u>(2,296)</u>	<u>(140)</u>	<u>(2,436)</u>

#### 25.8 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.

2016/17 £000		2017/18 £000	£000
(333)	<b>Balance at 1 April</b>		(342)
333	Settlement or cancellation of accrual made at the end of the preceding year	342	
<u>(342)</u>	Amounts accrued at the end of the current year	<u>(354)</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		(12)
<u>(342)</u>	<b>Balance at 31 March</b>		<u>(354)</u>

## Notes to the financial statements

### 26 Cash flow statement operating activities

The cash flows for operating activities include the following items:

2016/17		2017/18
£000		£000
514	Interest received	359
(4,893)	Interest paid	(7,311)

### 27 Cash flow statement - investing activities

2016/17		2017/18
£000		£000
100,098	Purchase of property, plant and equipment, investment property and intangible assets	161,585
16,468	Purchase of short term and long term investments	73,501
1,450	Other payments for investing activities	8,589
(16,044)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(17,783)
(1,145)	Other receipts from investing activities	(1,244)
<u>100,827</u>	<b>Net cash flows from investing activities</b>	<u>224,648</u>

### 28 Cash flow statement financing activities

2016/17		2017/18
£000		£000
(98,000)	Cash receipts of short and long term borrowing	(125,034)
1,000	Repayments of short and long term borrowing	6,000
(1,278)	Other payments for financing activities	(423)
<u>(98,278)</u>	<b>Net cash flows from financing activities</b>	<u>(119,457)</u>



## Notes to the financial statements

### 29 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 2016/17 and 2017/18 is KPMG 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.

2016/17 £000		2017/18 £000
45	Fees payable to KPMG LLP the appointed auditor with regard to external audit services	45
10	Fees payable to KPMG LLP the appointed auditor for the certification of grant claims and returns	14
<u>55</u>		<u>59</u>

### 30 Members' allowances

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

2016/17 £000		2017/18 £000
135	Basic allowance	144
78	Special allowance	82
1	Co-optees' allowance	1
4	Travel and subsistence	4
<u>218</u>	<b>Totals</b>	<u>231</u>

Local authorities are required to disclose all payments relating to the remuneration of members. Detailed information on payments made to each member is published annually on the Council's website.

## Notes to the financial statements

### 31 Officers remuneration

The remuneration paid to the Council's senior employees is as follows:

	Note	Salary (including fees and allowances)	Other non salary payments	Employers pension contributions	Total including employers pension	
		£	£	£	£	
Chief Executive	<b>(a)</b>	<b>2017/18</b>	<b>125,069</b>	<b>6,779</b>	<b>0</b>	<b>131,847</b>
		2016/17	123,008	8,759	0	131,767
Corporate Director of Resources		<b>2017/18</b>	<b>94,302</b>	<b>0</b>	<b>11,569</b>	<b>105,871</b>
		2016/17	92,447	0	14,271	106,718
Corporate Head of Law and Governance		<b>2017/18</b>	<b>90,950</b>	<b>0</b>	<b>13,101</b>	<b>104,050</b>
		2016/17	87,891	0	13,053	100,944
Corporate Director of Housing and Community Development		<b>2017/18</b>	<b>89,684</b>		<b>13,367</b>	<b>103,051</b>
		2016/17	84,348	0	13,106	97,454
Corporate Director of Planning and Environmental Services		<b>2017/18</b>	<b>89,425</b>		<b>13,311</b>	<b>102,735</b>
		2016/17	85,328	0	13,198	98,526
Corporate Director of Commercial Services	<b>(b)</b>	<b>2017/18</b>	<b>137,285</b>	<b>0</b>	<b>0</b>	<b>137,285</b>
		2016/17	0	0	0	0

There were no bonuses or compensation payments made in 2016/17 or 2017/18.

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 2016/17	Number of employees 2017/18
	Note	
£50,000 to £54,999	8	8
£55,000 to £59,999	9	10
£60,000 to £64,999	2	3
£65,000 to £69,999	2	2
£70,000 to £74,999	1	0
£75,000 to £79,999	2	3
£120,000 to £124,999	<b>(c)</b>	0
		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:

- (a) The Chief Executive receives fees as shown relating to Returning Officer duties.
- (b) The post of Commercial Services Manager is a temporary post and was filled by a contractor during 2016/17.
- (c) This temporary post was filled by a contractor during 2016/17.

## Notes to the financial statements

### 31 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	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17 £,000	2017/18 £,000
0 - 20,000	2	-	4	14	6	14	49	87
20,001 - 40,000	-	-	4	1	4	1	95	33
40,001 - 60,000	1	-	1	-	2	-	45	-
60,001 - 80,000	-	-	1	1	1	1	80	64
80,001 - 100,000	-	-	-	-	-	-	0	-
100,001 - 150,000	-	-	1	-	1	-	101	-
Total	3	0	11	16	14	16	370	184

The Council agreed to terminate the contracts of a number of employees in 2017/18, incurring liabilities of £184,443 (£369,160 in 2016/17).

A cost of £246,125 remains unpaid as at 31 March 2018 for exit packages agreed. In accordance with accounting rules these costs have been accrued for and charged to the authority's comprehensive income and expenditure statement in 2017/18.

Termination costs of £3,778 were attributable to the HRA in 2017/18 (£18,888 in 2016/17).

## Notes to the financial statements

### 32 Grant income

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

2016/17 £000	Note	2017/18 £000
<b>Credited to taxation and non specific grant income</b>		
Grants:		
746	11	289
2,297	11	1,391
945	11	1,244
<u>3,988</u>		<u>2,924</u>
<b>Credited to cost of services</b>		
Grants:		
130		133
23,136		22,424
26		26
5		0
36		108
196		178
<u>23,529</u>		<u>22,869</u>
Contributions:		
191		2
31		35
452		586
184		124
0		24
1		12
<u>859</u>		<u>783</u>
Donations:		
1		0
0		1
<u>1</u>		<u>1</u>
<u><u>28,377</u></u>		<u><u>26,577</u></u>

#### Grant receipts in advance - short term

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver if these conditions are not met. The balances at the year-end are as follows:

2016/17 £000	2017/18 £000
Revenue grants:	
3	3
<u>3</u>	<u>3</u>

### 33 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 Note 32 on reporting for resources allocation decisions. Where applicable grant receipts outstanding at 31 March 2018 are shown in Note 32.

#### **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 30. 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 2016/17 and 2017/18 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 2016/17 and 2017/18 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 35.

#### **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 £8.5m under an existing Loan Agreement taking the total borrowings to £9.9m. Of this sum £90,000 relates to Working Capital loans at a rate of 7.54% with the remainder being for Development Loans at 5.04%.

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

### 33 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 a twenty-five year lease with the Council with no break clause at therefore the entirety of the rent payable is £297,123. The annual rent payable is £11,884.

##### 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. This company began trading in 2017/18.

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 also entered into a 3 year agreement with the company for the provision of emergency planning and resilience services at a cost of £55,000 a year.

## Notes to the financial statements

### 34 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 2017/18 was £157,407 (£153,878 in 2016/17). The future minimum lease payments due under these leases in future years were:

At 31 March 2017 £000		At 31 March 2018 £000
159	Not later than one year	154
560	Later than one year and not later than five years	514
790	Later than five years	668
<u>1,509</u>		<u>1,336</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:

2016/17 £000		2017/18 £000
6,225	Not later than one year	10,725
22,495	Later than one year and not later than five years	36,700
46,904	Later than five years	80,814
<u>75,624</u>		<u>128,239</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.

### 35 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 £31,600 in 2017/18 (0.4% of payroll £40,500 in 2016/17). 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.

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 enhancement of salary 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 pay 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 pay 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. In 2017/18, the charge to the General Fund in respect of pensions outside the LGPS was £57,000 (£57,000 in 2016/17) including payments to reimburse Surrey Pension Fund for payments made to pensioners in respect of final year pay enhancements.

Total liability outside the LGPS for future payments in respect of final year enhancement stood at £934,000 at 31 March 2018 (£960,000 at 31 March 2017).



## Notes to the financial statements

### 35 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			
2016/17		2017/18	
£000		£000	£000
	<i>Service cost:</i>		
2,799	Current service cost	4,464	
4	Past service costs	39	
2,803	Total service cost		4,503
	<i>Finance and investment income and expenditure:</i>		
3,832	Interest cost on pension scheme liabilities	3,330	
(2,864)	Expected return on assets	(2,365)	
968	Net interest expense		965
3,771	<b>Total post employment benefit charged to the surplus or deficit on the provision of services</b>		<b>5,468</b>
	<i>Remeasurements of the Net defined liability comprising:</i>		
(1,539)	Demographic assumptions		
(10,403)	Return on plan assets	737	
	Actuarial gains and losses arising from changes in:		
20,742	- financial assumptions	(2,336)	
177	Other	(35)	
8,977			(1,634)
12,748	<b>Total post employment benefit charged to the comprehensive income and expenditure statement</b>		<b>3,834</b>

Movement in reserves statement			
2016/17		2017/18	
£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:		
2,583	Actual amount charged against the General Fund for the year - employers' contributions payable to the scheme		2,684
2,583			2,684
13	Amount charged to the General Fund for the pensions liability relating to Runnymede local scheme payable outside the LGPS		(26)

## Notes to the financial statements

### 35 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):

2016/17 £000		2017/18 £000
109,825	Opening balance at 1 April	132,502
2,799	Current service cost	4,464
3,832	Interest cost	3,330
696	Contributions by scheme participants	784
	Remeasurement (gains) and losses arising from:	
(1,539)	- actuarial gains/losses from changes in demographic assumptions	0
20,742	- actuarial gains/losses from changes in financial assumptions	(2,336)
177	- other	(35)
4	Past service costs	39
(4,034)	Benefits paid	(3,696)
<u>132,502</u>	<b>Closing balance at 31 March</b>	<u>135,052</u>

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

2016/17 £000		2017/18 £000
82,261	Opening fair value of scheme assets	94,773
2,864	Interest income	2,365
10,403	Actuarial gains and (losses)	(737)
2,470	Contributions from employer	2,684
696	Contributions by scheme participants	784
(3,921)	Benefits paid	(3,696)
<u>94,773</u>	<b>Closing fair value of scheme assets</b>	<u>96,173</u>
<u>(37,729)</u>	<b>Net assets / (liabilities) for post-employment benefits</b>	<u>(38,879)</u>

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

2016/17 £000		2017/18 £000
132,502	Present value of the defined benefit obligation	135,052
<u>94,773</u>	Fair value of plan assets	<u>96,173</u>
<u>37,729</u>	<b>Net liability arising from defined benefit obligation</b>	<u>38,879</u>

## Notes to the financial statements

### 35 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:

2016/17 £000		2017/18 £000
	<b>Estimated liabilities in the scheme</b>	
130,542	Funded benefits under the scheme regulations	133,200
1,000	Unfunded discretionary benefits awarded	918
960	Unfunded final-year salary enhancement pensions - local scheme	934
132,502	Estimated actuarial value of fund liabilities	135,052
94,773	<b>Estimated market value of scheme assets</b>	96,173
37,729	<b>Net pension liability</b>	38,879

The liabilities represent the underlying commitments that the Council has in the long-run to pay retirement benefits. The net total pension liability of £38.879m 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. 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.

#### Cash payments to the pension fund

The following payments were made to the pension fund in accordance with statutory requirements. They are expressed in absolute terms and as a percentage of pensionable pay:

<b>Cash payments to the pension fund</b>				
	2016/17		2017/18	
	£000	%	£000	%
Regular employer contributions	1,660	16.37	1,639	15.56
Added years awarded for retirees in previous years	0	0.00	111	1.05
Lump sum contributions for early retirees	108	1.06	49	0.47
Backfunding contribution towards fund deficit	815	8.04	885	8.41
<b>Total payments to the pension fund</b>	2,583	25.47	2,684	25.49

The total contributions in cash expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2019 is £2,527,000. Expected contributions for the discretionary benefits in the year to 31 March 2019 are £133,000.

## Notes to the financial statements

### 35 Defined benefit pension scheme (continued)

#### Scheme assets

The fair value of the Surrey pension fund assets attributable to Runnymede Borough Council in respect of the Local Government Pension Scheme by investment category at 31 March 2018 are:

31 March 2017		31 March 2018			
£000	%		£000	£000	%
		Equity investments (by industry type):			
7,689		Consumer	7,802		
6,970		Manufacturing	7,073		
3,821		Energy and utilities	3,877		
6,705		Financial institutions	6,804		
2,532		Health and care	2,570		
5,338		Information technology	5,417		
193		Other	196		
<u>33,248</u>	35.08		<u>33,739</u>	33,739	35.08
		Bonds (by sector):			
3,290		Corporate (Investment grade)	3,339		
208		Corporate (Non-Investment grade)	211		
193		UK Government	196		
434		Other	441		
<u>4,125</u>	4.35		<u>4,187</u>	4,187	4.35
		Private equity:			
3,978	4.20	All (Quoted prices not in active markets)	4,036	4,036	4.20
		Property (by type):			
5,389		UK	5,468		
35		Global	36		
<u>5,424</u>	5.72		<u>5,504</u>	5,504	5.72
		Investment funds:			
26,281		Equities	26,669		
10,359		Bonds	10,512		
0		Other	0		
<u>36,640</u>	38.66		<u>37,181</u>	37,181	38.66
		Derivatives:			
(3)		Interest rates	(3)		
134		Foreign exchange	136		
0		Other	0		
<u>131</u>	0.14		<u>133</u>	133	0.14
11,227	11.85	Cash and cash equivalents		11,393	11.85
<u>94,773</u>	<u>100</u>	<b>Total fair value of scheme assets</b>		<u>96,173</u>	<u>100</u>

The expected return on assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on the gross redemption yields at the balance sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

## Notes to the financial statements

### 35 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 2018 on his latest formal valuation of the scheme at £135.052m. The principal assumptions used by the actuary are:

	31 March 2017	31 March 2018
<b>Long-term expected rate of return on assets in the scheme</b>		
Equity investments	2.50%	<b>2.60%</b>
Bonds	2.50%	<b>2.60%</b>
Other	2.50%	<b>2.60%</b>
<b>Mortality assumptions:</b>		
The mortality assumptions are in line with the fund's cub vita (a longevity monitoring service) analysis. These are a bespoke set of vitacurves tailored to fit the membership of the fund. The actuary has also applied medium cohort improvements and a 1% underpin from 2007.		
Longevity at 65 for current pensioners		
Men	22.5 years	<b>22.5 years</b>
Women	24.6 years	<b>24.6 years</b>
Longevity at 65 for future pensioners		
Men	24.1 years	<b>24.1 years</b>
Women	26.4 years	<b>26.4 years</b>
<b>Rate of inflation and rate of increase in pensions</b>	2.40%	<b>2.40%</b>
<b>Rate of increase in salaries</b>	2.70%	<b>2.70%</b>
<b>Long-term expected rate of return of assets</b>	2.50%	<b>2.70%</b>
<b>Rate for discounting scheme liabilities (see below)</b>	2.50%	<b>2.60%</b>

In assessing liabilities for retirement benefits the actuary uses a single average gilt yield which gives the same present value as the gilt curve for a period of around 20 years and added to the median spread on AA corporate bonds. The actuary advised that a discount rate of 2.6% (0.1% real) for retirement benefits as at 31 March 2018 was appropriate. The equivalent figure for 2016/17 was 2.5% (0.1% real).

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.

## Notes to the financial statements

### 35 Defined benefit pension scheme (continued)

#### 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 2018	Approximate increase to employer liability (%)	Approximate monetary amount £000
0.5% decrease in real discount rate	9%	12,114
1 year increase in member life expectancy	3%-5%	3,996- 6,660
0.5% increase in the salary increase rate	1%	1,500
0.5% increase in the pension increase rate	8%	10,469

#### Surrey Pension Fund

#### Defined Benefit obligation duration

Member type	Liability Split	Weighted average
Active members	44.90%	21.0
Deferred members	20.00%	20.6
Pensioner members	35.10%	11.1
	100.00%	16.4

The above figures are for funded obligations only and do not include any unfunded pensioner liabilities.

### 36 Contingent assets

#### 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, which allowing for interest and its costs, amounts to the sum of £148,908.36. Nothing has been included in the Comprehensive Income and Expenditure Statement (CIES) for this money.

Since then, 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.

A confiscation hearing was held in September 2012 for one of the owners granting the prosecution a confiscation order, which following an appeal was reduced to £204,006. To date only £10,000 has been received and included in the CIES.

A confiscation hearing took place in October 2014 for the second owner and a confiscation order for £77,232 was granted. An application for permission to appeal was refused by the Court of Appeal on 23/3/17. These sums have been paid and the Council has now received the sum of £19,307.00 owed further to this award. These sums have been included in the CIES.

A second prosecution was started in 2014 against four defendants, which includes the two parties previously prosecuted (see above). All were found guilty on all counts put to the jury in October 2015 and further to refusal of their renewed applications against the convictions by the Court of Appeal on 23/3/17, confiscation orders totalling the sum of £1,026,213.99 were granted by the Crown Court on 4/4/17. Each Defendant was afforded 3 months to pay with individual sentences of imprisonment in default of payment also made. Whether payment in accordance with these latest Court Orders are made or not, it will be some time before any monies owed to the Council are received.

In February 2018, the Council applied to the courts to appoint Enforcement Receivers in relation to the Proceeds of Crime applications. A further hearing was listed for the end of May. Should the court approve an Enforcement Receiver, any costs will be included in the CIES at the appropriate time.

### 37 Contingent liabilities

#### Rent Bonds

The Council issues "rent bonds" to encourage private sector landlords to provide rented accommodation to clients that might otherwise be homeless. The rent bond covers the deposit that a landlord might expect on commencement on a tenancy. Should the tenant not meet certain specified obligations on the termination of the tenancy, the landlord can claim certain costs back from the Council. The Council issued 22 rent bonds in 2017/18 with a total value of £56,800. Experience from earlier years of the scheme indicates that there will be a call on the Council rent bonds. This has been estimated at 25% of the bonds issued and a provision of £14,200 has been made in the comprehensive income and expenditure statement accordingly. There remains a potential liability of £42,600, although it is highly unlikely that all rent bonds will be fully called upon.

#### 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.

#### Challenge of a grant of Planning Permission

The Council recently granted Planning Permission for the demolition and construction of a replacement building at a site known as Podenhale. The actions of the Council are being questioned by an adjoining landowner who believes that permission should not have been granted. The adjoining landowner has instructed solicitors who have written what is called a pre-action protocol letter to the council. Should this matter proceed to trial and the Council lose, the potential costs could be in the region of £100k.

#### Waitrose Car Park Egham

The Council purchased a property at Church Road Egham which was leased to Waitrose (Ground floor supermarket), Travelodge (hotel on floors above Waitrose) and Albemarle (underground car park). Under the terms of the Waitrose lease the Landlord agrees to provide 148 short stay shopper car parking spaces in the car park and in consideration of the Additional Rent the Landlord agrees to free car parking to bona fide customers of Waitrose for a reasonable period to do their shopping. If Albemarle failed to pay the monies to Waitrose then the Landlord would be liable to pay. Albemarle failed to reimburse the car park fees and Waitrose have instructed solicitors to claim this from the Council as the new Landlord. Waitrose claim amounted to £472,444, however, the Council is disputing this amount and the validity of parts of the claim. During the year an offer was made to settle the claim at £166,000 and this amount has been included in the CIES. A further sum of £240,000 has been included in the CIES as a provision.

#### Egham Precinct

The Council own a building in Egham Precinct which formally housed a gym on the first floor. Due to the use of gym equipment, damage was caused to the gym floor and in turn to the ceilings of various retail units on the ground floor. The result was that the gym had to cease operation and two occupiers of ground floor units had to move out. One ground floor occupier has moved back in and the Council has paid them compensation. The second ground floor occupier could move back in but they are claiming that their business collapsed because they had to move out and have put a claim in of £100k for compensation which the Council are disputing. The gym say they are owed money but have not quantified their claim.

## Notes to the Housing Revenue Account

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.

2016/17 £000		Note	2017/18 £000
	<b>Income</b>		
16,405	Dwelling rents		16,160
111	Non-dwelling rents		114
777	Charges for services and facilities		604
17,293	<b>Total income</b>		<b>16,878</b>
	<b>Expenditure</b>		
2,648	Repairs and maintenance		2,695
3,265	Supervision and management		3,520
235	Rents, rates, Taxes and other charges		232
3,881	Depreciation of non-current assets		3,237
722	Impairment of non-current assets		599
39	Change in provision for uncollectable rents	43	101
10,790	<b>Total expenditure</b>		<b>10,384</b>
(6,503)	<b>Net cost of HRA services as included in the whole authority comprehensive income and expenditure statement</b>		<b>(6,494)</b>
211	HRA services share of corporate and democratic core costs		231
	Exceptional costs:		
(14,959)	Reversal of previous impairments charged to the CIES		(7,804)
43	HRA share of other amounts included in the whole authority cost of services but not allocated to specific services		43
(21,208)	<b>Net cost for HRA services</b>		<b>(14,024)</b>
	<b>HRA share of the operating income and expenditure included in the comprehensive income and expenditure statement:</b>		
	Other operating expenditure:		
444	Payments to the Government housing capital receipts pool	42	435
(1,074)	Net (gains) and losses on the disposal of non-current assets		(922)
	Financing and investment income and expenditure		
3,329	Financing and investment expense		3,305
(55)	Income and expenditure in relation to investment properties and changes in fair value		(1,189)
121	Net interest on the net defined pension liability		118
(18,443)	<b>(Surplus) or deficit on provision of HRA services</b>		<b>(12,277)</b>



## Notes to the Housing Revenue Account

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.

2016/17 £000		2017/18 £000	£000
(18,443)	(Surplus) or deficit for year on the HRA income and expenditure account	(12,277)	
10,817	Adjustments between accounting basis and funding basis under statute	5,232	
<u>(7,626)</u>	<b>Net (increase) or decrease before transfers to or from reserves</b>		<b>(7,045)</b>
3,876	Transfer to the Major Repairs Reserve		3,232
0	Transfer to the Earmarked Reserves		28
<u>(3,750)</u>	<b>(Surplus) or deficit in the year on the HRA</b>		<b>(3,785)</b>
£000			£000
(14,089)	<b>HRA balance at the beginning of the year</b>		<b>(17,506)</b>
(3,750)	(Surplus) or deficit in the year on the HRA		(3,785)
333	Capital expenditure funded from balances		1,867
<u>(17,506)</u>	<b>HRA Balance carried forward at the end of the year</b>		<b>(19,424)</b>

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

2016/17 £000		2017/18 £000
	Note	
<b>Items included in the HRA income and expenditure statement but excluded from the movement on the HRA statement:</b>		
14,237	Impairment of non-current assets	7,205
(345)	Pension costs charged to the HRA in accordance with IAS 19	(544)
(121)	Net interest on the net defined pension liability	(118)
(3,881)	HRA Depreciation/amortisation	(3,232)
(444)	Payments to the Government housing capital receipts pool	(435)
1,074	Net (gains) and losses on the disposal of non-current assets	922
0	Changes in fair value of investment properties	1,134
<b>Items not included in the HRA income and expenditure statement but included in the movement on the HRA statement:</b>		
297	HRA share of employer's contributions to the Surrey Pension Fund	300
<u>10,817</u>	<b>Adjustments between accounting basis and funding basis under statute</b>	<b>5,232</b>

## Notes to the Housing Revenue Account

### 38 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 32% 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 2010*, published by the Department for Communities and Local Government in January 2011. The last full valuation was undertaken in March 2016. 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 and Equipment	Investment Prtproperties	Total
	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>					
<b>At 1 April 2017</b>	<b>285,641</b>	<b>891</b>	<b>20</b>	<b>7,195</b>	<b>293,747</b>
Additions	3,090	36	10		3,136
Accumulated depreciation and Impairment written out on revaluation	(3,827)				
Revaluations	9,130	(3)		1,134	10,261
Disposals	(1,048)				(1,048)
<b>At 31 March 2018</b>	<b>292,986</b>	<b>924</b>	<b>30</b>	<b>8,329</b>	<b>306,096</b>
<b>Accumulated depreciation and impairment</b>					
<b>At 1 April 2017</b>	<b>0</b>	<b>12</b>	<b>13</b>	<b>0</b>	<b>25</b>
Depreciation charge in the year	3,232		6		3,238
Accumulated depreciation written out on revaluation	(3,228)				(3,228)
Disposals	(4)				(4)
<b>At 31 March 2018</b>	<b>0</b>	<b>12</b>	<b>19</b>	<b>0</b>	<b>31</b>
<b>Net book value</b>					
<b>At 31 March 2018</b>	<b>292,986</b>	<b>912</b>	<b>11</b>	<b>8,329</b>	<b>306,065</b>
<b>At 31 March 2017</b>	<b>285,641</b>	<b>879</b>	<b>7</b>	<b>7,195</b>	<b>293,722</b>

### 39 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 2018 has been estimated at £847m for dwellings and £26m for other housing assets including development land.

## Notes to the Housing Revenue Account

### 40 Stock numbers

The Council was responsible for managing the following dwellings during 2017/18:

	DIYSO stock	Houses & bungalows	Flats & maisonettes	<b>Total stock</b>
<b>Stock at 1 April</b>	41	1,867	965	<b>2,873</b>
Sales of dwellings	(2)	(7)		<b>(9)</b>
Demolished dwellings		(4)		<b>(4)</b>
Purchased properties		2	2	<b>4</b>
Other changes		(3)	3	<b>0</b>
<b>Stock at 31 March</b>	<b>39</b>	<b>1,855</b>	<b>970</b>	<b>2,864</b>

In addition at 31 March 2018 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.

### 41 Capital expenditure

The following table summarises total capital expenditure on land, houses and other property accounted for within the HRA during 2017/18, and the source of finance:

2016/17 Total Expenditure £000		Source of funding in 2017/18			
		Capital receipts £000	Revenue contributions £000	Major Repairs Reserve £000	Total Expenditure £000
2,107	Improvements to stock			2,328	<b>2,328</b>
374	Purchase of property	175	587		<b>762</b>
103	Construction of new dwellings	658	1,281	17	<b>1,956</b>
<b>2,584</b>	<b>Total capital expenditure on HRA assets</b>	<b>833</b>	<b>1,868</b>	<b>2,345</b>	<b>5,046</b>

The above figures exclude £339,611 of costs on the construction of new dwellings which was funded from third party grants and contributions.

### 42 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:

2016/17 Total £000		2017/18		
		Land £000	Dwellings £000	Total £000
1,962	Sale of council houses (right-to-buy)	0	1,755	<b>1,755</b>
398	Shared ownership sales and receipts	0	236	<b>236</b>
<b>2,360</b>	<b>Total capital receipts from HRA disposals</b>	<b>0</b>	<b>1,991</b>	<b>1,991</b>

Government Regulations require a proportion of housing receipts to be pooled. The payment to the Government in 2017/18 totalled £435,427 (£443,805 in 2016/17).

## Notes to the Housing Revenue Account

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### 43 Arrears and provision for arrears and provision for uncollectable rents

Rent arrears on all HRA housing as a proportion of gross rent income (including some small other charges collected with rents) was 1.96% as at 31 March 2018. This compares to 1.50% as at 31 March 2017.

A provision of £219,533 has been made for HRA arrears estimated to be uncollectable as at 31 March 2017, an increase of £59,523 on the provision of £160,010 as at 31 March 2017. Amounts written off in the year totalled £43,012 (£44,031 in 2016/17), making a net change in uncollectable rents in the year of £102,535. This was partially offset by sums recovered by debt collection agencies during the year of £2,026. In addition to the arrears of rent, there are £9,895 of court and debt collection costs outstanding as at 31 March 2018 (£11,158 at 31 March 2017).

## 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).

2016/17			2017/18			
Business Rates £000	Council Tax £000	Total £000	Note	Business Rates £000	Council Tax £000	Total £000
<b>Income</b>						
-	53,645	53,645		-	56,474	56,474
46,806	-	46,806	44	52,169	-	52,169
7	-	7	45	1,864	-	1,864
<b>46,813</b>	<b>53,645</b>	<b>100,458</b>		<b>54,033</b>	<b>56,474</b>	<b>110,507</b>
<b>Expenditure</b>						
Contributions towards the previous year's surplus / (deficit)						
(1,817)	-	(1,817)		(2,981)		(2,981)
(1,454)	1,438	(16)		(596)	0	(596)
-	431	431			0	0
(363)	150	(213)		(2,385)	0	(2,385)
<b>(3,634)</b>	<b>2,019</b>	<b>(1,615)</b>		<b>(5,962)</b>	<b>0</b>	<b>(5,962)</b>
Precepts demands and shares:			46			
21,972	-	21,972		28,538	-	28,538
4,394	41,659	46,053		5,708	44,377	50,085
-	7,233	7,233			7,548	7,548
17,578	4,990	22,568		22,830	5,152	27,982
<b>43,944</b>	<b>53,882</b>	<b>97,826</b>		<b>57,076</b>	<b>57,077</b>	<b>114,153</b>
Charges to the Collection Fund:						
(9)	132	123		224	165	389
(1)	(23)	(24)		8,316	125	8,441
2,000	-	2,000		1,047	-	1,047
127	-	127		132	-	132
<b>2,117</b>	<b>109</b>	<b>2,226</b>		<b>9,719</b>	<b>290</b>	<b>10,009</b>
<b>42,427</b>	<b>56,010</b>	<b>98,437</b>		<b>60,833</b>	<b>57,367</b>	<b>118,200</b>
<b>4,386</b>	<b>(2,365)</b>	<b>2,021</b>		<b>(6,800)</b>	<b>(893)</b>	<b>(7,693)</b>
<b>Collection Fund Balance</b>						
(3,324)	1,670	(1,654)		1,062	(695)	367
4,386	(2,365)	2,021		(6,800)	(893)	(7,693)
<b>1,062</b>	<b>(695)</b>	<b>367</b>		<b>(5,738)</b>	<b>(1,588)</b>	<b>(7,326)</b>

## Notes to the Collection Fund

### 44 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 2016/17 and 2017/18 together with the resulting Council tax for each band is set out below:

<b>Council tax base and amounts charged for 2016/17 and 2017/18</b>						
<b>2016/17</b>		Band	Range of property values	Proportion	<b>2017/18</b>	
Band D equivalent number	Council tax £				Band D equivalent number	Council tax £
669	1,092.04	A	Up to £40,000	6/9	670	1,140.47
624	1,274.05	B	£40,000 to £52,000	7/9	699	1,330.56
4,157	1,456.05	C	£52,001 to £68,000	8/9	4,273	1,520.63
8,897	1,638.06	D	£68,001 to £88,000	1	9,053	1,710.71
7,108	2,002.07	E	£88,001 to £120,000	11/9	7,126	2,090.86
5,178	2,366.08	F	£120,001 to £160,000	13/9	5,193	2,471.03
4,515	2,730.10	G	£160,001 to £320,000	15/9	4,521	2,851.18
1,989	3,276.13	H	More than £320,000	18/9	2,028	3,421.42
42			Other properties		50	
<b>33,179</b>		<b>Council tax base*</b>			<b>33,613</b>	
		<b>Less Provision for Non Collection</b>			<b>286</b>	
		<b>Tax Base for 2017/18</b>			<b>33,327</b>	

\* The above band D equivalent figure is adjusted by the expected collection rate of 99% to give the tax base for the year

### 45 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 2017/18 was 47.9p (2016/17 was 49.7p). Small businesses had a lower rate poundage of 46.6p in 2017/18 (48.0p in 2016/17).

The 2010 valuation list has a rateable value of £106.4m as at 31 March 2018 (£107.7m at 31 March 2017). The 2017 list has a valuation of £139.7m as at 31 March 2018 (£133.4m at 1 April 2017)

## Notes to the Collection Fund

### 46 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 was distributed as

2016/17			2017/18	
Business Rates	Council Tax		Business Rates	Council Tax
£000	£000		£000	£000
531	-	Central Government	(2,869)	
106	(541)	Surrey County Council	(574)	(1,240)
-	(91)	Surrey Police Authority		(208)
425	(63)	Runnymede Borough Council	(2,296)	(140)
1,062	(695)		(5,739)	(1,588)
	367	Surplus (Deficit) on the collection fund		(7,327)

### 47 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 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

#### 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).

#### 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. This company began trading in 2017/18.

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 income and expenditure account, group balance sheet, group movement in reserves statement and group cash flow statement 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 differences the impact of applying a consistent policy would not lead to a material change in the group accounts.



## Group accounts

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

Year ended 31 March 2017			Year ended 31 March 2018			
Expend	Income	Net	Expend	Income	Net	
£000	£000	£000	£000	£000	£000	
<b>Gross expenditure, gross income and net expenditure of continuing operations</b>						
10,824	17,325	(6,501)	Housing Revenue Account	10,386	16,880	<b>(6,494)</b>
25,602	23,687	1,915	Housing Committee	25,640	23,312	<b>2,328</b>
7,331	2,693	4,638	Community Services Committee	7,828	2,579	<b>5,249</b>
6,213	2,782	3,431	Environmental & Sustainability Committee	6,415	2,690	<b>3,725</b>
288	196	92	Licensing & Regulatory Committees	302	188	<b>114</b>
2,501	1,246	1,255	Planning Committee	3,194	1,880	<b>1,314</b>
8,463	2,156	6,307	Corporate Management Committee	7,680	2,212	<b>5,468</b>
Exceptional costs -						
(19,521)		(19,521)	Reversal of previous impairments charged to the CIES	(7,804)	0	<b>(7,804)</b>
41,701	50,085	(8,384)	<b>Cost Of Services</b>	<b>53,641</b>	<b>49,741</b>	<b>3,900</b>
	(627)		Other operating expenditure			<b>(384)</b>
	5,487		Financing and investment income and expenditure			<b>(22,046)</b>
	(11,146)		Taxation and non-specific grant income			<b>(9,626)</b>
	(14,670)		<b>(Surplus) or deficit on provision of services</b>			<b>(28,156)</b>
	(14)		Tax expenses of subsidiaries			<b>125</b>
	(14,684)		<b>Group (Surplus) or deficit</b>			<b>(28,031)</b>
<b>Items that will not be reclassified to the (surplus) or deficit on provision of services:</b>						
	(23,646)		(Surplus) or deficit on revaluation of non-current assets			<b>(6,509)</b>
	16		Impairment losses on non-current assets charged to the Revaluation Reserve			<b>657</b>
	8,977		Remeasurement of the net defined benefit liability or (asset)			<b>(1,634)</b>
<b>Items that will be reclassified to the (surplus) or deficit on provision of services upon the sale of investments:</b>						
	36		(Surplus) or deficit on revaluation of available for sale assets			<b>(59)</b>
	(14,617)		<b>Other comprehensive income and expenditure</b>			<b>(7,545)</b>
	(29,301)		<b>Total comprehensive income and expenditure</b>			<b>(35,576)</b>

## Group accounts

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 2017/18</b>										
Total comprehensive income and expenditure	14,889	0	12,277	0	0	0	865	28,031	7,545	35,576
Adjustments between Group Accounts and Council Accounts	(159)	0	0	0	0	0	1,119	960	(960)	0
<b>Net (increase)/Decrease before Adjustments</b>	<b>14,730</b>	<b>0</b>	<b>12,277</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,984</b>	<b>28,991</b>	<b>6,585</b>	<b>35,576</b>
Adjustments between accounting basis and funding basis under regulations	(15,577)	2,830	(10,359)	888	(8,499)	457	0	(30,260)	30,260	0
<b>Increase (decrease) in the year</b>	<b>(847)</b>	<b>2,830</b>	<b>1,918</b>	<b>888</b>	<b>(8,499)</b>	<b>457</b>	<b>1,984</b>	<b>(1,269)</b>	<b>36,845</b>	<b>35,576</b>
Balance at 31 March 2017	6,384	2,130	17,506	3,849	14,282	926	88	45,165	233,313	278,478
Increase (decrease) in the year	(847)	2,830	1,918	888	(8,499)	457	1,984	(1,269)	36,845	35,576
<b>Balance at 31 March 2018</b>	<b>5,537</b>	<b>4,960</b>	<b>19,424</b>	<b>4,737</b>	<b>5,783</b>	<b>1,383</b>	<b>2,072</b>	<b>43,896</b>	<b>270,158</b>	<b>314,054</b>
<b>Movement in Reserves during 2016/17 - Restated</b>										
Total comprehensive income and expenditure	(3,523)	0	18,429	0	0	0	(222)	14,684	14,617	29,301
Adjustments between Group Accounts and Council Accounts	(150)	0	0	0	0	0	300	150	(150)	0
<b>Net (increase)/Decrease before Adjustments</b>	<b>(3,673)</b>	<b>0</b>	<b>18,429</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>78</b>	<b>14,834</b>	<b>14,467</b>	<b>29,301</b>
Adjustments between accounting basis and funding basis under regulations	2,076	11	(15,012)	1,757	10,340	454	0	(374)	374	0
<b>Increase (decrease) in the year</b>	<b>(1,597)</b>	<b>11</b>	<b>3,417</b>	<b>1,757</b>	<b>10,340</b>	<b>454</b>	<b>78</b>	<b>14,460</b>	<b>14,841</b>	<b>29,301</b>
Balance at 31 March 2016	7,981	2,119	14,089	2,092	3,942	472	10	30,705	218,472	249,177
Increase (decrease) in the year	(1,597)	11	3,417	1,757	10,340	454	78	14,460	14,841	29,301
<b>Balance at 31 March 2017</b>	<b>6,384</b>	<b>2,130</b>	<b>17,506</b>	<b>3,849</b>	<b>14,282</b>	<b>926</b>	<b>88</b>	<b>45,165</b>	<b>233,313</b>	<b>278,478</b>

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

## Group accounts

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

2017		2018
Restated		
£000		£000
344,899	Property, Plant and Equipment	412,986
169,512	Investment Property	281,227
266	Intangible Assets	450
10	Long-term Investments	10
580	Long-term Debtors	741
14	Deferred Tax Asset	0
<b>515,281</b>	<b>Long term Assets</b>	<b>695,414</b>
36,784	Short-term Investments	38,413
110	Inventories and Work in Progress	73
10,734	Short-term Debtors and Payments in Advance	6,837
(1,826)	Provision for Bad Debts on Gross Debtors	(1,858)
14,335	Cash and Cash Equivalents	3,541
<b>60,137</b>	<b>Current Assets</b>	<b>47,006</b>
(5,163)	Short term Borrowing	(5,697)
(18,126)	Short-term Creditors	(25,284)
(3,129)	Provisions	(7,100)
(3)	Grants Received in Advance - Revenue	(3)
2	Current Tax Liability	0
<b>(26,419)</b>	<b>Current Liabilities</b>	<b>(38,084)</b>
(232,792)	Long term Borrowing	(351,292)
(37,729)	Liability Related to Pensions	(38,879)
0	Deferred Tax Liability	(111)
<b>(270,521)</b>	<b>Long term Liabilities</b>	<b>(390,282)</b>
<b>278,478</b>	<b>Net Assets</b>	<b>314,054</b>
45,166	<b>Usable Reserves</b>	43,896
233,312	<b>Unusable Reserves</b>	270,158
<b>278,478</b>	<b>Total Reserves</b>	<b>314,054</b>

## Group accounts

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

2016/17 £000		Note	2017/18 £000
(14,684)	<b>Net (surplus) or deficit on the provision of services</b>		<b>(28,031)</b>
(6,788)	Adjustments to net surplus or deficit on the provision of services for non-cash movements		<b>(4,998)</b>
15,584	Adjustments for items included in the net surplus on the provision of services that are investing and financing activities		<b>(61,370)</b>
(5,888)	Net cash flow from operating activities	50	<b>(94,399)</b>
100,777	Investing Activities	50	<b>224,650</b>
(98,264)	Financing activities	50	<b>(119,457)</b>
<u>(3,375)</u>	<b>Net (increase) or decrease in cash and cash equivalents</b>		<u><b>10,794</b></u>
<u>(10,960)</u>	<b>Cash and cash equivalents at the beginning of the reporting period</b>		<u><b>(14,335)</b></u>
<u><u>(14,335)</u></u>	<b>Cash and cash equivalents at the end of the reporting period</b>		<u><u><b>(3,541)</b></u></u>

## Group accounts

### Gross debtors and payments in advance

31 March 2017 £000		31 March 2018 £000
339	Central government bodies	1,015
1,220	Other local authorities	1,736
9,175	Other entities and individuals	4,086
<u>10,734</u>	<b>Gross current debtors and payments in advance</b>	<u>6,837</u>

### Creditors and receipts in advance

31 March 2017 £000		31 March 2018 £000
(5,393)	Central government bodies	(6,554)
(2,168)	Other local authorities	(2,439)
(10,565)	Other entities and individuals	(16,291)
<u>(18,126)</u>	<b>Gross creditors and receipts in advance</b>	<u>(25,284)</u>

### Cash flow statement

2016/17 £000		2017/18 £000
	<b>Operating Activities includes:</b>	
410	Interest Received	359
(4,893)	Interest Paid	(7,311)
0	Deferred Tax Liability	(111)
	<b>Investing Activities</b>	
100,098	Purchase of property, plant and equipment, investment property and intangible assets	161,585
16,468	Purchase of short-term and long-term investments (includes investments in associates and subsidiaries)	73,501
0	Other payments for investing activities	162
(14,644)	Proceeds from the sale of property, plant and equipment, non-current assets held for sale, investment property and intangible assets	(9,354)
(1,145)	Other receipts from investing activities, eg Capital Grants	(1,244)
<u>100,777</u>	<b>Net cash flows from investing activities</b>	<u>224,650</u>
	<b>Financing activities</b>	
(98,000)	Cash receipts of short and long term borrowing	(125,034)
1,000	Repayments of short and long term borrowing	6,000
(1,264)	Other payments for financing activities e.g paying premium on early repayment of debt	(423)
<u>(98,264)</u>	<b>Net cash flows from financing activities</b>	<u>(119,457)</u>

## Trust funds

### 51 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 KPMG as part of the Statement of Accounts audit.

Revenue account		
2016/17		2017/18
Actual		Actual
£		£
11,350	Income from investments and contributions etc.	9,428
(21,345)	Expenses and works	(58,593)
24,594	Gain/(loss) in valuation of investments	(2,810)
<u>14,599</u>	Surplus (deficit) for year	<u>(51,975)</u>
<b>Balance sheet as at 31 March</b>		
As at		As at
31 Mar 2017		31 Mar 2018
£		£
210,997	Fund balance at 1 April	225,596
14,599	Add surplus (deficit) for Year	(51,975)
<u>225,596</u>	<b>Fund balance at 31 March</b>	<u>173,621</u>
<b>Represented by:</b>		
Investments at market valuation:		
14,000	Runnymede Borough Council	0
149,150	Charities official investment fund - income shares	126,399
61,863	M and G Charifund	41,806
Net current assets:		
583	Cash at bank	5,416
<u>225,596</u>		<u>173,621</u>

## Trust funds

### 52 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 by KPMG as part of the Statement of Accounts audit.

Information on these other trust funds are set out below:

Registered Charity No.	Name of Trust	Balance as at 31 March 17 £	Receipts in year £	Payments in year £	Balance as at 31 March 18 £
305021	Runnymede Pleasure Ground trust	142,237	133,831	90,645	<b>185,423</b>
304999	Sir Edward Stern Trust fund	1,836	14	0	<b>1,850</b>
289262	Victory Park Trust fund	25	0	0	<b>25</b>
257032	Egham War Memorial Upkeep fund	3,582	87	0	<b>3,669</b>
	<b>Totals</b>	<b>147,680</b>	<b>133,932</b>	<b>90,645</b>	<b>190,967</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 and a parking area, a bathing pavilion and a residential property were added to the trust. 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 2018 were £3,669 invested with Runnymede Borough Council and £1,000 invested with the charities official investment fund (market valuation of £2,200).

#### Other

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 discharge 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.

## 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 2018 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:

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

The key elements of the core principles are detailed below.



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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 2017/18 and formally adopted by the Council in April 2018. 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 Corporate Management Committee set up or continued with a number of member Working Groups in 2014/15 to 2017/18 to oversee a number of significant projects and the business of the Council.

The Business Applications Member Working Group reports to the Corporate Management 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.

The Property Acquisitions Member Working party mainly deals with the Council's investment in the regeneration of the three major towns in the Borough – Addlestone, Chertsey and Egham. The first project is the Addlestone One investment followed by the Egham Gateway phase 1 and a new leisure centre in Egham is under construction. The Member working party also deals with 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.

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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**

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 and 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 manner in which 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 which sets out its vision, values, goals and priorities. In 2016 the Council went through an extensive consultation exercise with its residents in preparing the Corporate Business Plan. In 2017/18 the Council consulted widely with residents on the Local Plan which will be submitted to Government in July 2018. In 2017/18 the Council also consulted widely on revisions to its Constitution. The Council also works closely with the M3 LEP (Local Enterprise Partnership).

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

The Council is responsible for a number of key services and functions including:

- Community grants and events.

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- 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.
- 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 centre’s for over 55s.
- Regulation e.g. planning, building control, environmental health and licensing.
- Asset management – this has increased in scope and in the number of staff involved in generating new income from significant investment in infra-structure. In 2016/17 and 2017/18 the General Fund borrowed to part fund a significant regeneration project in Addlestone and refurbish two assets at St Jude’s and Ashdene House in Englefield Green. Further projects commenced in 2017/18 and will continue in 2018/19 and beyond.
- During 2017/18 the three Council owned companies became active requiring company accounts to be prepared. These 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 2017/18. The construction of the Addlestone One development commenced in the spring of 2015. The development is on target to be completed in two phases during 2017/18 and mid 2018/19. While this will involve spending around £75m to fund the development the governance structures are already in place. The regeneration and place shaping plans have been further developed in 2017/18.

The scheme includes the re-provision of a Leisure Centre to replace a 1970’s built centre with extensive maintenance liabilities, which will include Runnymede’s only large public swimming pool.

In all of these schemes residents, local businesses and other stakeholders have been involved in the design brief. 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 £200 million in 2017/18 to acquire assets which generate a sustainable income stream. In March 2017 the Standards and Audit Committee made recommendations to the Council to strengthen the governance arrangements on the regeneration strategy which was subsequently included in the revised constitution of the Council.

As part of the Internal Audit of the processes behind commercial rent reviews it was identified that a significant number of reviews, including at least one high value rent review, had not taken place. The rent foregone is likely to have been over £1 million over a ten year period. Following a review of process reported to the Standards and Audit Committee the Council has transferred responsibility for rent reviews to the Commercial Services section with increased resources to review over 200 lease agreements. An action plan on the recovery process is reported regularly to the Standards and Audit Committee.

In 2017/18 a “whistle blower” alleged an officer had accepted a bribe from a contractor they regularly commissioned work from. The allegation was not proven. However a follow up investigation by Internal Audit into the way management investigated the original allegation has resulted in a review of the anti-fraud and corruption policies and the way officers investigate any potential financial irregularities.

The role of the Standards and Audit Committee includes:

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- 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 a number of individual strategies including anti-fraud and corruption and money laundering strategies.

The Chief Executive (Head of Paid Service), the Corporate Head of Law & Governance (Monitoring Officer) and the Corporate Director of Resources (Responsible finance 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 in 2017/18 there were four complaints received. One of the complaints was resolved locally and three are still being investigated

### **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**

In the Spring of 2015 the construction began on a major regeneration scheme in Addlestone, called Addlestone One. The Council is investing £75m in a scheme to provide 213 dwellings, with 53 sold off plan to a registered provider, 60 will be sold to owner occupiers on long term leases and 100 provided for rent by RBC Investments (Surrey) Limited, a company 100% owned by the Council.

RBC Investments (Surrey) Limited became active on 01/10/15. It is the Council's investment and property development company which will take long term leases on private dwellings that become owned by the Council and then manage those properties and be 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

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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 of 5.02% 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 also 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 Director of Commercial Services
- Mr. P McKenzie is the Finance Director who is employed by the Council as their Corporate Director of Resources (and Chief Finance Officer).

In addition Mrs. Sarah Keenan, a Council solicitor, is the Company Secretary

The Chairman of the Board and Non-Executive Director is Cllr P I Roberts who was Leader of the Council for 2015/16. He remained Chairman of the Board for 2017/18.

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

- RBC Services (Addlestone one) Ltd, which will provide the service charge regime to the commercial and domestic occupants of the St Jude's Cottages Apartments, the Addlestone development and all future commercial or residential holdings of the Council that require service charges to be administered. This company became active in 2016/17 as the regeneration strategy came on line; and
- RBC Heat Company Ltd, which provides heating and hot water as a commercial undertaking to all of the dwellings on the Addlestone ONE development and those commercial tenants who chose to buy the services. This company became active in 2017/18 as the first tenants moved into the development.

Mr. V Sibley is the Operations Director. Mr. Sibley is employed by the Council as Commercial Services Manager. For both companies the Council's Chief Finance Officer will provide financial services and have 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 has 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 via reports to the Property Sub Committee, Corporate Management Committee, and all Member briefings to Council who have made key decisions. That process will continue beyond 31 March 2018 as the regeneration activity develops through the procurement of a development partner to deliver the Runnymede Regeneration Programme of five sites over an 8-10 year period and will include building a replacement leisure centre in Egham.

### **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. In 2016/17 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.

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

- Transport, building maintenance, and ICT.
- 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 2017/18
- Community Services providing a range of community services in partnership with Surrey Heath BC.
- Safer Runnymede provides a CCTV service for Spelthorne Borough Councils 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

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

- Corporate Director of Housing and Community Development
- Corporate Director of Planning and Environmental Services.
- Corporate Head of Law & Governance (the Monitoring officer)
- Corporate Director of Resources (Responsible Finance or Section 151 officer)
- Corporate Head of Strategy

The Corporate Leadership Team is also supported by a range of senior managers as appropriate e.g., the Head of Human Resources and Head of ICT. The Council has set up a flat 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 most of 2017/18. However, the Chief Executive and Corporate Director of Resources commenced a major restructure of the Resources division in March 2017. The Customer Services and Revenues and Benefits sections are now managed by one Head of service and operational integration was completed in the late summer 2017.

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 officer structure 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 meet bi-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.

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- Budget management
- Governance

For Committees, each Member receives a copy of meeting agendas in advance, mostly seven 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.

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 in connection with 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 in order 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.

CLT 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.

In March 2015 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 2017/18.

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 2016, spent a number of days preparing options for the 2017/18 budget. This member / officer group completed and produced a balanced budget by December 2016. The objective was not only the future financial resilience of the Council in an environment where Central Government grant will 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. During 2017/18 the members of the Standard and Audit Committee requested specific training in their role and to increase the number of meetings each year from three to four. In 2016/17 and 2017/18 a number of training sessions have been run for newly elected Councilors on various topics including local government finance, treasury management etc. Training and seminars are also provided, at member request on topics such as risk management

The draft Council Tax Support Scheme was consulted with residents and was duly amended and approved by Members in January 2013. In February 2017 Council approved the scheme continuing into 2017/18.

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.

## **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.

Runnymede has a formal approved process in place that details how staff should handle complaints. This was last reviewed and updated in March 2016. 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.

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 annually 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 2017/18 has not had a finding of maladministration found 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 advert includes detail of how to contact the Appointed Auditor should an elector wish to make an objection to the accounts.

During 2016/17 the Corporate Leadership worked with the Chairs and Vice-chairs of all Committees to revise the Council's Corporate Business Plan 2016-2020 which was subject to wide range public consultation and was approved in late 2016 to replace the Sustainable Community Strategy. The vision for Runnymede is to be:

*“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 2017/18.

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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 Corporate Director of Resources. 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, KPMG 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 2017/18 will be presented to the Standards and Audit Committee in summer 2018.

Internal audit reports to the Corporate Director 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 2018.

# Annual Governance Statement 2017/18

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Our External Auditor submitted to the Council their Annual Governance Report 2017/18 on 24 July 2018. The report identified recommendations to improve internal control which have been addressed in 2018/19 and any material errors identified in the Statement of Accounts.

The Council has set a balanced budget for 2017/18 through to 2018/19. The budget includes contingencies for managing risk and a planned use of reserves to mainly fund the regeneration plans of the Council. 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 requires 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 have taken action 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:

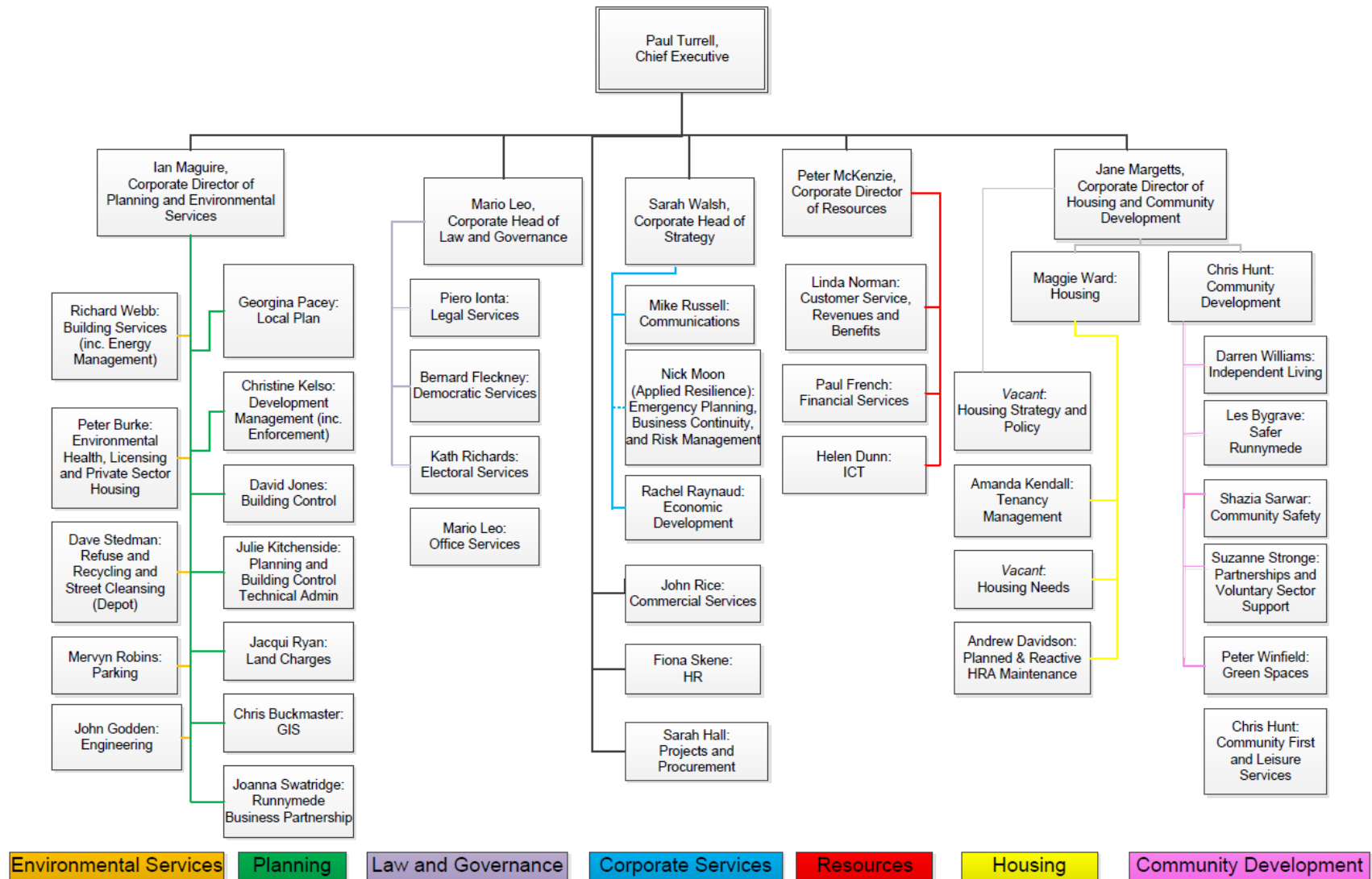
**Councillor N H Prescott**  
**Leader of the Council**  
26 July 2018

**Mr. P Turrell**  
**Chief Executive**  
26 July 2018

# Annual Governance Statement 2017/18

Runnymede Borough Council

25 April 2018



## Annual Governance Statement 2017/18

### Action Plan

Item	Issue	Actions taken	Further actions required	Timescale
1	<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>The Council is seeking to develop its ability to work collaboratively through participation in the Surrey First Initiative. This is a project designed to explore the opportunities for the various local authorities in Surrey to achieve more effective and efficient service delivery through a programme of shared services.</p> <p>During the last quarter of 2016/17 a number of partnerships increased in size or indications given from other Councils they may be scaled back.</p> <p>New partnership working opportunities on debt recovery have been agreed in March 2016 and continued through 2017/18 with one other Surrey council.</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 has supported the Surrey First initiative which continues to operate with five work streams:</p> <ul style="list-style-type: none"> <li>• Procurement</li> <li>• Waste</li> <li>• Property and Assets</li> <li>• I.T.</li> <li>• Workforce</li> </ul> <p>This has resulted in some significant short term but predominantly longer term opportunities for savings and service improvement</p>	<p>1. On-going</p> <p>2. On-going</p>
2	<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</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>Meetings have been held with South Oxfordshire and Vale of White Horse Councils in February 2016 following the destruction of their Civic Centre, the lessons learnt have been implemented in the ICT plans.</p> <p>Business Impact Assessments have been completed, along with a Corporate Business Continuity Policy. 12 of 16 Service Level Continuity Plans have also been completed.</p> <p>Two standard exercises have been developed allowing</p>	<p>1. Complete the remaining Service-Level Business Continuity Plans.</p> <p>2. Deliver a table top exercise to train staff.</p>	<p>On-going</p>

## Annual Governance Statement 2017/18

	Centre unusable for a period of time.	services to exercise and test any plans		
3	<p><b>Addlestone One project</b></p>	<p>A detailed project plan is in place including the outline governance of the two special purpose vehicles set up in early 2015 to manage the completed project.</p> <p>The Council will nominate an elected member to serve on each Board. The governance arrangements were developed in 2015/16 as “Articles of Association” and board membership is decided by the Council.</p> <p>It has been confirmed there are no obstacles preventing the Council's appointed auditor conducting an audit of the company accounts prepared. This will enhance governance and financial control.</p>	<p>Continue to develop governance framework during 2018/19. The SPV established will have a similar core values to the Council (openness, transparency, sound financial control etc.)</p> <p>In March 2015 the Council appointed Directors to the investment company and an elected member as a non-Executive Director to the Board. The service charge and heating company commenced trading in 2016/17 and 2017/18 respectively.</p> <p>Corporate Management and Standards and Audit Committee will continue to receive reports for decision as all of the regeneration projects develop.</p>	Dec 2014 and on-going
4	<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 have exceeded £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>A new version of the “Estateman” was implemented in 2017/18</p> <p>Additional professional resources have been brought in to review all of 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 and when required.</p>	Mar 2018 and on-going

## Glossary

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### **Accounting period**

The period of time covered by the accounts, normally a period of twelve months commencing on 1 April and ending on 31 March the following year, for local authority accounts. The end of the accounting period is the balance sheet date.

### **Accounting policies**

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the revenue account or balance sheet is presented.

### **Accruals basis**

an accounting convention in which transactions are reflected in the accounts of the period in which they take place as opposed to the period in which payments are made or received.

### **Actuarial gains and losses**

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- Events have not coincided with the assumption used by the actuary when carrying out the last valuation (experience gains and losses), or
- The actuarial assumptions have changed.

### **Actuary**

An actuary is a suitably qualified independent consultant employed to advise the council upon the financial position of the Pension fund.

### **Agency arrangements**

Services performed by or for another Authority or public body, where the agent is reimbursed for the cost of the work done.

### **Appointed Auditors**

Public Sector Audit Appointments Limited (PSAA) appoint external auditors to every Local Authority, from one of the major firms of registered auditors.

### **Appropriation**

An appropriation is the transfer of resources between the reserves.

### **Asset**

An item that is intended to be used for several years such as a building or a vehicle.

### **Audit**

An independent appraisal of a piece of work or process.

### **Balance sheet**

This is a summary of the financial position of the council. It shows the balances and reserves at the council's disposal, long term indebtedness and fixed and net current assets employed.

### **Balance (or Reserves)**

These represent accumulated funds available to the authority. Some balances (reserves) may be earmarked for specific purposes for funding future defined initiatives or meeting identified risks or liabilities. There are a number of unusable reserves for technical purposes, it is not possible to utilise these to provide services.

### **Barter**

The swapping of a Council owned asset in return for another asset of equal value

### **Benefits we have awarded for added years**

Added years are additional pensionable years that an authority may grant when a member of staff retires early because of redundancy or in the efficiency of the service, These additional years will increase the employee's retirement benefit which are paid for by the authority, not the pension fund, and are usually financed from the savings that will be made.

### **Billing authority**

A local authority empowered to set and collect council taxes, and manage the Collection Fund, on behalf of itself and local authorities in its area

## Glossary

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### **Budget**

The Budget is a statement of an authority's plans for net expenditure over a specified time period.

### **Business rates (Non-Domestic Rate – NNDR)**

Businesses pay business rates instead of Council Tax. Each year, the Government sets the rate in the pound and business rates are collected by the billing authority. The amount charged is based on multiplying the rateable value of each business property by the national rate in the pound.

### **Capital Adjustment Account (CAA)**

The balance on this Account represents timing difference between the amount of the historical cost of fixed assets that have been consumed and the amount that has been financed in accordance with statutory requirements.

### **Capital expenditure**

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

### **Capital financing costs**

Each service is charged with an annual capital financing charge for each asset it owns. The charge is made up of a depreciation element and a notional interest element. This system provides an appropriate charge for the use of assets, but has a neutral impact on the Council's accounts and budget requirement as the capital financing costs are set against the actual costs of capital financing (interest and debt repayments).

### **Capital grants**

Grants received towards Capital Expenditure incurred on specific schemes.

### **Capital programme**

Our plan of future spending on capital projects such as buying and developing land, buildings, vehicles and equipment.

### **Capital Receipts**

Monies from the sale of assets, which can finance capital expenditure or repay any outstanding loan debt according to rules set down by Central Government. Capital receipts can be used to finance new capital expenditure within rules set by central government, but they cannot be used to finance day-to-day spending.

### **Carrying Amount**

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

### **Cash-flow statement**

Summarises cash paid to and received from other organisations and individuals.

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

One of the major accountancy institutes. CIPFA specialises in the public sector.

### **Collection Fund**

The Collection Fund is a separate statutory fund, which details the transactions in relation to non-domestic rates and the council tax, and the distribution to preceptors and the General Fund. The Collection Fund is consolidated with the other accounts of the authority.

### **Community Assets**

These are assets which the authority intends to hold in perpetuity and that have no determinable useful life. There are often restrictions on their disposal, for example, as a result of covenants or trust status. Examples of community assets are cemeteries, parks, and allotments. Expenditure is included in the balance sheet at historical cost. Most of our community assets are land holdings and depreciation is not normally applicable to this type of asset. Any buildings or other assets situated within these areas are separately categorised and depreciated accordingly.

### **Comprehensive Income and Expenditure Statement (CIES)**

A statement which details the total income received and expenditure incurred by the authority during a year in line with IFRS reporting requirements.

### **Contingent Asset**

A contingent asset is a possible asset arising from past events whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the local authority's control.



## Glossary

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### **Contingent Liability**

A contingent liability is either:

- a possible obligation arising from past events whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the local authority's control, or
- a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

### **Corporate and Democratic Core**

This comprises all activities which local authorities engage in specifically because they are elected, multi-purpose organisations.

### **Council Tax**

A banded property tax levied on domestic properties in the Borough. The banding is based on estimated property values.

### **Council Tax Base**

The amount calculated for each billing authority from which the grant entitlement of its share is derived. The number of properties in each band is multiplied by the relevant band proportion in order to calculate the number of Band D equivalent properties in the area. The calculation allows for exemptions, discounts, appeals and a provision for non-collection.

### **Credit risk**

The risk that one party to a financial instrument will cause a loss for the other party by failing to discharge an obligation.

### **Creditors**

Amounts owed for goods and services provided for which payment has not been made at the end of the financial year.

### **Current assets**

These are short-term assets that constantly change in value such as stocks, debtors and bank balances.

### **Current liabilities**

Monies that are due to be paid in less than one year such as bank overdrafts and money owed to suppliers.

### **Current service cost (pensions)**

A term used in accounting for retirement benefits. The current service cost is an estimate of the true economic cost of employing people in a financial year, earning years of service that will eventually entitle them to a lump sum and pension when they retire. It measures the full liability estimated to have been generated in the year (at today's prices) and is thus unaffected by the pension fund being in deficit or surplus. It is based on the most recent actuarial valuation adjusted by updated financial assumptions to reflect conditions. The calculation is based on the discount rate applicable at the beginning of the year.

### **Curtailment (pensions)**

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service.

Curtailments include:

- termination of employees' services earlier than expected, for example as a result discontinuing a segment of a service, and
- termination, or amendment to the terms, of a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits

### **Debtors**

Sums of money due to the Council but not received at the end of the financial year.

### **Deferred charges**

Deferred charges are capital expenditure, which does not result in tangible assets. An example is improvement grants made to private landlords.

### **Deferred liabilities**

These are liabilities that are payable beyond the next year; they are primarily mortgage repayments and deferred purchase repayments.

## Glossary

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**Defined Benefit Scheme**

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme.

**Depreciation**

Depreciation is the measure of the cost or revalued amount of the benefit of the fixed asset that has been consumed during the period. Consumption includes the wearing out, using up or other reduction in the useful economic life of a fixed asset, whether arising from use, passage of time or obsolescence.

**Discretionary benefits (pensions)**

Retirement benefits that the employer has no legal, contractual or constructive obligation to award and are awarded under the authority's discretionary powers,

**Earmarked reserves**

Money set aside for a specific purpose.

**Effective (EIR) rate of interest**

The effective rate of interest method calculates the rate of interest that is necessary to discount the estimated stream of principal and interest cash flows through the expected life of the financial instrument to equal the amount at initial recognition. The rate is then applied to the carrying amount at each reporting date to determine the interest expenses or income for the period. In this way, the interest expense or income is recognised on a level yield to maturity basis.

**Estimation Techniques**

The methods adopted by the Council to arrive at estimated monetary amounts, corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes to reserves.

**Exceptional items**

Material items which derive from events or transactions that fall within the ordinary activities of the Council, which need to be disclosed separately by virtue of their size or incidence to give a fair representation in the account.

**Expected return on assets**

For a defined benefit scheme, this is a measure of the return on the investment assets held by the plan for the year. It is not intended to reflect the actual realised return by the plan but a longer term measure based on the value of assets at the start of the year taking into account movements in assets during the year and an expected return factor.

**Fair Value**

The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction.

**Fees and charges**

Charges made to the public for a variety of services such as parking charges, letting of community halls and the hire of sporting facilities.

**Finance lease**

This is a lease that transfers most of the risks and rewards of ownership of an asset to the lessee.

**Financial Reporting Standards (FRS)**

Financial Reporting Standards are accounting standards which set out the framework and requirements that need to be adopted for certain transactions in the published accounts.

**Financial year**

For local authorities, financial years start on 1 April and end on 31 March.

**Financial instrument**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. It covers financial assets (e.g. cash, investments, trade receivables) and financial liabilities (e.g. trade payables, loans).

**General Fund (GF)**

The General Fund is the main revenue fund of the Authority. This account includes the net cost of all services financed by local taxpayers and Government grants.

## Glossary

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### **Going Concern**

The concept that the authority will remain in operational existence for the foreseeable future.

### **Government grants**

Payment by the Government towards the cost of local-authority services. These are either for particular purposes or services (specific grants) or to fund local services generally (revenue support grant).

### **Heritage Asset**

A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

### **Housing Benefit**

This is an allowance to persons on low income (or none) to meet, in whole or part, their rent. Benefit is allowed or paid by Local Authorities but Central Government refunds part of the cost of the benefits and of the running costs of the services to Local Authorities. Benefits paid to the Authority's own tenants are known as rent rebate and that paid to private tenants as rent allowance.

### **Housing Revenue Account (HRA)**

The Housing Revenue Account is a statutory account maintained separately from General Fund services. It includes all revenue expenditure and income relating to the provision, maintenance and administration of Council Housing and associated areas.

### **Impairment**

The drop in value of a fixed asset caused by either a consumption of economic benefits or a general fall in prices.

### **Intangible assets**

Expenditure which has been capitalised but which does not always produce a non current asset, e.g. renovation grants, software licences.

### **Interest Cost**

For a defined benefit scheme, is the amount needed to unwind the discount applied in calculating the defined benefit obligations (liability). As members of the plan are one year closer to receiving their pension, the provisions made at present value in previous years for their retirement costs need to be uplifted by a year's discount to keep pace with current values.

### **Interest rate risk**

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

### **International Financing Reporting Standards (IFRS)**

IFRS is the prescribed format for all local authority statement of accounts. The code of practice gives detailed guidance on how the council will account for its transactions in the statements and notes explaining the transactions.

### **Inventories**

Amounts of unused or unconsumed stocks held in expectation of future use.

### **Investment Properties**

Interest in land and/or buildings which is held for their investment potential, with any rental income being negotiated at arm's length.

### **Lease**

A method of financing capital expenditure where a rental charge is paid for an asset for a specified period of time.

### **Lessee**

A party to a lease agreement who makes a payment to use an asset.

### **Lessor**

A party to a lease agreement who receives payment for the use of an asset.

### **Liabilities**

Money we will have to pay to people or organisations in the future.

## Glossary

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### **Liquid (Resources) / Liquidity**

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

### **Long-term investments**

Investments with more than 364 days until maturity.

### **Loss**

The amount left over when expenses are higher than all income received.

### **Major Repairs Allowance (MRA)**

A depreciation charge on the Council's (HRA) housing stock that is intended to represent the estimated long-term average amount of capital spending required to maintain housing stock in its current condition.

### **Major Repairs Reserve (MRR)**

The MRR is a reserve to which the Council's Major Repairs Allowance is transferred. The balance on the account will be used to finance future major housing repairs.

### **Market risk**

The risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk; **currency risk**, **interest rate risk**, and **other price risk**.

### **Materiality**

An item would be considered material to the financial statements if, through its omission or non-disclosure, the financial statements would no longer show a true and fair view.

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

This is a financial planning document that sets out the future years financial forecasts for the Council. It considers local and national policy influences and projects their impact on the general fund revenue budget, capital programme and HRA.

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

The MRP is the statutory minimum amount that the council must set aside to repay loans.

### **Net asset value**

The total value of an organisation's assets, less its liabilities and capital charges.

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

This is the amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative depreciation.

### **Net Current Replacement Cost**

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

### **Net Debt**

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

### **Net Realisable Value**

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

### **Net worth**

This is the overall value of the balance sheet at the end of the financial period.

### **Non-current assets**

Formerly known as fixed assets these are assets that yield benefits to the local authority and the services it provides for a period of more than one year. They can be Tangible (have a physical substance) or Intangible (no physical substance)

### **Non-distributed costs**

Past service pension costs including settlements and curtailments which are not to be included in total individual service costs.

## Glossary

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### **Non-Domestic Rates (NDR)**

The NDR poundage is set annually by the government, collected by local authorities and is shared between central government (50%), Surrey County Council (10%) and Runnymede (40%).

### **Non-operational assets**

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

### **Operating leases**

These are leases under which the Council pays to use an asset but does not get the risks and rewards of ownership.

### **Operational assets**

Fixed assets held and occupied, used or consumed by the local authority in the direct delivery of those services for which it has either statutory or discretionary responsibility.

### **Outturn**

The actual results for the financial year in question.

### **Overheads**

Spending on items not directly related to the supply of our services, for example, office cleaning costs.

### **Past service cost (pensions)**

The past service cost is the extra liability that arises when the council grants extra retirement benefits that did not exist before. For instance, where early retirement has been granted with added-on years of service.

### **Pensions interest cost and expected return on assets**

The net interest cost is the increase in the value of the pension scheme liabilities that arise because those liabilities are one year closer to being paid. The expected return on assets is the forecast of accrued benefit from investments of the pension fund in the long-term.

### **Petty Cash**

Small sums of cash kept by services to pay minor expenses.

### **Planned underspend**

The carrying forward of a budget from one financial year to another as specified in the Council's Financial Regulations

### **Precepts**

This is a charge levied by one Council, which is collected on its behalf by another by adding the precept to its own Council Tax and paying over the appropriate cash collected.

### **Prior period adjustments**

Those material adjustments applicable to prior years which arise from changes in accounting policies or from the correction of fundamental errors.

### **Provisions**

An amount set aside to provide for a liability, which is likely to be incurred, but the exact amount and the date it will arise is uncertain.

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

The PWLB is a government agency that provides longer term loans to local authorities at interest rates marginally above the government's own borrowing rate.

### **Rateable Value (RV)**

A value placed on all non-domestic properties (businesses) on which rates have to be paid, broadly based on the rent that the property might earn, after deducting the cost of repairs and insurance. The rateable value is determined by the Inland Revenue's Valuation Office Agency.

### **Reconciliation**

A reconciliation explains how figures are worked out, and shows how they are used in different statements in our accounts.

## Glossary

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### **Related Party**

An individual or organisation that has the potential to control or influence the Council or to be controlled or influenced by the Council.

### **Related Party Transactions**

Transactions where one of the parties involved has control or influence over the financial and operational policies of the other party.

### **Reimbursements**

Payments we receive for work we do for other public organisations, for example, the Government.

### **Remuneration**

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

### **Reserves**

A reserve is an amount set aside for a specific purpose in one financial year and carried forward to meet expenditure in future years.

### **Residual Value**

The net value of an asset that can be reasonably expected from its sale at the end of its useful life.

### **Restated**

This is where the Council has changed figures that it has published in the past to show like-for-like comparisons with later year's figures.

### **Retirement benefits**

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

### **Revaluation Reserve**

The Revaluation Reserve shows the value of fixed assets that has arisen out of having a policy of fixed asset revaluation. It records the accumulated gains on the fixed assets by the authority arising from increases in value, as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value).

### **Revenue expenditure**

Spending on the day-to-day running of services - mainly wages and running expenses of buildings and equipment, and debt charges. These costs are met from the Council Tax, government grants, fees and charges.

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

Expenditure which may be properly capitalised but which does not result in or remain matched with tangible fixed assets, owned by the council e.g. expenditure in improvement grants. As this expenditure does not result the creation of a fixed asset the expenditure is charged to the comprehensive income and expenditure account.

### **Revenue support grant (RSG)**

A Government grant that does not vary with a local authority's spending and is designed to compensate for differences in costs of providing a standard level of service across the country.

### **S106 agreements**

Where a developer undertakes to provide community benefits (for example, a percentage of affordable housing).

### **Section 151 Officer**

Section 151 of the Local Government Act 1972 requires the council to appoint an officer responsible for the proper administration of the council's financial affairs. The Corporate Director of Resources is the council's Section 151 Officer

### **Service reporting code of practice (SERCOP)**

The system of local authority accounting and reporting has been modernised to meet the changing needs of modern local government. The code is driven by the requirements of the International Financing Reporting Standards. The new SERCOP provides guidance on the content and presentation of costs and service activities.

## Glossary

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**Settlements (pensions)**

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

**Short-term investments**

Short-term investments are those with less than 364 days until maturity.

**Specific grants**

Payments from the Government to cover local-authority spending on a particular service or project.

**Trust fund**

Money that does not belong to us but is managed by us for the owners of the money.

**Unapportionable central overheads**

Costs that do not relate to a service and so are held centrally.

**Underwriting**

An agreement by a fund manager to buy any unsold new issue of shares in exchange for a fee.

**Useable capital receipts reserve**

Represents the resources held by the council that have arisen from the sale of assets that are yet to be spent on other capital projects.

**Unusable reserves**

Reserves that the council cannot use to provide services. These include reserves that hold unrealisable gains and losses e.g. the revaluation reserve, and reserves that hold timing differences between when items are recognised in the accounts in accordance with the accounting policy and when they are recognised as a charge or credit to the general fund or housing revenue account, e.g. financial instruments adjustment account.

**Virement**

The transfer of budget from one spending head to another. Limits on the amount of transfers are specified in the Council's Financial Regulations.

**Work in progress**

The cost of work done on an uncompleted project at a specified date which has not been recharged to the appropriate account at that date.