

Statement of Accounts 2020/2021

Runnymede Borough Council
Useful information

Address and telephone number

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Mayor and Deputy Mayor in the 2020/21 municipal year

Mayor:	Councillor P Sohi Councillor E Gill	May 2020 – Sept 2020 Oct 2020 – March 2021
Deputy Mayor:	Councillor E Gill Councillor M Harnden	May 2020 – Sept 2020 Oct 2020 – March 2021

Chairmen of Committees in 2020/21

Corporate Management Committee Community Services	Councillor N H Prescott Councillor N King - May to Sept 2020 Councillor C Chaudhri - Sept 2020 to Mar 2021
Crime and Disorder Committee	Councillor J Furey
Englefield Green Committee	Councillor N King
Environment and Sustainability Committee	Councillor Miss M Heath
Housing Committee	Councillor Mrs J Gracey
Licensing Committee	Councillor D Cotty
Overview and Scrutiny Select Committee	Councillor J Furey
Planning Committee	Councillor M Willingale
Regulatory Committee	Councillor D Cotty
Standards and Audit Committee	Councillor M G Nuti

Chief Officers in 2020/21

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

External Auditor in 2020/21

Appointed Auditor:	BDO LLP	Address:	Public Sector Assurance 55 Baker Street London W1U 7EU
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Bankers in 2020/21

Bankers:	Lloyds Bank plc	Address:	3 rd Floor, 2 City Place Beehive Ring Road Gatwick West Sussex RH6 0PA
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Narrative Report to the Statement of Accounts 2020/21

Borough profile

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

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

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

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

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

Introduction by the Assistant Chief Executive & Responsible Finance Officer

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

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

The financial statements are in a format that meets legal and professional accounting requirements. The statement follows the *Code of Practice for Local Authority Accounting in the United Kingdom 2020/21* (the Code) and associated guidance. The overriding requirement of the Code is that the statement of accounts gives a true and fair view of the financial position of the Council as at 31 March 2021.

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

In late March 2020 the UK went into "lockdown" as the impact of Covid19 was felt and the ongoing effects were with us for the entire financial year. 2020/21 is one year in the Council's medium term plans which include investing significant sums in regeneration schemes, building new affordable homes, developing services and developing the ways residents and business communicate and transact with the Council. For the financial year 2020/21 the Council was focused on continuing to provide essential services such as refuse collection and recycling as well as taking on new responsibilities such as elderly and vulnerable resident shielding, arranging food and medical supplies for those residents.

It is important to note that, due to the impact of the Covid19 virus on the availability of local authority and audit staff to complete the audit process due to sickness, redeployment or remote working, the Government extended the deadlines for the preparation of the 2019/20 Statement of Accounts - to 31 August 2020 and the revised deadline for an Audit opinion to 30 November 2020. Unfortunately, due to resourcing issues, we are not expecting an opinion from the external auditors on the accounts for

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the year ended 31 March 2020 until August 2021 at the earliest. For the 2020/21 accounts the deadlines for completion, audit and publication have been extended again.

As the financial statements demonstrate, the financial standing of the Council continues to be viable. The Council has monitored its expenditure and income since “lockdown” in March 2020 and had identified very early in the summer of 2020 that in this financial year, 2020/21, and following years there will be a significant reduction in income and a corresponding reduction in the working balances. As part of its Risk Management Strategy the Council has always maintained a prudent working balance to protect service delivery from these unforeseeable events. While it is likely the Council’s balances will be reduced over the next two or three financial years the Council is in a sustainable financial position.

Income streams affected include Council owned car parks, planning fees, halls lettings, community transport, day centres, land charges etc. The main reduction is in the rents due from the commercial assets owned by the Council. The Council financial plans between 2021 and 2023 assume income streams will return slowly as the Surrey and local economy recovers. As this will reduce the working balances further in May and June 2021 the Council has implemented and accelerated its transformation and efficiency savings plans. While this will reduce spending, the Council has no plans to reduce the services which residents enjoy. Those efficiency plans include re-directing resources to increase spending on various services including parking enforcement and environmental protection. The Council continues to invest in upgrading digital systems allowing business and residents to communicate and transact with the Council remotely.

The Council prepares a medium-term financial strategy, including a detailed capital programme, in October each year. That process has continued with the added uncertainty due to the ongoing impact of Covid19 into 2021/22 and 2022/23, the potential future restructure of the county into one or more unitary councils, the continued Brexit negotiations and trading regimes and how local government will be funded in future. The Council will take any corrective action in the current financial year which is crucial to the financial sustainability of the Council in the future.

Covid 19 support

Covid 19 had several short-term implications for the Council including:

- There has been a significant increase in refuse collection of around 22% (30 tonnes) including recyclables and residual waste recycling tonnage; especially cardboard. This pattern has been repeated across the country where several Local Authorities have taken the decision to suspend green waste collections in order to prioritise public health. RBC’s decision has been to deploy additional resources in order to maintain a full service throughout the pandemic. RBC’s green waste service became more popular with residents and is also showing increased take up.
- The Council brought forward its “agile working strategy” to allow almost all staff to work from home to continue to provide essential services in compliance with Government guidelines. This facilitated maintenance of the civic centre as a Covid secure site for those essential service elements which could not be delivered remotely.
- Awarding a grant to the Runnymede Food Bank to enable them to provide food and essential items to households who needed support. This included the provision of new accommodation and payment of utilities, rates etc. when it was found that their existing warehouse could not be made Covid secure.
- For self-isolating residents, the Council partnered with the local voluntary sector to instigate a delivery service for medicine and food shopping, with the Council taking payment from residents and refunding the volunteers for the shopping undertaken.

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- Creating a “welfare system” where Council officers contacted vulnerable and shielded residents by telephone to continue to provide various welfare services. Over 40,000 calls were made during the first and second waves.
- Supporting 3,000 residents identified as “Clinically Extremely Vulnerable” with welfare support services.
- The Council’s customer services section was staffed 7 days a week between March and July 2020, taking 135,000 calls and referring 792 residents to the Runnymede Food Bank. Free car parking at St Peters hospital was provided to NHS staff and volunteers in the Council’s car parks.
- Provision of accommodation to be used as Covid19 vaccination and mass testing sites.
- The Council also played an important role in Operation Eagle – the Governments Covid19 surge testing event, following an outbreak of the Covid19 Beta variant, delivering 10,000 testing kits to residents in Egham and Thorpe.
- Support for Public Health England with the “surge testing” programme across the borough.
- We continued to provide a Community transport service for the full year.
- Government provided significant sums to the Council as the most appropriate public sector body to maintain close contact with local business, sole traders, self-employed etc. The Council distributed just under £4.4m in Government funding for business. Reductions in rates bills and further restart grants to businesses continues in 2021/22.
- Increasing the financial support to residents including reducing council tax bills using the council tax support scheme and agreeing to defer tax payments for those residents and businesses in financial distress. The Council also increased its expenditure on council tax support by around 9%.
- The Council has a significant commercial portfolio, with nationally known companies and a leisure trust paying rent to the Council. Most of these businesses have seen reduced income in 2020 and some have not been able to pay rent in full when it becomes due. The Council continues to work with all tenants in 2021 to understand their financial position and work with them on an affordable payment schedule.
- The Council is working with all its customers, tenants, and taxpayers to collect income over a longer timescale to avoid writing off sums owed.

Early in the 2020/21 financial year, the Government provided a considerable amount of financial support to local authorities. As well as providing grants to the Council to cover additional costs and lost income, the government provided £14m for the Council to reduce the rates liability of many commercial premises in the Borough. At the same time, it provided a grant to re-imburse the County, Districts and Borough councils with just under 75% of the income they would have received had rates not been reduced to zero.

Sources of funding

Government funding provided to all local authorities has been steadily declining since 2008 as the Government sought to re-balance the national economy. One part of the Government strategy was to reduce the Revenue Support Grant (RSG) paid to local authorities by 53% between April 2015 and March 2020. At the same time, the Government introduced a system where local authorities can retain

Narrative Report to the Statement of Accounts 2020/21

part of the business rates they collect. The Council's Revenue Support Grant is now zero and the Council has assumed retained business rates will fall to zero over the next two or three financial years. The Council has claimed significant sums over the last eight years from the New Homes Bonus reward grant for both facilitating new build and bringing empty properties back into use. In 2018 Government announced the reward grant was to be scaled back significantly and the Council does not anticipate receiving any new reward grant in the future.

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

The Council spends over £50m gross on delivering services, excluding housing and council tax benefits. This is largely funded by the income it generates.

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

Most of the Council's income is from renting the commercial property it owns. Many fees are also determined by Government legislation. In 2020/21 income fell to £30m from the original expectation of almost £37m as shown below. Income is not expected to return to pre-Covid levels until 2023 although most commercial tenants are able to make rent payments or there is an arrears strategy in place to recover arrears.

Prior to the Covid19 emergency, income from fees and charges, mainly from car parking income, planning fees, trade waste charges etc. was just under £5 million. The scope for raising additional income is limited by the local economy.

Summary	2020/21		
	Original estimate	Probable outturn	Actual
	£'000	£'000	£'000
Housing General Fund	702	765	697
Community Services	3,568	2,315	1,908
Environment and sustainability	2,544	1,732	1,620
Licencing & regulatory	171	141	61
Planning & development management	1,598	1,155	976
Corporate Management Committee	28,208	22,595	25,109
	36,791	28,703	30,371

The income generation schemes are used mainly to fund the Council's significant regeneration schemes. This began with Addlestone One, a new leisure center in Egham and the Magna Square development in Egham. Those developments include commercial properties, supermarkets, hotels, cinemas, restaurants, and a mix of apartments - some purpose-built student accommodation, affordable rent and market rent with some owner occupier dwellings.

The main sources of funding from taxation received by the Council is currently retained business rates income and council tax.

Retained Business Rates

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

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In April 2013 the Government introduced a national “Business Rates Retention” scheme where most of the Business Rates collected in Surrey are redistributed to other parts of the UK, with Runnymede and Surrey County Council retaining a proportion of the tax collected.

The retained business rates system is extremely complex and despite the Council collecting over 99% of the business rates due of £41m within the financial year, only £2.4m of it was retained by Runnymede after £8.0m has been set aside to fund the current collection fund deficit.

As Covid19 has affected most of the business premises in Runnymede Government has reduced the business rate liability of a significant proportion of the businesses. The Council has recognised the income from several businesses has fallen significantly and has instructed that while tax collection remains a priority, this will be undertaken in a sensitive manner.

The tables below report the results of the tax collection service. The tax due was reduced by £18m. This was reimbursed by Government grant to replace the rates that would normally have been retained by the Council.

Business rates collection figures		
	2019/20	2020/21
	£'000	£'000
Collectable at the start of the year	60,935	59,131
Collectable at the end of the year	58,463	41,120
Change	(2,472)	(18,011)
Cash collected		40,629
Percentage collected		98.8%

Unfortunately, some businesses rates had to be written off as irrecoverable

	£m
Business rates to be collected	41.12
Write off	0.611
Percentage written off	1.49%

Council tax

There are over 37,000 dwellings in the Borough. The Council has set one of the lowest district council tax rates in the UK. An average property, with a Band D valuation, paid £169.59 council tax, or £3.26 a week to fund all the services Runnymede provides.

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

An average tax rate £3.26 a week is generally viewed as good value for money. A band D tax bill is shown below which shows Runnymede keeps 9% of the tax collected.

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Council Tax for a Band D property			
2019/20		2020/21	
£		£	
1,453.50	Surrey County Council	1,511.46	
260.57	Surrey Police	270.57	
164.59	Runnymede Borough Council	169.59	
<u>1,878.66</u>		<u>1,951.62</u>	
Allocation of 2020/21 Council Tax			
<p style="text-align: center;">Surrey County Council, 77%</p> <p style="text-align: center;">Surrey Police, 14%</p> <p style="text-align: center;">Runnymede Borough Council, 9%</p>			
		Increase yr on yr	
		£	
	Surrey County Council	57.96	3.99%
	Surrey Police	10.00	3.84%
	Runnymede Borough Council	5.00	3.04%

During the Covid19 emergency the Council reduced the liability of some council taxpayers by increasing the council tax support spend and making discretionary payments to some households by £474,000 or 13% as shown below. The main increase was in the working age, but not working section of households.

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Council tax support caseload					
	Pensioner	Vulnerable	Working age employed	Working age not employed	TOTAL
31/03/2020	1,564	821	98	636	3,119
31/03/2021	1,471	859	82	859	3,271
Increase	-93	38	-16	223	152
Increase %	-6%	5%	-16%	35%	5%
Average entitlement per week					
31/03/2020	23.34	23.65	18.93	20.19	
31/03/2021	25.51	25.63	19.67	21.63	
Increase	2.17	1.98	0.74	1.44	
Increase %	9%	8%	4%	7%	
TOTAL COST					
31/03/2020	1,898,196	1,009,666	96,467	667,724	3,672,052
31/03/2021	1,951,311	1,144,841	83,873	966,169	4,146,193
Increase	53,115	135,175	-12,594	298,445	474,141
Increase %	3%	13%	-13%	45%	13%

The Council maintained its collection rate at 98.6% although some tax was written off as irrecoverable.

	£m
Council tax to be collected	67.974
Write off	0.2380
Percentage written off	0.35%

Some households had difficulty in paying rent during furlough, periods of unemployment etc. For a limited period, the Council assisted private and public sector residents with housing support as shown below:

Discretionary housing payments		
		£
Total expenditure		243,182
Government grant		191,799
Runnymede's Housing Revenue Account		30,000
Surrey County Council		21,383
		243,182

The gross spend of the Council is around £60m a year, £30m excluding housing benefit. Assuming an average inflation rate of 2% the expenditure inflation would be over £600,000 and a tax increase of £5 a year (the permitted maximum) generates less than £200,000 as shown in the table below:

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

As the table above demonstrates, the increases in fees income and council tax cannot keep pace with an assumed annual inflation rate of 2%.

For that reason, the Council's financial strategy has been to invest significant sums in regeneration schemes to provide a sustainable income stream whilst at the same time improving the economic position of the Borough.

Financial strategies

Part of the Council's financial strategy has been to build financial resilience and a comprehensive evaluation of strategic risks into all its strategies.

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

The Council has made efficiency savings of over £6.7 million and reduced the workforce by 16% in the seven years to March 2020 prior to Covid19. At the same time, it has maintained a General Fund working balance above the minimum set for 2020/21.

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 Councilor's a longer lead in time to adjust the Council's long-term plans. This strategy has served the Council well as the General Fund working balance and the earmarked reserves have been deployed in the year to fund the costs of the Covid pandemic.

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

1. Invest in the physical infrastructure of the Borough to improve the economic vibrancy of the towns. This commenced with Addlestone One and a new leisure centre in Egham. In summer 2019 the Council started the first phase of the regeneration of Egham, a £90 million scheme spread over two years, a scheme which includes a cinema, retail units and apartments for sale or rent, including affordable rent apartments. Construction continues into 2021/22.
2. Spending significant capital sums on regeneration schemes with no income from sales or rent income to offset the costs would deplete the Councils reserves. To compensate for this, the Council has in the past bought income generating commercial properties, to fund the costs of these major regeneration schemes. The pandemic and government restrictions on borrowing means that no commercial assets have been acquired in 2020/21 and any acquisitions in the future are likely to be limited to properties within the regeneration areas themselves.
3. The Council has made significant efficiency savings since 2014, reducing the workforce by around 16% with very few compulsory redundancies. It has invested significant sums in digital technology and a Customer Services function. The new ways of working benefits residents and businesses who can now communicate and transact with the Council much more easily. At the end of the year the Council embarked on a Voluntary Redundancy scheme to generate further efficiencies and to facilitate the re-engineering and transformation of certain services for the future starting in 2021/22.

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

The Council's regeneration schemes are mainly 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.

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.

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.

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

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

The Governance Framework has been in place at Runnymede Borough Council for the year ended 31 March 2021 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.

Council owned companies

In 2014 when the Council commenced its regeneration strategy it wished the dwellings created to be different tenure – a mix of owner occupier, affordable rent, some shared ownership, and private sector market rent dwellings.

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For legal and “state aid” reasons the Council created a company to own and manage the dwellings it wished to rent. Two other companies have been created, one to manage the service charges on the developments and one to manage the combined heat and power plant in Addlestone.

The Council sold the apartments to the company, RBC Investments (Surrey) Ltd, and made a working capital loan available as well as the development loans to fund the purchases. To comply with “state aid” rules the interest rate charged to the company is much higher than the rate the Council borrowed at to fund the regeneration schemes. All working capital loans made have been from cash reserves, with no additional borrowing needed.

The table below shows the cost to the company:

DEVELOPMENT LOANS					
Loan	Year taken out	Term (Years)	Interest rate	Sum borrowed	Annual interest charge
				£	£
1	2016	40	5.04%	1,400,000	70,560
2	2017	40	5.04%	8,429,095	424,826
3	2018	40	5.04%	12,267,404	618,277
4	2018	40	5.04%	3,229,555	162,770
5	2018	40	4.86%	1,000,000	48,600
				26,326,054	1,325,033
WORKING CAPITAL LOANS				2,045,000	138,123
				28,371,054	1,463,156

The financial benefit to the Council taxpayer is summarised below. The Council has borrowed from government at low interest rates to fund the development

		Interest rate	Cost
	£		£
Interest paid by the Council			
Development loans	26,326,054	2.32%	610,764
Working capital loans	2,045,000	0	0
	28,371,054		610,764
Annual charge to the Companies			1,463,156
Surplus to the Councils General Fund			852,392

The interest charges of £1.463 million means the company will not be in profit for several years, however the continued support of the Council with the working capital loans and the increase in asset value shows the companies to be in a healthy financial position. Before the interest due to the Council the company accounts show a profit of £1,428m.

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Consolidated income statement	£
Revenue	1,713,894
	0
Operating profit	1,001,685
Gain on property valuation	426,300
PROFIT BEFORE INTEREST	1,427,985
Net Interest payable	1,463,156
Profit / (Loss) before taxation	(35,171)
Tax paid	(7,495)
Loss after taxation	(27,676)

The table below is extracted from the company balance sheets as at 31 March 2021 and show the company assets are higher than the debt to the Council.

	Consolidated balance sheet
BALANCE SHEET	£
Fixed Assets	28,699,025
Current Assets	1,198,311
Less creditors	(1,158,127)
Total Assets less current liabilities	28,739,209
Loan term debt	(28,371,054)
Provision for bad debts etc	(56,875)
	(28,427,929)
Net Assets	311,280
Capital, retained earnings (Equity)	311,280

Explanation of the financial statements

The Statement of Accounts sets out the Council's income and expenditure for the year, and its financial position at 31 March 2021. It comprises core and supplementary financial statements, together with disclosure notes. The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, which in turn is underpinned by International Financial Reporting Standards.

The Core Statements are:

- **The Comprehensive Income and Expenditure Statement** records all the Council's income and expenditure for the year in accordance with generally accepted accounting practices rather than the amount to be funded from taxation (or rents). Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in both the expenditure and funding analysis and the movement in reserves statement. The top half of the statement provides an analysis by service area. The bottom half of the statement deals with corporate transactions and funding.
- **The Movement in Reserves Statement** shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (those that can be applied to fund

Narrative Report to the Statement of Accounts 2020/21

expenditure or reduce local taxation) and other 'unusable reserves'. The statement shows how the movements in year of the authorities' reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The net increase/decrease line shows the statutory General Fund balance and Housing Revenue Account balance movements in the year following those.

- **The Balance Sheet** is a "snapshot" of the Council's assets, liabilities, cash balances and reserves at the year-end date. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example, the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example, the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the movement in reserves statement line "Adjustments between accounting basis and funding basis under regulations"..
- **The Cash Flow Statement** shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income, and from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

The Supplementary Financial Statements are:

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

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

Comprehensive income and expenditure statement

All the services provided by Runnymede Borough Council, including council housing, are shown within the comprehensive income and expenditure statement. This account shows the equivalent of trading profits and losses in the IFRS sense and discloses a surplus in 2020/21 of £11.872m, compared to the surplus of £23.532m for 2019/20.

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.

Narrative Report to the Statement of Accounts 2020/21

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

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

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

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

The Expenditure and Funding Analysis set out in Note 6 to the Statement of Accounts sets out the changes between the figures reported to the Council's service committees during the year and the IFRS figures reported in the Comprehensive Income and Expenditure Statement. This maps the net General Fund Surplus of £2.820m and the HRA Surplus of £4.819m (excluding capital financing), a combined total of £7.639m, to the £20.942m as reported in the Comprehensive Income and Expenditure Statement.

Financial assets

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

Income from customers and tenants form an important part of the resources required to pay for our services. Where possible, we prefer payment in advance or at the time our services are delivered. In all other cases we invoice our customers for sums due to the Council. I have carried out a full review of the debts that are outstanding at 31 March 2021. The cost of any impairment (bad debts in this case) is included in the comprehensive income and expenditure statement.

Pension accounting

The provision of public service pensions represents a substantial revenue cost and a long-term liability for the Council. Runnymede Borough Council is a contributor to the statutory pension fund administered by Surrey County Council. The fund actuary (Hymans Robertson) calculates the position for each contributing body separately and undertakes a statutory valuation of the Surrey Pension Fund every three years. The latest valuation (with a valuation date of 31 March 2019) compiled by Hymans Robinson disclosed that Runnymede's element of the Pension Fund had a funding level of 98%. The deficit means that the assets (mainly investments in shares, property and bonds) in the Pension Fund are not enough 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 2021 is a deficit of £58.024m, (£46.118m as at 31 March 2020).

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The pension fund deficit 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.

Financial performance 2020/21

General Fund

The Council set its budget and council tax for 2020/21 at a meeting of the Full Council in February 2020.

By March 2020 the UK was heading into the first of a series of "lockdowns" and "Tier" restrictions which impacted on the local economy which in turn effected the Council's financial plans. The effects of this can be seen in the following management report which shows our General Fund budget pre-pandemic (the Estimate), in December 2020 (the Probable) and the Outturn for the year (the Actual).

When the budget was set in February the Council planned on buying commercial assets to fund future regeneration strategies. In the original budget £1.2m was to be generated to fund both service development and regeneration. The pandemic has created a number of economic uncertainties, including the value of assets and future rent income. Early in the financial year that strategy was replaced with focusing resources on maintaining services and dealing with the pandemic. As the General Fund Summary on the next page shows, the reductions in non-essential expenditure, offset by reductions in income from car parks etc. and significant pandemic grants from government has made a significant contribution to the Councils overall financial position.

The collection of business rates, 100% rate relief for some businesses offset by Government grant, means the business rates collection fund moved from a surplus of £2.989m on the 1 April 2020 to a deficit of £9.442m. The deficit is shared between Runnymede, the County Council and Government, and now is to be recovered over three financial years, rather than one. For that reason, the Council has set up a specific reserve to manage the cash flows and has earmarked £8m to equalise variation in the business rates collected.

The main reason for this surplus goes back to July 2020 at the height of "lockdown" when the Council's Responsible Finance Officer (Section 151) submitted returns to Government on potential losses in business rates income due to Covid19. The Government paid a specific cash grant to the Council of just over £10m.

Between July 2020 and 5 May 2021 the Government have been working with local authorities to compensate them for tax losses during the pandemic and also to account for changes in the provision for bad debts and losses due to successful appeals which reduce a rateable value and which could be backdated a number of years. The Tax Income Guarantee Scheme (Business Rates) has yet to be finalised and audited by Government.

For that reason, £10.8m has been retained in an earmarked reserve. When the final compensation scheme has been agreed and audited some of the £10.8m may be reclaimed by Government

Government pandemic grants of £2.8m, efficiency savings, reduced capital financing costs has meant that the Council's reserves have increased as shown later in the "Movement in reserves" section. As well as those reserves the Council sets aside sums to repay the General Fund debt when it matures, in the year £3.8m was set aside (the Minimum Revenue Provision)

Narrative Report to the Statement of Accounts 2020/21

General Fund Summary Revenue Account			
Council Outturn for the Year Ending 31 March 2021			
	2020/21	2020/21	2020/21
	Estimate	Probable	Actual
	£	£	£
<u>Expenditure on Services</u>			
Housing Committee	2,109,081	2,006,319	1,543,197
Community Services Committee	5,281,243	5,347,118	3,912,565
Environmental and Sustainability Committee	3,886,811	4,103,690	3,250,844
Licensing Committee	16,045	25,657	8,293
Regulatory Committee	70,941	91,795	86,864
Planning Committee	1,562,327	2,080,210	1,391,390
Corporate Management Committee	(18,825,044)	(15,673,156)	(16,688,669)
Estimates in the MTFS yet to be agreed	1,278,000	0	0
Efficiencies and revenue reductions	(1,200,000)	0	0
Net Expenditure on Services	(5,820,596)	(2,018,367)	(6,495,516)
<u>Transfers and Financing Adjustments</u>			
Accounting and Other Adjustments:			
Reversal of Depreciation Charge	(2,640,428)	(2,181,422)	(2,232,141)
Cost of Capital Charge to HRA	(43,000)	(43,000)	(43,000)
Other accounting adjustments	0	4,000,000	1,051,409
Transfer to/(from) Reserves:			
Business Rates Equalisation Reserve	0	1,000,000	8,000,000
Equipment repairs and renewals reserve	1,000,000	1,286,000	1,286,000
Property repairs and renewals reserve	750,000	445,000	445,000
Investment Property income equalisation reserve	750,000	0	0
Infrastructure Feasibility Study Reserve	0	0	122,000
Financing and Investment Income:			
Investment Income	(373,000)	(271,000)	(353,639)
Interest on loans to RBC companies	(1,571,000)	(1,460,000)	(1,460,731)
Capital financing costs	14,466,000	12,467,000	12,149,650
Minimum Revenue Provision	4,097,000	3,820,000	3,819,919
Taxation and Non-Specific Grant Income:			
Council Tax income	(5,783,000)	(5,783,000)	(5,782,890)
Business Rates Retention	(3,700,000)	(1,500,000)	(10,425,862)
New Homes Bonus	(1,657,919)	(1,657,919)	(1,657,919)
Other grants	0	(2,469,000)	(1,242,569)
Use of / (Contribution to) Working Balance	(525,943)	5,634,292	(2,820,289)

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How these management reporting figures morph into the Comprehensive Income and Expenditure Statement in these accounts is set out in the Expenditure and Funding Analysis note (Note 6) in the accounts.

The significant changes between the original estimate and the probable budget relate to the anticipated effects of Covid19 on the Council's finances at the end of 2021. The difference of £8.454m between the probable budget and the outturn are explained in the following table:

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Variance analysis for Actual v Probable 2020/2021		
Analysis of significant changes (over £25,000) shown in the Net Expenditure on GF services		
	Increase in Cost or reduced income £000	Reduction in costs or increased income £000
General		
Planned underspends - Money unspent in the year to be spent in 2021/22		418
Salaries & Wages - vacant post freeze etc		1,147
Recharges to HRA - reduced	31	
Bad debt provision reduced		2,583
Financing & Investment betterment		401
Retained Business Rates (NNDR)		1,925
Net roundings below £25,000		232
Housing Services		
Reduced cost of rent deposits & bonds		28
Additional grant income		104
Benefits - increased incentive area subsidy		120
Community Services		
Reduction in maintenance work undertaken		126
Net variation in vehicle costs		108
Additional SCC contributions		98
Cemeteries - Additional income received		41
Environmental and Sustainability Services		
Net variation in vehicle costs		56
Additional refuse tipping away compensation received		75
Trade waste – higher than estimated income		57
Planning Services		
Income higher than anticipated		67
Corporate Management - General		
Corporate Management - External Audit provision not required		77
Corporate Management - Chief Executives - Initiatives and review		55
Economic Development Strategy - provisions not spent		66
Business Rates - additional grant income		71
Local Land Charges - increased search fee income		34
Contingencies Planning - Covid expenditure provision not required		196
Civic Centre - reduced maintenance costs		86
Civic Centre - increased rental income		54
Training summary - underspend		62
Car allowances summary - underspend		60
Financial services - supplies & services reduced		34
Digital services - communication and computing costs		28
Customer services - communication and computing costs		28
Law and Governance - increased income from fees and charges		54
Building services - additional restructuring costs	213	
Corporate Management - Property		
Unused provision for compensation		435
Contribution to lost car park income	46	
Insurance claim costs recovery		36
Savings on surveyors costs		35
Service charge balancing credits		98
Business Rate rebates		40
Planned redecoration cancelled		77
Contribution to commercial marketing not required		30
Increased legal costs	38	
Rent concessions and write offs (offset by reduced bad debt provision above)	643	
Rent increases		182
Total Significant changes	971	9,424
Net change against Probable budget		8,454

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Commercial property

The commercial property portfolio is the main vehicle the Council uses to fund major regeneration projects. In 2020/21 income benefited the General Fund by £13m as shown in the table below. This was slightly down on the previous year due to the effects of the Coronavirus pandemic and income agreements on regeneration plans falling away.

	2018/19	2019/20	2020/21	Change 2019/20 to 2020/21
	£'000	£'000	£'000	£'000
Rental and other income	23,700	25,606	25,040	(566)
Direct operating costs	(2,498)	(1,937)	(1,998)	
Loan interest	8,309	9,738	10,035	
Surplus	12,893	13,931	13,007	(925)
Set aside to repay loans				
TOTAL set aside to repay loans				

During the year a number of organisations have struggled to pay bills and the Council has worked closely with tenants to manage the debt. A provision for debt write off is maintained but arrears are manageable.

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

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

Value of our commercial assets				
	2018/19	2019/20	2020/21	Change 2019/20 to 2020/21
	£	£	£	£
Asset value at 31 March	478,789,203	522,690,274	541,736,000	19,045,726
Purchase costs	462,913,442	494,519,049	512,583,546	18,064,497
Capital appreciation	15,875,761	28,171,225	29,152,454	981,229
Actual borrowing	361,270,000	423,372,094	434,435,497	11,063,403

Housing Revenue Account

Runnymede Borough Council owns and manages a total stock of just over 2,900 dwellings. All revenue expenditure and income on council housing is contained within the Housing Revenue Account (HRA),

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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 2020/21:

Budget for the year ending 31 March 2021					
			<u>2020/21</u>	<u>2020/21</u>	<u>2020/21</u>
			Estimate	Probable	Actual
			£	£	£
<u>Expenditure</u>					
General management			1,854,190	1,873,290	1,892,514
Special services management			835,048	739,028	585,304
Supporting people for Council ten			159,160	144,770	129,482
Mobile home site (Net)			(75,150)	(180,650)	(189,395)
Housing repairs			7,173,190	6,186,820	5,159,167
Less funded from major repairs re			(3,550,000)	(2,720,000)	(2,359,955)
Sale of Council houses administr			0	0	0
Other HRA Expenditure			476,000	575,000	557,258
Debt charges			3,425,950	3,425,950	3,425,944
Depreciation charges			2,055,400	1,948,000	1,943,132
Total expenditure			12,353,788	11,992,208	11,143,451
<u>Income</u>					
Rent from dwellings			16,345,900	16,323,300	16,398,955
Non-dwelling rents and income			138,900	195,900	200,943
Interest on balances			183,000	48,200	33,256
Total income			16,667,800	16,567,400	16,633,154
Surplus (deficit) in the year			4,314,012	4,575,192	5,489,703

The significant changes at expenditure on services level between the revised budget and actual expenditure are largely as a consequence of significantly reducing the improvement plans for the stock as the pandemic prevented work being done. Rent arrears have not increased significantly during 2020/21 and will reduce as the local economy recovers.

The underspend has increased the HRA reserves to fund future works to the stock as shown below. Capital reserves are over £5.8m and revenue reserves stand at £29.254m. However, the HRA debt of around £100m must be redeemed or refinanced at some future date.

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Housing revenue account working balance					
			<u>2020/21</u>	<u>2020/21</u>	<u>2020/21</u>
			Estimate	Probable	Actual
			£	£	£
Balance brought forward			25,350,080	24,434,695	24,434,695
Add surplus (less deficit) in the year			4,314,012	4,575,192	5,489,703
Capital expenditure - new purchases			(910,000)	(420,000)	(187,242)
Capital expenditure - new build programme			(1,442,500)	(366,700)	(344,261)
Capital expenditure - further potential schem			(1,460,000)	0	(138,886)
Balance carried forward			25,851,592	28,223,187	29,254,009
Major Repairs Reserve balance			1,798,232	5,451,287	5,806,464
Total balances			27,649,824	33,674,474	35,060,473
Major Repairs Reserve summary					
			<u>2020/21</u>	<u>2020/21</u>	<u>2020/21</u>
			Estimate	Probable	Actual
			£	£	£
Opening balance at start of year			3,292,832	6,223,287	6,223,287
Contribution to reserve			2,055,400	1,948,000	1,943,132
Capital expenditure funded from reserve			(3,550,000)	(2,720,000)	(2,359,955)
Net movement in year			(1,494,600)	(772,000)	(416,823)
Balance at year end			1,798,232	5,451,287	5,806,464

Capital strategy

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

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

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Capital expenditure totalled £47.053m in 2020/21. This was financed using reserves, capital receipts, grants and contributions. The long term, fixed interest borrowing is used exclusively to fund the purchase of assets which generate a long-term income for the Council.

The table set out below shows a summary of the Council's capital expenditure for 2020/21 and how it has been financed.

Capital Financing Summary 2020/21							
	Gross Expend	Grants & Contributions	Capital Receipts	Earmarked Reserves	HRA Reserves	Major Repairs Reserve	Borrowing
	£	£	£	£	£	£	£
Housing Services							
Private Sector Improvement grants	165,715	165,715	-				
Improvement Works to Council Housing	2,359,955		-			2,359,955	
Purchase of Property	267,489		80,246		187,243		
Housing Developments	632,363		149,342		483,021		
Sleeping Pod purchases	11,169	11,169	-				
Environment & Sustainability							
Vehicle fleet replacement programme	1,502,235		-	1,502,235			
Community Development							
CCTV Equipment Replacement	31,688	5,294	-	26,394			
Grants & Loans to Local Organisations	151,500		151,500				
Improvements to Parks and Open Spaces	102,364	16,429	85,935				
Egham Leisure Centre Development	397,204		397,204				
Corporate & Business Services							
Investment in existing property assets	1,346,878		96,878	1,250,000			
Investment in ICT	448,743	-	380,020	68,723			
Runnymede Regeneration Programme - Addlestone	687,660		687,660				
Runnymede Regeneration Programme - Egham	32,054,216		-				32,054,216
Runnymede Regeneration Programme - Chertsey	6,893,550		-				6,893,550
	47,052,729	198,607	2,028,785	2,847,352	670,264	2,359,955	38,947,766

Non-current asset valuations

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

The Council's investment properties are revalued annually with indexation adjustments made to the more significant assets each year as appropriate.

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

Capital receipts

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

The Council started the year with £6.8m in available capital receipts and ended with £7.5m. However more capital receipts are expected in 2022 as the last tranche of apartments from the Addlestone One development are completed and sold.

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

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

Of the £7.5m at the year end, £3.992m 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 2020/21 this payment was £0.947m, of which included the repayment of £0.621m of unused retained receipts.

Movement in reserves

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

The Council finalised the budget for the year ending March 2021 in February 2020 and risk assessed those items which could cause an increase in expenditure or income. The Council's policy was to maintain a working balance of £3.0m for 2020/21 to contain any cash flow difficulties without resorting to temporary borrowing. The table below shows the General Fund reserves held for capital and revenue purposes. The Council has considered the financial risks it faces in 2021/22 onwards in detail and judges this sum to remain as a prudent contingency. The pandemic has reinforced this view. The Council will re-visit financial balances and strategy in the autumn of 2021 as the UK economy, the Government Comprehensive Spending Assessment and the structure of local government generally becomes clear.

The table below shows that the Council has increased reserves, both capital and revenue as at 31 March 2021.

	General Fund		HRA		Capital	
	Working balance	Earmarked reserves	Revenue	Major repairs	Capital receipts	Capital grants
	£'000	£'000	£'000	£'000	£'000	£'000
Opening General Fund working balance	12,369	14,179	24,434	6,223	6,802	2,211
Increase or (Decrease) in the year	2,819	8,412	4,820	- 417	770	3,609
BALANCE 31 March 2021	15,188	22,591	29,254	5,806	7,572	5,820

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

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2020/21	Balance at 1 April 2020	Transfers out	Transfers in	Balance at 31 March 2021
	£000	£000	£000	£000
Business Rates (NNDR) equalisation reserve	2,880	0	8,000	10,880
Englefield Green maintenance reserve	264	28	1	237
Equipment repairs and renewals reserve	1,201	1,598	1,286	889
Infrastructure Feasibility reserve	100	0	122	222
Insurance reserve	106	0	0	106
Investment Property income equalisation reserve	3,750	0	0	3,750
Museum purchase and conservation fund	33	0	2	35
Maintenance of graves in perpetuity	2	0	0	2
Property repairs and renewals reserve	2,750	1,250	445	1,945
Section 106 and other contributions reserve	3,093	1,148	2,580	4,525
Total	14,179	4,024	12,436	22,591

The increase in the Business Rates (NNDR) Equalisation Reserve is due to a Government grant. It is expected that this will be fully utilised over the next two financial years to repay the collection fund deficit and Government have not yet published details of any compensation schemes for 2021 onwards. The reserve will be used to avoid significant fluctuations in income from taxation to the General Fund.

During 2021/22 and 2022/23 it may be necessary to use some of these reserves to mitigate any longer-term consequences of Covid19 either permanently or in the short term. The need to release any reserves for this purpose will be established along with the need to re-visit the Council's long-term plans for the General Fund and the HRA later in 2021.

Concluding remarks

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

In the autumn of 2021, the Government is likely to produce a one year only local government finance settlement. A review of the structure of local authorities will be published in the devolution or levelling up white paper followed by a long-term Government view of how local authorities are funded.

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

The uncertain long-term future effects of the Covid19 emergency means that in October to December 2021 the Council will need to re-visit its long-term plans for the General Fund and the HRA. The income lost from car parks, halls lettings etc means that these reserves are likely to be depleted in 2021/22 and into 2022/23. As part of the Councils approach to managing risks it has always maintained reasonable reserves to enable it to continue to provide services and adjust spending plans according to the economic circumstances faced.

The Statement of Accounts was signed by me on 30 July 2021 as the Council's responsible finance officer. This would not have been possible without the hard work of the finance team and the continued support of all Council staff and its elected councillors.

Other than the uncertainty over Covid19, and the Council implementing efficiency plans in May 2021, there have been no material events which will require the Council to adjust all of its spending plans, which would alter the financial statements or any other items I would wish to draw to the reader's attention after the 31 March 2021.

Narrative Report to the Statement of Accounts 2020/21

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

Further information

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

Further information is available from the Finance department at the Runnymede Civic Centre, Addlestone. Our web site is www.runnymede.gov.uk.

Mr P McKenzie
Assistant Chief Executive and s151 Officer
30 July 2021

Statement of responsibilities

The Council's responsibilities

Runnymede Borough Council is required to:

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

The Chief Finance Officer's responsibilities

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

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

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

The Assistant Chief Executive has also:

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

Certificate by the Chief Finance Officer

I certify that the Statement of Accounts for 2020/21 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 2021.

Mr P McKenzie
Assistant Chief Executive and s151 Officer

Date: 30 July 2021

Certification of approval by the Corporate Management Committee

The Statement of Accounts for 2020/21 was approved by the Corporate Management Committee of the Council on TBA

Councillor N Prescott
Chairman of the Corporate Management Committee

Date: TBA

Auditor's report to the Council

Auditor's report to follow on completion of audit

Auditor's report to the Council

Auditor's report to follow on completion of audit

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Comprehensive income and expenditure statement

2019/20							2020/21			
Expend £000	Income £000	Net £000		Note	Expend £000	Income £000	Net £000			
			Gross expenditure, gross income and net expenditure of continuing operations							
12,702	16,638	(3,936)	Housing Revenue Account		9,565	17,206	(7,641)			
23,285	21,121	2,164	Housing Committee		20,110	18,305	1,805			
8,996	3,020	5,976	Community Services Committee		7,502	2,954	4,548			
6,481	2,606	3,875	Environmental & Sustainability Committee		6,062	2,427	3,635			
275	162	113	Licensing & Regulatory Committees		274	153	121			
3,663	1,801	1,862	Planning Committee		2,945	1,517	1,428			
8,970	5,770	3,200	Corporate Management Committee		9,118	4,389	4,729			
			Exceptional costs:							
(11,618)	0	(11,618)	Reversal of previous HRA impairments charged to the CIES		(5,971)	0	(5,971)			
<u>52,754</u>	<u>51,118</u>	<u>1,636</u>	Cost Of Services		<u>49,605</u>	<u>46,951</u>	<u>2,654</u>			
			(978)	Other operating expenditure	9		(381)			
			(20,672)	Financing and investment income and expenditure	10		(4,829)			
			(12,391)	Taxation and non-specific grant income	11		(18,386)			
			<u>(32,405)</u>	(Surplus) or deficit on provision of services			<u>(20,942)</u>			
			Items that will not be reclassified to the (surplus) or deficit on provision of services:							
			(6,144)	(Surplus) or deficit on revaluation of non-current assets	25.1		(8,809)			
			18,869	Impairment losses on non-current assets charged to the Revaluation Reserve	25.1		8,272			
			(3,852)	Remeasurement of the net defined benefit liability or (asset)	33		9,607			
			<u>8,873</u>	Other comprehensive (income) and expenditure			<u>9,070</u>			
			<u>(23,532)</u>	Total comprehensive (income) and expenditure			<u>(11,872)</u>			

Movement in reserves statement

	Notes	General Fund Reserves		HRA Reserve		Capital Reserves		Total usable reserves	Unusable reserves	Total Council reserves
		General Fund balance	Earmarked Reserves	Housing Revenue account	Major Repairs reserve	Capital Receipts reserve (Note a)	Capital grants unapplied reserve			
		£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2020		12,369	14,179	24,434	6,223	6,802	2,211	66,218	277,674	343,892
Movement in Reserves during 2020/21										
Total comprehensive income and expenditure		12,372	0	8,570	0	0	0	20,942	(9,070)	11,872
Adjustments between accounting basis and funding basis under regulations	12	(9,553)	8,412	(3,750)	(417)	770	3,609	(929)	929	0
Increase (decrease) in the year		2,819	8,412	4,820	(417)	770	3,609	20,013	(8,141)	11,872
Balance at 31 March 2021		15,188	22,591	29,254	5,806	7,572	5,820	86,231	269,533	355,764
Balance at 31 March 2019		3,878	9,590	22,645	4,738	5,151	1,610	47,612	274,339	321,951
Movement in Reserves during 2019/20										
Total comprehensive income and expenditure		20,111	0	12,294	0	0	0	32,405	(10,464)	21,941
Adjustments between accounting basis and funding basis under regulations	12	(11,620)	4,589	(10,505)	1,485	1,651	601	(13,799)	13,799	0
Increase (decrease) in the year		8,491	4,589	1,789	1,485	1,651	601	18,606	3,335	21,941
Balance at 31 March 2020		12,369	14,179	24,434	6,223	6,802	2,211	66,218	277,674	343,892

Note (a) The Capital Receipts reserve includes £3.992m for HRA debt repayment and Housing 1-4-1 replacements as at 31 March 2021 (£4.160m at 31 March 2020)

Balance sheet

31 March 2020 £000		Note	31 March 2021 £000
415,672	Property, plant and equipment	13	440,173
522,690	Investment property	16	541,736
406	Intangible assets	17	702
10	Long-term investments	18	10
28,653	Long-term debtors	18	29,067
<u>967,431</u>	Long term assets		<u>1,011,688</u>
49,109	Short-term investments	18	54,359
102	Inventories and work in progress	19	98
2,831	Short-term debtors	20	1,779
31,201	Cash and cash equivalents	21	13,137
680	Assets held for sale	22	340
<u>83,923</u>	Current assets		<u>69,713</u>
(5,282)	Short term borrowing	18	(43,629)
(27,595)	Short-term creditors	23	(39,194)
(1,172)	Provisions	24	(787)
(3)	Grants received in advance		(3)
<u>(34,052)</u>	Current liabilities		<u>(83,613)</u>
(627,292)	Long term borrowing	18	(584,000)
(46,118)	Liability related to pensions	33	(58,024)
<u>(673,410)</u>	Long term liabilities		<u>(642,024)</u>
<u>343,892</u>	Net assets		<u>355,764</u>
66,218	Usable reserves	MIRS	86,231
277,674	Unusable reserves	25	269,533
<u>343,892</u>	Total reserves		<u>355,764</u>

Cash flow statement

2019/20 £000		Note	2020/21 £000	£000
(32,405)	Net (surplus) or deficit on the provision of services			(20,942)
	Operating activities			
(299)	Adjustments to net surplus or deficit on the provision of services for non-cash movements			(13,375)
	Adjustments for items included in the net surplus on the provision of services that are investing or financing activities:			
1,943	Interest received		1,816	
(17,565)	Interest paid		(15,625)	
132	Dividends received		183	
23,444	Other		21,170	
7,954				7,544
(24,750)	Net cash flow from operating activities			(26,773)
	Investing activities			
60,993	Purchase of property, plant and equipment, investment property and intangible assets		45,151	
70,023	Purchase of short term and long term investments		66,511	
949	Other payments for investing activities		483	
(6,979)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		(3,741)	
(61,516)	Proceeds from the sale of short term and long term investments		(61,269)	
(1,028)	Other receipts from investing activities		(3,796)	
62,442	Net cash flow from investing activities			43,339
	Financing activities			
(61,028)	Cash receipts of short and long term borrowing		0	
0	Repayments of short and long term borrowing		4,945	
5,087	Council Tax and NNDR adjustments		(3,447)	
(55,941)	Net cash flow from financing activities			1,498
(18,249)	Net (increase) or decrease in cash and cash equivalents			18,064
(12,952)	Cash and cash equivalents at the beginning of the reporting period			(31,201)
(31,201)	Cash and cash equivalents at the end of the reporting period			(13,137)

Notes to the financial statements

1 Principal accounting policies

1.1 General principles

The statement of accounts summarises the transactions for the 2020/21 financial year and the position at the year-end of 31 March 2021. 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 2020/21* (the Code) supported by International Financial Reporting Standards (IFRS).

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

1.2 Changes in accounting policies

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

1.3 Income and expenditure recognition

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

Income

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

Government grants and third party contributions are recognised when there is reasonable assurance that the Council will comply with any conditions attached to the payments, and that the grants or contributions will be received. Where conditions attached to grants or contributions have not been satisfied, monies received to date are carried in the Balance Sheet as creditors and credited to the CIES when the conditions are satisfied. Where capital grants are credited to the Comprehensive Income and Expenditure Statement they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Expenditure

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

Interest

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

Debtors and creditors

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

Principal and Agent arrangements

Notes to the financial statements

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

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

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

1.4 Cash and cash equivalents

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

1.5 Charges to revenue for non-current assets

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

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

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

1.6 Employee benefits

Benefits payable during employment

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

Termination benefits

Notes to the financial statements

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

Post-employment benefits

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

The Local Government Pension Scheme

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

- The liabilities of the Surrey Pension fund attributable to Runnymede Borough Council are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, and projections of earnings for current employees etc.,.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on a high-quality corporate bond.
- The assets of the Surrey Pension fund attributable to Runnymede Borough Council are included in the balance sheet at their fair value as set out in the following table:

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

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

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

Discretionary benefits

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

Final-year pension enhancements

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

Notes to the financial statements

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

1.7 Exceptional items and prior period adjustments

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

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

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

1.8 Financial instruments

Financial liabilities

Financial liabilities are recognised on the balance sheet when the Council becomes a party to the contractual provisions of a financial instrument

Financial assets

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

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

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

Financial assets measured at amortised cost

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

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

Notes to the financial statements

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

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

Expected credit loss model

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

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

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

Financial assets measured at fair value through profit and loss

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

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

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

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

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

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

1.9 Intangible assets

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

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

Notes to the financial statements

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

1.10 Interests in companies and other entities

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

1.11 Inventories and long term contracts

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

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

1.12 Investment property

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

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

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

1.13 Leases

Leases are treated as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant and equipment from the lessor to the lessee. All other leases are treated as operating leases. Where a lease covers both land and buildings, the land and building elements are considered separately for classification.

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

Finance leases (council as lessee)

Notes to the financial statements

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

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

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the general fund balance, by way of an adjusting transaction with the capital adjustment account in the movement in reserves statement for the difference between the two.

Operating leases (council as lessee)

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

Finance leases (council as lessor)

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

Operating leases (council as lessor)

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

1.14 Overheads and support services

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

1.15 Property, plant and equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

Notes to the financial statements

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

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

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

Assets are included in the balance sheet at fair value and are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum as part of a five-year rolling programme. Increases in valuations are matched by credits to the revaluation reserve to recognise unrealised gains. Exceptionally, gains might be credited to the comprehensive income and expenditure statement where they arise from the reversal of a loss previously charged to a service revenue account.

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

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

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

Impairment

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

Componentisation

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

Notes to the financial statements

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

Disposals and non-current assets held for sale

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

When an asset is disposed of or decommissioned, the value of the asset in the balance sheet (whether property, plant and equipment or assets held for sale) is written off to the other operating expenditure line in the comprehensive income and expenditure statement as part of the gain or loss on the disposal. Receipts from disposals (if any) are credited to the same line in the comprehensive income and expenditure statement also as part of the gain or loss on the disposal (i.e. netted off the carrying value of the asset at the time of disposal). Any revaluation gains in the revaluation reserve are transferred to the capital adjustment account.

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

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

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

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the capital adjustment account from the general fund balance in the movement in reserves statement.

1.16 Provisions

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

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

1.17 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the general fund balance in the movement in reserves statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the surplus or deficit on services in the comprehensive income and expenditure statement. The reserve is then appropriated back into the general fund balance in the movement in reserves statement so that there is no net charge against council tax for the expenditure.

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

Notes to the financial statements

1.18 Revenue expenditure funded from capital under statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of non-current assets has been charged as expenditure to the relevant service account in the comprehensive income and expenditure statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources, a transfer in the movement in reserves statement from the general fund balance to the capital adjustment account then reverses out the amounts charged so that there is no impact on the level of council tax.

1.19 Valuations – fair value

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

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

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

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

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

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

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

1.20 Value added tax (VAT)

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

Notes to the financial statements

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

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

There are no changes in accounting requirements for 2021/22 that are anticipated to have a material impact on the Council's financial performance or financial position.

3 Critical judgements in applying accounting policies

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

1. There is a high degree of uncertainty of future funding for the Council with Government financing reviews being delayed along with the unknown future consequences of the Covid19 pandemic. It is therefore not possible to establish with any certainty whether any assets might become impaired, the value of any increase in debt arrears or, whether services will need to be re-engineered to meet ongoing increased or reduced demand.
2. The Council received significant amounts of funding for distribution or for use to support the Covid19 lockdown and recovery. The terms of such grants meant that some could be considered service or general funding with wider judgement required on whether the Council was acting as agent or principle.

4 Events after the balance sheet date

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

1. There are no known events that would have a material impact on the Council's position as at 31 March 2021, however, the continued impact of the Covid19 pandemic could still see changes during 2021/22 to valuations and services. This could see revaluation changes for PPE and investment property, with provision of some services remaining reduced with the consequence of lower income. However, valuations have been professionally undertaken to RICS standards and therefore represent the best estimate at the current time.

Notes to the financial statements

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

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

Item	Uncertainties	Effect if actual results differ from assumptions
Valuation of Operational Property	<p>Asset valuations are based on market prices and are periodically reviewed to ensure that the Council does not materially misstate its non-current assets. The Council's external valuers provide valuations of our operational property assets.</p> <p>The outbreak of Covid-19 has impacted global financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. There is an unprecedented set of circumstances on which to base a judgement. Consequently, less certainty and a higher degree of caution should be attached to the valuations.</p> <p>At the current time, it is not possible to accurately predict the longevity and severity of the impact of Covid-19 on the economy. Therefore, values have been based on the situation prior to Covid-19, on the assumption that values will be restored when the real estate market becomes more fluid.</p>	<p>A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement. If the value of the Council's operational properties were to reduce by 10%, this would result in a charge to the Comprehensive Income and Expenditure Statement of approximately £76m.</p> <p>An increase in estimated valuations would result in increases to the Revaluation Reserve and / or reversals of previous negative revaluations to the Comprehensive Income and Expenditure Statement and / or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement.</p>
Valuation of HRA Dwellings	<p>The HRA residential portfolio is valued based on a beacon methodology. In order to value the whole portfolio, it was necessary to research a number of information sources. These include sales of directly comparable property, changes of income flow for non-residential property, information available at a local level showing house price movement plus regional and National Indices.</p> <p>As stated above, due to the impact of Covid-19, less certainty and a higher degree of caution should be attached to the valuation.</p>	<p>A reduction in the estimate value of HRA dwellings would be a reduction in the revaluation reserve or a loss in the CIES. If the value of dwellings were to reduce by 10% this would lead to a reduction in value of about £290m.</p> <p>An increase in estimated valuations would result in increases to the Revaluation Reserve or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement.</p>
Fair Value Measurements	<p>The Council uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. The Council bases its assumptions on observable data as far as possible but this is not always available. In that case the Council uses the best information available.</p> <p>When the fair values of Investment Properties, cannot be measured based on quoted prices in active markets (ie Level 1 inputs), their fair value is measured using Discounted Cash Flow valuation techniques. Where possible, the inputs to this technique is based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However changes in assumptions could affect the fair value of the Council's assets.</p> <p>Where Level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate technique to determine fair value (i.e. an external valuer).</p> <p>Information about the valuation techniques used in determining the fair value of assets is disclosed elsewhere in the notes.</p>	<p>The Council uses discounted cash flow (DCF) models to measure the fair value of some of its Investment Properties under IFRS13.</p> <p>The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, occupancy levels, floor area, repairs backlogs, beacon classifications and others.</p> <p>Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for these assets.</p>

Notes to the financial statements

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

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

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate that salaries are projected to increase, changes in retirement ages, mortality rates and expected return on pension fund assets. A firm of consulting actuaries engaged by the Surrey Pension Fund provides the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the real discount rate would result in a decrease in the pensions liability of £15.8m. The effects of other assumptions made in relation to the Pensions liability can be found in Note 33.
Business Rate Appeals (General)	Since the introduction of the Business Rates Retention Scheme effective from 1 April 2013, local authorities are liable for successful appeals against business rates charged to businesses, in their proportionate share. A provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2019. The provision has been calculated using the Valuation Office ratings list of appeals and the analysis of successful appeals to date	If the level of successful appeals varies by 1%, it would increase or decrease the appeals provision by £406,500 which in turn would increase or decrease the deficit on the Collection Fund by the same amount. The Council's share of the increase or decrease would be £163,000, which would increase or decrease the surplus on provision of services in the CIES.
Impairment Allowance for doubtful debts	As at 31 March 2021, the Council had an impairment allowance of £3.4m for debts that it may have difficulty in recovering. It is not certain that this impairment allowance would be sufficient as the Council cannot assess with certainty which debts will be collected or not. The economic impact of the Covid-19 pandemic has made the estimation of debt impairment more difficult as there is more uncertainty about the economic viability of debtors and hence their ability to settle their debts.	An understatement of the impairment allowance would lead to a future adjustment and impairment to be reflected. The impairment allowances held are based on policies adapted to historic experience and success rates experienced in collection. The nature of the debt and service area have been considered and further review has been carried out to reflect the uncertainty of the collection rates as a result of Covid-19. If collection rates were to deteriorate by 5% then the Council would need to review its policies on the calculation of its impairment allowance for doubtful debts.

Notes to the financial statements

6 Expenditure and funding analysis

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

Year ended 31 March 2021

Note	Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments between the Funding and Accounting Basis			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	
				Total adjustments between the Funding and Accounting Basis £000	
Housing Revenue Account	(5,488)	1,597	324	(4,074)	(7,641)
Housing Committee	1,543	166	230	(134)	1,805
Community Services Committee	3,913	254	451	(70)	4,548
Environmental & Sustainability Committee	3,252	0	383	0	3,635
Licensing & Regulatory Committees	96	0	25	0	121
Planning Committee	1,391	0	255	(218)	1,428
Corporate Management Committee	(16,689)	522	(443)	21,339	4,729
Exceptional items	0	(5,971)	0	0	(5,971)
				0	
Net Cost Of Services	(11,982)	(3,432)	1,225	16,843	2,654
Other Income and Expenditure	4,343	(2,626)	1,074	(26,387)	(23,596)
(Surplus) or deficit on provision of services	(7,639)	(6,058)	2,299	(9,544)	(20,942)
Opening General Fund and HRA Balance	(36,803)				
(Surplus) or deficit on General Fund and HRA Balance in the year	(a) (7,639)				
Closing General Fund and HRA Balance at 31 March	(44,442)				

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 2020

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

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)

Note 1 - Adjustments for capital purposes

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

a) **Other operating expenditure**

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

b) **Financing and investment income and expenditure**

the statutory charges for capital financing i.e. the Minimum Revenue Provision (MRP) and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

c) **Taxation and non-specific grant income and expenditure**

capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in year to those receivable without conditions or for which conditions were satisfied throughout the year. The taxation and non specific grant income and expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Note 2 - Net change for pension adjustments

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

a) **Services**

This represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.

b) **Financing and investment income and expenditure**

The net interest on the defined benefit liability is charged to the comprehensive income and expenditure statement.

Note 3 - Other differences

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

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

Notes to the financial statements

7 Segmental analysis

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

2019/20		2020/21
£000		£000
	Revenues from external customers:	
16,602	Housing Revenue Account	17,040
591	Housing Committee	696
2,232	Community Services Committee	1,849
2,380	Environmental & Sustainability Committee	1,366
159	Licensing & Regulatory Committees	128
1,141	Planning Committee	976
26,194	Corporate Management Committee	25,923

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:

2019/20		2020/21
£000		£000
	Expenditure:	
25,882	Employer benefits expenses	25,337
19,804	Housing Benefits	16,765
9,336	Other service expenses	7,816
755	Revenue expenditure funded from capital under statute	460
(13,075)	Depreciation, amortisation and impairment	1,228
14,487	Interest payments	15,685
982	Payments to housing capital receipts pool	947
(1,961)	Gain / (Loss) on the disposal of assets	(1,328)
313	Impairment/credit loss adjustments	1,433
<u>56,523</u>	Total expenditure	<u>68,343</u>
	Income	
9,796	Fees charges and other service income	4,485
41,508	Rents and leases	41,807
19,643	Housing Benefit subsidy	16,851
1,692	Interest and investment income	2,010
10,167	Income from council tax, business rates	11,678
1,867	Government grants and contributions	5,000
2,560	Other grants and contributions	5,990
1,695	Costs recovered and sponsorship	1,464
<u>88,928</u>	Total income	<u>89,285</u>
<u>(32,405)</u>	(Surplus) or Deficit on the provision of services	<u>(20,942)</u>

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.

2019/20 £000		2020/21 £000
982	Payments to the Government housing capital receipts pool	947
(1,960)	Net (gains) and losses on the disposal of non-current assets	(1,328)
<u>(978)</u>		<u>(381)</u>

10 Financing and investment income and expenditure

2019/20 £000		2020/21 £000
14,487	Interest payable and similar charges	15,685
1,147	Net interest on the net defined pension liability	1,074
(1,959)	Interest receivable and similar income	(1,868)
267	(Surplus) or deficit on revaluation of Pooled Investment Funds	(138)
(34,927)	Income and expenditure in relation to investment properties and changes in fair value	(21,015)
313	Impairments and credit loss adjustments	1,433
<u>(20,672)</u>	Total	<u>(4,829)</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.

2019/20 £000		2020/21 £000
(5,583)	Council tax income	(5,767)
(4,585)	Retained business rates income	(5,910)
(1,198)	Other non-ringfenced Government Grants	(2,901)
(1,025)	Capital grants and contributions	(3,808)
<u>(12,391)</u>	Total	<u>(18,386)</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:

2020/21

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

Balance at 1 April 2020	Transfers out	Transfers in	Balance at 31 March 2021
£000	£000	£000	£000
2,880	0	8,000	10,880
264	28	1	237
1,201	1,598	1,286	889
100	0	122	222
106	0	0	106
3,750	0	0	3,750
33	0	2	35
2	0	0	2
2,750	1,250	445	1,945
3,093	1,148	2,580	4,525
14,179	4,024	12,436	22,591

2019/20

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

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

Notes to the financial statements

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

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

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

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

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

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

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

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

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

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

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

Housing Revenue Account

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

Major repairs reserve

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

Capital receipts reserve

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

Capital grants unapplied

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

Notes to the financial statements

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

Adjustments in 2020/21					
	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)	1,922	380			
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	(120)				
Council Tax and Business Rates (transferred to (or from) the Collection Fund adjustment account)	4,531				
Holiday pay (transferred to the Accumulated Absences reserve)	333				
(Surplus) transferred to Pooled Investment Funds Adjustment Account	(138)				
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)	(5,694)	(1,493)			
Total Adjustments to Revenue Reserves	834	(1,113)	0	0	0

Adjustments between revenue and capital resources					
Transfer of non-current asset sale proceeds from revenue to the capital receipts reserve	(2,823)	(1,015)		3,838	
Administrative costs of non-current asset disposals (funded by a contribution from the capital receipts reserve)	48	43		(91)	
Payments to the Government housing receipts pool (funded by a contribution from the capital receipts reserve)		948		(948)	
Posting of HRA resources from revenue to the Major repairs reserve		(1,943)	1,943		
Statutory provision for the repayment of debt (transfer from the capital adjustment account)	(3,820)				
Capital grants and contributions credited to the comprehensive income and expenditure statement	(3,792)				3,780
Capital expenditure financed from revenue balances (transfer to the capital adjustment account)		(670)			
Total adjustments between revenue and capital resources	(10,387)	(2,637)	1,943	2,799	3,780

Adjustments to capital resources					
Use of capital receipts reserve to finance capital expenditure				(2,029)	
Use of major repairs reserve to finance capital expenditure			(2,360)		
Application of capital grants to finance capital expenditure					(171)
Total adjustments to capital resources	0	0	(2,360)	(2,029)	(171)

Total adjustments	(9,553)	(3,750)	(417)	770	3,609
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Notes to the financial statements

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

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

Adjustments to the Revenue Reserves					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements					
Pensions costs (transferred to or from the Pensions reserve)	2,931	537			
Financial Instruments (transferred to the Financial Instruments Adjustments Account)	2				
Council Tax and Business Rates (transferred to (or from) the Collection Fund adjustment account)	1,927				
Holiday pay (transferred to the Accumulated Absences reserve)	9				
(Surplus) transferred to Pooled Investment Funds Adjustment Account	267				
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (charged to the Capital Adjustments Account)	(6,264)	(6,481)			
Total Adjustments to Revenue Reserves	(1,128)	(5,944)	0	0	0

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

Adjustments to capital resources					
Use of capital receipts reserve to finance capital expenditure				(4,300)	
Use of major repairs reserve to finance capital expenditure			(2,806)		
Application of capital grants to finance capital expenditure					(239)
cash payments in relation to deferred capital receipts				0	
Total adjustments to capital resources	0	0	(2,806)	(4,300)	(239)

Notes to the financial statements

13 Property, plant and equipment

	Council dwellings	Other land and buildings	Vehicles, plant, furniture and Equipment	Community assets	Surplus assets	Assets under construction	Total Property, plant and equipment
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation							
At 1 April 2020	290,976	75,809	11,557	6,486	12,655	27,916	425,399
Additions	2,788	397	1,547	0	0	39,476	44,208
Accumulated depreciation and Impairment written out on revaluation to GCA	(3,096)	(1,616)					(4,712)
Revaluations	6,434	(1,053)			645		6,026
Disposals	(662)		(1,038)	0	(950)	0	(2,650)
Assets reclassified to/from held for sale					(340)	0	(340)
Assets reclassified to/from investment property		342				(18,377)	(18,035)
Assets reclassified between PPE categories	0	0				0	0
At 31 March 2021	296,440	73,879	12,066	6,486	12,010	49,015	449,896
Accumulated depreciation and impairment							
At 1 April 2020	20	1,383	8,226	11	0	87	9,727
Depreciation charge in the year	1,943	1,108	973			0	4,024
Impairments charge in the year							0
Accumulated depreciation written out on revaluation	(1,487)	(1,617)					(3,104)
Accumulated impairment written out on revaluation	(12)	0					(12)
Disposals	(2)		(910)				(912)
Other movements in depreciation and impairments	0	0				0	0
At 31 March 2021	462	874	8,289	11	0	87	9,723
Net book value							
At 31 March 2021	295,978	73,005	3,777	6,475	12,010	48,928	440,173
At 31 March 2020	290,956	74,426	3,331	6,475	12,655	27,829	415,672

Notes to the financial statements

13 Property, plant and equipment

	Council dwellings	Other land and buildings	Vehicles, plant, furniture and Equipment	Community assets	Surplus assets	Assets under construction	Total Property, plant and equipment
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation							
At 1 April 2019	294,161	82,259	11,063	6,780	14,833	3,754	412,850
Additions	3,056	1,536	701	0	715	21,675	27,683
Accumulated depreciation and Impairment written out on revaluation to GCA	(5,687)	(2,720)				0	(8,407)
Revaluations	(939)	(1,591)			(719)		(3,249)
Disposals	(370)		(207)	(294)	(1,884)	(2,199)	(4,954)
Assets reclassified to/from held for sale					(290)	(390)	(680)
Assets reclassified to/from investment property					0	2,157	2,157
Assets reclassified between PPE categories	755	(3,675)		0	0	2,919	(1)
At 31 March 2020	290,976	75,809	11,557	6,486	12,655	27,916	425,399
Accumulated depreciation and impairment							
At 1 April 2019	115	1,547	7,579	11	0	12	9,264
Depreciation charge in the year	4,291	1,210	851			7	6,359
Impairments charge in the year	(1,381)	0					(1,381)
Accumulated depreciation written out on revaluation	(4,306)	(2,720)					(7,026)
Accumulated impairment written out on revaluation	1,290	1,426					2,716
Disposals	(1)	0	(204)				(205)
Other movements in depreciation and impairments	12	(80)				68	0
At 31 March 2020	20	1,383	8,226	11	0	87	9,727
Net book value							
At 31 March 2020	290,956	74,426	3,331	6,475	12,655	27,829	415,672
At 31 March 2019	294,046	80,712	3,484	6,769	17,833	3,742	403,586

Notes to the financial statements

13 Property, plant and equipment (continued)

Depreciation and amortisation methods

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

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

Revaluations

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

Valuations for 2020/21 have been undertaken by Wilks Head and Eve LLP same with prior year valuations.

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

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

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

There were no other material changes to the Council's accounting estimates for property, plant and equipment in 2019/20 or 2020/21.

Notes to the financial statements

13 Property, plant and equipment (continued)

Revaluations (continued)

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

	Council dwellings	Other land and buildings	Vehicles plant, etc.	Community assets	Surplus assets	Assets Under Construction	Total
	£000	£000	£000	£000	£000		£000
Valued at fair value as at:							
2020/2021	226,308	56,034	0	0	11,581	0	293,923
2019/2020	70,132	0	0	0	0	0	70,132
2018/2019	0	8,951	0	0	0	0	8,951
2017/2018	0	7,577	0	0	0	0	7,577
2016/2017	0	0	0	0	0	0	0
Valued at historic cost	0	1,316	12,065	6,485	430	49,014	69,310
Total cost or valuation	296,440	73,878	12,065	6,485	12,011	49,014	449,893

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:

2019/20 £000		2020/21	
		£000	£000
20,459	Offset against previous revaluation gains (net of depreciation adjustments)		8,272
	Taken to comprehensive income and expenditure statement:		
3,269	Impairments in the year	2,079	
(11,618)	Reversal of previous years impairments	(5,972)	
<u>(8,349)</u>			(3,893)
<u>12,110</u>			<u>4,379</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.

2019/20 £000		2020/21	
		£000	£000
592,712	Opening Capital Financing Requirement		644,047
	Capital Investment:		
27,683	Property, Plant and Equipment	44,208	
34,859	Investment Properties	1,938	
152	Intangible Assets	447	
0	Long Term Debtors	0	
755	Revenue Expenditure Funded from Capital Under Statute	460	
<u>63,449</u>			<u>47,053</u>
	Sources of Finance:		
(4,301)	Capital Receipts	(2,029)	
(424)	Government Grants and Other Contributions	(199)	
(2,806)	Major Repairs Reserve	(2,360)	
(495)	Direct Revenue Contributions - HRA	(670)	
(799)	Direct Revenue Contributions - General Fund	(2,847)	
<u>(3,289)</u>	Minimum Revenue Provision (MRP)	<u>(3,820)</u>	
(12,114)			(11,925)
<u><u>644,047</u></u>	Closing Capital Financing Requirement (CFR)		<u><u>679,175</u></u>
	Explanation of movements in the year		
592,712	Opening Capital Financing Requirement		644,047
54,624	Increase in underlying need to borrow (unsupported)		38,948
<u>(3,289)</u>	Statutory provision for repayment of debt (MRP)		<u>(3,820)</u>
<u><u>644,047</u></u>	Closing Capital Financing Requirement (CFR)		<u><u>679,175</u></u>

The Council has a capital programme listing proposed and potential schemes with a cost in the next financial year of £94.017m. At 31 March 2021, the Council had entered into a number of contracts for the purchase, construction or enhancement of property, plant and equipment in 2021/22 and future years of £72.606m.

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.

2019/20 £000		2020/21 £000
25,606	Rental income and other income arising from investment property	25,040
(1,937)	Direct operating expenses arising from investment property	(1,998)
<u>23,669</u>	Net gain	<u>23,042</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:

2019/20 £000		2020/21 £000
478,789	Balance at start of the year	522,690
34,859	Additions	1,938
11,199	Net gains/(losses) from fair value adjustments	(927)
(2,157)	Transfers (to) / from property plant and equipment	18,035
<u>522,690</u>	Balance at the end of the year	<u>541,736</u>

Valuers

The investment property portfolio was valued at 31 January 2021 in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution for Chartered Surveyors. The assets were valued by S C Harbord MA MRICS IRRV (Hons) RICS Registered Valuer and reviewed by R G Messenger BSc FRICS FIRR V MCIARb REV, RICS Registered Valuer, both of Wilks Head & Eve LLP, the Council's valuing agents.

Fair value hierarchy

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

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

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

Notes to the financial statements

16 Investment properties (Cont'd)

Highest and Best use

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

Valuation Process for Investment Properties

The Council's investment property has been valued as at 31 March 2021 by Wilks Head and Eve in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Due to the ongoing Covid-19 pandemic at the reporting date, Wilks, Head and Eve reported the property valuations on the basis of 'material valuation uncertainty' as per VPS3 and VPGA10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the review/ valuations than would normally be the case. However, the valuations have been professionally undertaken to RICS standards and therefore represent the best estimate at the current time. The following table summarises the movement in the fair value of investment properties over the year.

17 Intangible assets

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

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

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

2019/20 £000		2020/21 £000
	Balance at start of year:	
1,561	Gross carrying amounts	1,713
<u>1,201</u>	Accumulated amortisation	<u>(1,307)</u>
360	Net carrying amount at the start of the year	406
152	Additions	447
0	Disposals	0
(106)	Amortisation for the period	(151)
0	Other changes - write out of amortisation on disposals	0
<u>406</u>	Net carrying amount at the end of the year	<u>702</u>
	Comprising:	
1,713	Gross carrying amounts	2,160
<u>(1,307)</u>	Accumulated amortisation	<u>(1,458)</u>
<u>406</u>		<u>702</u>

At 31 March 2021 the Council had entered into contracts for the purchase or enhancement of intangible assets relating to 2021/22 and future years in the sum of £496,124. The value of such commitments as at 31st March 2020 was £234,530

Notes to the financial statements

18 Financial Instruments

18.1 Categories of Financial Instruments

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

	Non-Current		Current	
	31 March 2020	31 March 2021	31 March 2020	31 March 2021
	£000	£000	£000	£000
Financial Assets				
Amortised cost:				
Short term investments	-	-	44,909	50,025
Cash and cash equivalents	-	-	31,201	13,137
Short term debtors	28,653	29,067	4,152	3,897
Fair value through profit or loss:				
Long term investments	10	10	-	-
Short term investments	-	-	4,200	4,333
Total financial assets	28,663	29,077	84,462	71,392
Assets not defined as financial instruments			(641)	(1,778)
Total	28,663	29,077	83,821	69,614
Financial Liabilities				
Amortised cost:				
Short term creditors	-	-	17,784	27,722
Short term borrowing	-	-	5,282	43,608
Long term borrowing	627,292	584,000	-	-
Total financial liabilities	627,292	584,000	23,066	71,330
Assets not defined as financial instruments	46,118	0	10,983	12,260
Total	673,410	584,000	34,049	83,590

Notes to the financial statements

18 Financial Instruments (Cont'd)

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

Property loans

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

Loans have also been given to part purchase a scout headquarters and a local canoe club to ensure continuation of important local community activities. These loans are subject to legal charges on the properties.

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.

2019/20 £000		2020/21 £000
	Loans at low or interest-free rates at fair value:	
552	Balance at the start of the year	549
0	New loans granted in year	119
(6)	Less fair value adjustment	(6)
3	Credits for year	7
<u>549</u>	Balance at the end of the year	<u>669</u>

18.3 Income, expense, gains and losses

	2019/20	2020/21
	£000	£000
Net gains/losses on:		
Financial assets measured at fair value through profit or loss	267	138
Total net gains/losses	<u>267</u>	<u>138</u>
Interest revenue:		
Financial assets measured at amortised cost	1,959	1,868
Total interest revenue	<u>1,959</u>	<u>1,868</u>
Interest expense	<u>14,487</u>	<u>15,685</u>

Notes to the financial statements

18 Financial instruments (continued)

18.4 Fair values of financial assets

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

As at 31 March 2020	Valuation technique used to measure fair value			Fair value hierarchy	As at 31 March 2021
£000					£000
2,351	CCLA Property Fund	Unadjusted quoted prices in active markets for identical shares		Level 1	2,334
1,849	CCLA Diversified income Fund	Unadjusted quoted prices in active markets for identical shares		Level 1	1,999
<u>4,200</u>					<u>4,333</u>

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

Notes to the financial statements

18 Financial instruments (continued)

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

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

31 March 2020			31 March 2021	
Carrying amount £000	Fair value £000		Carrying amount £000	Fair value £000
		Financial liabilities held at amortised cost		
627,292	995,652	Long term borrowing	584,000	817,240
5,282	5,270	Short term borrowing	43,608	43,716
13,217	13,217	Short term creditors - trade or operational liabilities	18,149	18,149
4,567	4,567	Short term creditors - other financial liabilities	10,301	9,573
650,358	1,018,706	Total liabilities	656,058	888,678

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 2020			31 March 2021	
Carrying amount £000	Fair value £000		Carrying amount £000	Fair value £000
		Financial assets held at amortised cost		
10	10	Long term investments	10	10
33,666	33,671	Short term investments	42,039	42,043
28,653	28,653	Long term debtors	29,067	29,067
3,563	3,563	Short term debtors - trade or operational assets	4,243	3,144
589	589	Short term debtors - other financial assets	753	753
66,481	66,486	Total assets	76,112	75,017

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

Financial assets:

No early repayment or impairment is recognised.

Estimated ranges of interest rates at 31 March 2021 of 0.02% to 0.48% for loans receivable, based on new lending rates for equivalent loans at that date.

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

Financial liabilities:

No early payment is recognised.

Estimated ranges of interest rates at 31 March 2021 of 1.68% to 3.50% for loans (borrowings) payable based on new lending rates for equivalent loans at that date.

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

Notes to the financial statements

18 Financial instruments (continued)

18.6 Nature and extent of risks arising from financial instruments

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

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

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

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

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

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

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. The risk is minimised through the annual investment strategy, which requires that deposits can only be made with financial institutions that meet defined credit criteria, and sets limits for the amount that can be let to any one institution (including any subsidiaries). We use the ratings supplied by the three main credit rating agencies, supplemented by other information. The annual investment strategy in force for 2020/21 was approved by the Council in February 2020, 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 2020/21. The Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

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

Notes to the financial statements

18 Financial instruments (continued)

Credit risk (continued)

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

The following table summarises the Council's exposure to credit risk by categorising assets classified as investments based on the long-term and short-term credit ratings (supplied by Fitch IBCA) of the institutions as at 31 March 2021:

Long and short-term investments		
Credit rating at 31 March	Carrying value at 31 March 2020	Carrying value at 31 March 2021
	£000	£000
Long-term investments		
Investment in associated companies	10	10
	10	10
Short-term investments and cash equivalents		
Banks	AA-	1,007
Banks	A	3,515
Building societies - with credit rating	AA-, A+ and A	2,001
Building societies - with credit rating	A- and BBB+	3,001
Cash and bank balance	-	594
Local authorities	-	24,142
Money market funds	AAA	30,595
Property funds	-	2,028
Diversified Income Fund	-	2,015
Funding circle	-	461
	69,359	59,417

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

Long and short-term investments		
Credit rating at 31 March	Carrying value at 31 March 2020	Carrying value at 31 March 2021
	£000	£000
12 month expected credit losses	AAA	12
	A, A+/-	10
	22	13

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

	12 month expected credit loss
	£000
Opening balance as at 1 April	22
New financial assets originated or purchased	0
Financial assets that have been derecognised	(9)
Closing balance as at 31 March	13

Notes to the financial statements

18 Financial instruments (continued)

Liquidity risk

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

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

The maturity analysis of financial liabilities is as follows:

31 March 2020 £000		31 March 2021 £000
5,282	less than one year	43,608
68,292	Between one and 5 years	35,000
30,000	Between 5 and 10 years	55,000
65,000	Between 10 and 15 years	30,000
30,000	Between 15 and 20 years	30,000
10,000	Between 20 and 25 years	10,000
154,000	Between 25 and 30 years	204,000
240,000	Between 30 and 45 years	190,000
<u>632,574</u>		<u>627,608</u>

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

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

Refinancing and maturity risk

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

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

Market risk - Interest rate risk

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

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

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

Notes to the financial statements

18 Financial instruments (continued)

Interest rate risk (continued)

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

As at 31 March 2020			As at 31 March 2021	
Fixed £000	Variable £000		Fixed £000	Variable £000
		Term Investments		
10	0	Long Term Investments	10	0
79,766	0	Short-Term Investments	66,780	0
		Investments at Call or Short Notice		
0	30,607	Money Market Funds	0	12,490
0	0	Deposit Accounts at Banks at Call		0
0	594	Cash and Bank Balances (note 21)	0	647
79,776	31,201		66,790	13,137

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:

Notional effect on the comprehensive income and expenditure account:	£000
Increase in interest receivable on variable rate investments	0
Increase in interest receivable on fixed rate investments made in the year	340
Impact on surplus or deficit on the provision of services	<u>340</u>

The share of the overall impact attributable to the HRA would be: 138

Notional effect on the balance sheet:	£000
Decrease in value of fixed rate borrowing liabilities	(458,255)
Decrease in the fair value of fixed-rate investments	0

Price risk

The only quoted investments during 2020/21 and 2021/22 were with the CCLA Property Fund and the CCLA Diversified Income Fund. These are all classed at fair value through profit and loss meaning that all movements in the price will impact on gains and losses recognised in the surplus or deficit on the provision of services. A general shift of 5% in the general price of shares (positive or negative) would have resulted in a gain or loss of approximately £214,634.62

Notes to the financial statements

19 Inventories and work in progress

All of the Council's inventories relate to consumable stores items. There were no works in progress in 2019/20 or 2020/21.

2019/20 £000		2020/21 £000
98	Balance at start of year	102
451	Purchases	381
(447)	Recognised as an expense in the year	(385)
<u>102</u>	Balance at year-end	<u>98</u>

20 Short term debtors

31 March 2020 £000		31 March 2021 £000
2,237	Trade Receivables	1,830
692	Council Tax and Business Rates	927
491	Prepayments	1,007
1,414	Other receivable amounts	1,485
<u>4,834</u>	Gross debtors	<u>5,249</u>
	Analysis of bad debt provision	
(214)	Council tax and Business Rate payers (attributable to Runnymede only)	(285)
(1,537)	General debtors	(2,959)
(252)	Council tenants arrears	(226)
<u>2,831</u>	Total provision for impairment and expected credit losses on gross debtors	<u>1,779</u>

21 Cash and cash equivalents

31 March 2020 £000		31 March 2021 £000
14	Cash balances held by the Council	0
580	Cash balances held at the bank	647
30,607	Short term deposits with money market funds	12,490
<u>31,201</u>		<u>13,137</u>

Notes to the financial statements

22 Assets Held for Sale

2019/20		2020/21
£000		£000
225	Balance at start of year	680
	Property plant and equipment:	
680	Assets newly classified as held for sale:	340
(225)	Assets sold	(680)
<u>680</u>	Balance at year-end	<u>340</u>

23 Creditors and receipts in advance

31 March		31 March
2020		2021
£000		£000
(10,088)	Trade payables	(16,349)
(5,552)	Other payables	(11,337)
(9,821)	Council Tax and Business Rates	(10,771)
(2,134)	Receipts in advance	(737)
<u>(27,595)</u>	Gross creditors and receipts in advance	<u>(39,194)</u>

Notes to the financial statements

24 Provisions

		31 March
		2021
		£000
31 March		2020
		£000
(1,447)	Balance at 1 April	(1,172)
254	Amounts used in the year	250
21	Unused amounts reversed	135
<u>(1,172)</u>	Balance at 31 March	<u>(787)</u>

Provisions relate to the estimated Runnymede share of all outstanding business rate appeals based on an analysis of historic claims £0.787m (£1.04m in 2019/20) The provision for possible Commercial services compensation of £0.136m was unused and reversed out during the year.

25 Reserves

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

25.1 Revaluation reserve

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

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

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

		2020/21	
		£000	£000
2019/20			
54,072	Revaluation reserve balance as at 1 April		37,620
6,144	Upward revaluations of assets	8,809	
(20,459)	Downward revaluations of assets and impairment losses not charged to the surplus/deficit on the provision of services	(8,272)	
<u>(14,315)</u>	Surplus (deficit) arising on revaluation of non-current assets not posted to the surplus or deficit on the provision of services		537
(1,461)	Difference between depreciation charged at fair value and historic cost depreciation	(1,282)	
(676)	Accumulated gains on assets sold or scrapped	(841)	
<u>(2,137)</u>	Amount written off to the capital adjustment account		(2,123)
<u>37,620</u>	Revaluation reserve balance as at 31 March		<u>36,034</u>

Notes to the financial statements

25.2 Pooled investment funds adjustment account

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

2019/20 £000	Note	2020/21 £000
422	Balance as at 1 April	155
0	Upward revaluations of investments	138
(267)	Downward revaluations of investments not charged to the surplus/deficit on the provision of services	0
<u>155</u>	Balance as at 31 March	<u>293</u>

Notes to the financial statements

25 Unusable reserves (continued)

25.3 Capital adjustment account

The capital adjustment account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the comprehensive income and expenditure statement (with reconciling postings from the revaluation reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

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

The account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the revaluation reserve was created to hold such gains.

2019/20 £000	Note	2020/21 £000	£000
263,088	Capital adjustment account balance as at 1 April		284,688
	Reversal of items relating to capital expenditure debited or credited to the comprehensive income and expenditure		
(6,359)	Depreciation losses of non-current assets	(4,024)	
(1,290)	Impairment losses of non-current assets	(1,597)	
(1,978)	Revaluation losses on property, land and equipment	(482)	
11,618	Reversal of past impairments charged to the comprehensive income and expenditure statement	5,971	
(106)	Amortisation of intangible assets	(151)	
(755)	Revenue expenditure funded from capital under statute	(448)	
(4,974)	Amounts of non-current assets written off on disposal or sale as part of gains/loss on disposal to the comprehensive income and expenditure statement	(2,418)	
(3,844)		(3,149)	
2,137	Adjusting amounts written out of the revaluation reserve	2,123	
(1,707)	Net written out amount of the cost of non-current assets consumed in the year		(1,026)
	Capital financing applied in the year:		
		15	
4,301	Use of capital receipts reserve to finance capital expenditure	2,029	
2,806	Use of major repairs reserve to finance capital expenditure	2,360	
239	Capital grants and contributions credited to the comprehensive income and expenditure statement that have been applied to capital financing	171	
185	Application of grants to capital financing from the capital grants unapplied account	28	
1,294	Use of revenue reserves	3,517	
3,289	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	3,820	
12,114			11,925
11,199	Movements in the market value of investment properties debited or credited to the comprehensive income and expenditure statement		(927)
	Other Items:		
(6)	Recognition of repayment of long term debtors and investments as capital receipts		136
<u>284,688</u>	Capital adjustment account balance as at 31 March		<u>294,796</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.

2019/20 £000	2020/21 £000
(16)	(12)
Balance as at 1 April	
Transactions in the year	
1	0
Loans repaid; extinguishment of balances	
0	(31)
New loans; difference between loan granted and fair value	
3	7
Interest credits in the year	
<u>(12)</u>	<u>(36)</u>
Balance at 31 March	

25.5 Pensions reserve

This reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the comprehensive income and expenditure statement as benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet costs. However, statutory arrangements require benefits earned through the Local Government Pension Scheme to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible.

2019/20 £000	2020/21 £000
(45,715)	(45,331)
Balance at 1 April	
3,852	(9,607)
Remeasurement of net defined benefit liability	
(6,080)	(5,286)
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	
Employer's pensions contributions and direct payments to pensioners payable in the year:	
2,709	2,987
Employer contributions	
(97)	(3)
Final year pay enhancements - pension liabilities	
Net liabilities charged to the General Fund	
<u>(45,331)</u>	<u>(57,240)</u>
Balance at 31 March	

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 2021 in respect of the final-year pay enhancements of £784,000 (31 March 2020 £787,000) are outside the statutory provisions and do not form part of this Reserve.

Notes to the financial statements

25 Unusable reserves (continued)

25.6 Collection fund adjustment account

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

2019/20				2020/21		
Business Rates £000	Council Tax £000	Total £000		Business Rates £000	Council Tax £000	Total £000
2,889	(41)	2,848	Balance as at 1st April	738	183	921
			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			
(2,151)	224	(1,927)		(4,515)	(17)	(4,532)
<u>738</u>	<u>183</u>	<u>921</u>	Balance as at 31st March	<u>(3,777)</u>	<u>166</u>	<u>(3,611)</u>

25.7 Accumulated absences account

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

2019/20 £000		2020/21 £000	£000
(360)	Balance at 1 April		(370)
360	Settlement or cancellation of accrual made at the end of the preceding year	370	
<u>(370)</u>	Amounts accrued at the end of the current year	<u>(703)</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		(333)
<u>(370)</u>	Balance at 31 March		<u>(703)</u>

Notes to the financial statements

26 External audit fees

Public Sector Audit Appointments Limited (PSAA) appoint the external auditors that examine our financial statements. The external auditor of our financial statements for 2019/20 and 2020/21 is BDO LLP. The cost of audit and inspection work includes the estimated fees relating to the year of account, including the estimated cost of auditing these statements.

2019/20 Restated £000		2020/21 £000
35	Fees payable to the appointed auditor with regard to external audit services	35
0	Fees payable to the Audit Commission in respect of national fraud initiative	2
10	Fees payable to the appointed auditor for the certification of grant claims and returns	10
<u>45</u>		<u>47</u>

27 Members' allowances

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

2019/20 £000		2020/21 £000
164	Basic allowance	167
142	Special allowance	146
1	Co-optees' allowance	0
<u>5</u>	Travel, subsistence & Carers' allowance	<u>1</u>
312	Members Allowances sub total	314
32	Working group attendance	32
<u>344</u>	Total payments to Members	<u>346</u>

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

Notes to the financial statements

28 Officers remuneration

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

		Salary (including fees and allowances)	Other non salary payments	Compensation for loss of office	Employers pension contributions	Total including employers pension contributions
	Note	£	£	£	£	£
2020/21						
Chief Executive	(a)	132,392	0		0	132,392
Assistant Chief Executive		103,898			17,484	121,382
Corporate Head of Law and Governance		100,803			16,939	117,742
Director of Commercial Services	(b)	9,180		18,547	0	27,727
Deputy Director of Commercial Services - Vince Sibley	(b)	145,377		44,803	121,128	311,308
Corporate Head of Assets & Regeneration	(b)	93,264			16,414	109,678
Corporate Head of Community Development		88,307			14,866	103,173
Corporate Head of Community Services		78,368			13,542	91,910
Corporate Head of Customer, Digital and Collection Services		94,843			16,692	111,535
Corporate Head of Development Management & Building Control		75,583			13,303	88,886
Corporate Head of Environmental Services		82,856			13,980	96,836
Corporate Head of Finance		86,226			15,143	101,369
Corporate Head of Housing Services	(c)	19,896			3,449	23,345
Corporate Head of Human Resources		71,815			12,639	84,454
Corporate Head of Planning Policy & Economic Development		68,647			12,082	80,729
2019/20						
Chief Executive		133,214	4,713		0	137,927
Assistant Chief Executive		102,291			6,784	109,075
Corporate Head of Law and Governance		102,763			14,410	117,173
Corporate Director of Planning and Environmental Services		23,706		66,306	3,184	93,196
Director of Commercial Services		141,141			0	141,141
Corporate Head of Community Development		83,252			12,388	95,640
Corporate Head of Community Services		70,252			10,737	80,989
Corporate Head of Customer, Digital and Collection Services		85,743			13,310	99,053
Corporate Head of Development Management & Building Control	(d)	4,317			673	4,990
Corporate Head of Environmental Services		75,906			11,307	87,213
Corporate Head of Finance		79,822			12,423	92,245
Corporate Head of Human Resources		67,190			10,482	77,672
Corporate Head of Planning Policy & Economic Development		64,542			10,069	74,611

Notes:

- (a) The Chief Executive has not received any fees this year relating to Returning Officer duties.
- (b) Following a Commercial Services reorganisation the Director of Commercial Services post was replaced by the Corporate Head of Assets and Regeneration post and the temporary post of Deputy Director of Commercial Services has been disestablished.
- (c) The Corporate Head of Housing Services was appointed on 4 January 2021 on an annualised salary of £81,000
- (d) The Corporate Head of Development Management & Building Control was appointed in March 2020

There were no bonuses paid in 2019/20 or 2020/21.

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	Number of employees
	2019/20	2020/21
£50,000 to £54,999	14	18
£55,000 to £59,999	8	6
£60,000 to £64,999	4	8
£65,000 to £69,999	0	3
£70,000 to £74,999	4	1
£75,000 to £79,999	0	2
£80,000 to £84,999	0	0
£125,000 to £129,999	1	0

Notes to the financial statements

29 Officers remuneration (continued)

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

Exit package cost band (including special payments) £	Number of compulsory redundancies		Number of other departures		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20 £000	2020/21 £000
0 - 20,000	2	2	5	5	7	7	73	17
20,001 - 40,000	-	1	-	-	-	1	-	23
40,001 - 60,000	1	-	-	-	1	-	41	0
60,001 - 80,000	1	1	-	-	1	1	66	65
80,001 - 100,000	-	-	-	-	-	-	-	0
100,001 - 150,000	-	2	-	-	-	2	-	248
Total	4	6	5	5	9	11	180	353

The Council agreed to terminate the contracts of a number of employees in 2020/21, incurring liabilities of £352,614 (£153,187 in 2019/20).

There were no Termination costs attributable to the HRA in 2020/21 (also Nil in 2019/20).

Notes to the financial statements

30 Grant income

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

2019/20 £000	Note	2020/21 £000
Credited to taxation and non specific grant income		
Grants:		
1,198	11	1,679
0	11	1,222
1,025	11	3,808
<u>2,223</u>		<u>6,709</u>
Credited to cost of services		
Grants:		
28		13
20,090		17,286
13		13
4		0
150		192
185		403
<u>20,470</u>		<u>17,907</u>
Covid19 Grants:		
0		1
0		55
0		451
0		484
0		12
0		12
0		102
0		461
<u>0</u>		<u>1,578</u>
Contributions:		
0		44
11		1
436		517
81		77
23		21
6		4
<u>557</u>		<u>664</u>
Donations:		
28		5
0		1
<u>28</u>		<u>6</u>
<u>23,278</u>		<u>26,864</u>

31 Related parties

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

Central Government

Central government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides significant funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties. Grants received from government departments are set out in the subjective analysis in the note on reporting for resources allocation decisions.

Members of Runnymede Borough Council

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in the year is shown in note 27. Each year the Corporate Head of Resources invites members to declare any such interests including related parties. Details of Members' interests, both pecuniary and non-financial are recorded in the Register of Members' Interest, which is open to public inspection at the Runnymede Civic Centre in Addlestone. During 2019/20 and 2020/21 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 2019/20 and 2020/21 there were no reported material transactions with related parties advised by directors and senior officers.

Pension Fund

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

Entities controlled or significantly influenced by the Council:

RBC Investments (Surrey) Limited – (RBCI)

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

The Board of Directors of RBCI include the Council's Director of Commercial Services (acting as Managing Director), the Commercial Property Accountant (acting as Finance Director) and two Councillors acting as Non Executive Directors.

During the period the Council loaned the company a total of £0.3m taking the total borrowings under various Loan Agreements to £28.37m (£28.07m 31 March 2020). Of this sum £2.045m (£1.745m 31 March 2020) relates to Working Capital loans at rates of 7.36 - 7.54% with the remainder being for Development Loans at 4.86 - 5.04%.

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

31 Related parties (Cont'd)

Entities controlled or significantly influenced by the Council:

RBC Services (Addlestone One) Limited – (RBCS)

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

The Board of Directors of RBCS include the Council's Director of Commercial Services (acting as Managing Director), the Commercial Property Accountant (acting as Finance Director) and two Councillors acting as Non Executive Directors.

RBCS is party to two twenty-five year leases with the Council with no break clauses. The entirety of the rent payable under these leases is £261,000. The annual rent payable is £11,885.

RBC Heat Company Limited – (RBCH)

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

The Board of Directors of RBCH include the Council's Director of Commercial Services (acting as Managing Director), the Commercial Property Accountant (acting as Finance Director) and two Councillors acting as Non Executive Directors.

Applied Resilience

Applied Resilience is a Public Service Mutual company set up in 2015/16 to provide risk and resilience services. The Council invested £10,000 in the company at launch equating to a 10% holding. The Council currently has an agreement with the company to August 2023 for the provision of emergency planning and resilience services at a cost of £58,350 a year.

Notes to the financial statements

32 Leases

Operating leases - Runnymede as lessee

The Council acts as lessee with regard to a whole range of assets. The amount paid under these arrangements in 2020/21 was £993,291 (£599,262 in 2019/20). The future minimum lease payments due under these leases in future years were:

At 31 March 2020 £000		At 31 March 2021 £000
393	Not later than one year	367
505	Later than one year and not later than five years	444
351	Later than five years	324
<u>1,249</u>		<u>1,135</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:

2019/20 £000		2020/21 £000
20,810	Not later than one year	21,277
79,256	Later than one year and not later than five years	76,082
172,303	Later than five years	130,456
<u>272,369</u>		<u>227,815</u>

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

33 Defined benefit pension scheme

Participation in pension schemes

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

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

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

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

Runnymede local pension liability scheme

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

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

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

Notes to the financial statements

33 Defined benefit pension scheme (continued)

Transactions relating to retirement benefits

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

Comprehensive income and expenditure statement			
2019/20		2020/2021	
£000		£000	£000
	<i>Service cost:</i>		
4,931	Current service cost	4,212	
<u>2</u>	Past service costs	<u>0</u>	
4,933	Total service cost		4,212
	<i>Finance and investment income and expenditure:</i>		
3,573	Interest cost on pension scheme liabilities	3,164	
<u>(2,426)</u>	Expected return on assets	<u>(2,090)</u>	
1,147	Net interest expense		1,074
<u>6,080</u>	Total post employment benefit charged to the surplus or deficit on the provision of services		<u>5,286</u>
	<i>Remeasurements of the Net defined liability comprising:</i>		
11,704	Return on plan assets	(23,803)	
	Actuarial gains and losses arising from changes in:		
(3,433)	- demographic assumptions	1,775	
(10,336)	- financial assumptions	33,039	
<u>(1,787)</u>	- Other experience	<u>(1,404)</u>	
(3,852)			9,607
<u>2,228</u>	Total post employment benefit charged to the comprehensive income and expenditure statement		<u>14,893</u>

Movement in reserves statement			
2019/20		2020/21	
£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:		
2,709	Actual amount charged against the General Fund for the year - employers' contributions payable to the scheme		2,987
<u>2,709</u>			<u>2,987</u>
(97)	Amount charged to the General Fund for the pensions liability relating to Runnymede local scheme payable outside the LGPS		(3)

Notes to the financial statements

33 Defined benefit pension scheme (continued)

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

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

2019/20 £000		2020/21 £000
147,959	Opening balance at 1 April	137,219
4,931	Current service cost	4,212
3,573	Interest cost	3,164
746	Contributions by scheme participants	854
	Remeasurement (gains) and losses arising from:	
(3,433)	- changes in demographic assumptions	1,775
(10,336)	- changes in financial assumptions	33,039
(1,787)	- other	(1,404)
2	Past service costs	0
(4,436)	Benefits paid	(4,148)
<u>137,219</u>	Closing balance at 31 March	<u>174,711</u>

Reconciliation of fair value of the scheme assets:

2019/20 £000		2020/21 £000
101,360	Opening fair value of scheme assets	91,101
2,426	Interest income	2,090
(11,704)	Actuarial gains and (losses)	23,803
2,709	Contributions from employer	2,987
746	Contributions by scheme participants	854
(4,436)	Benefits paid	(4,148)
<u>91,101</u>	Closing fair value of scheme assets	<u>116,687</u>
<u>(46,118)</u>	Net assets / (liabilities) for post-employment benefits	<u>(58,024)</u>

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

2019/20 £000		2020/21 £000
137,219	Present value of the defined benefit obligation	174,711
91,101	Fair value of plan assets	116,687
<u>46,118</u>	Net liability arising from defined benefit obligation	<u>58,024</u>

Notes to the financial statements

33 Defined benefit pension scheme (continued)

Summary of assets and liabilities in relation to retirement benefits

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

2019/2020 £000		2020/21 £000
	Estimated liabilities in the scheme	
135,535	Funded benefits under the scheme regulations	172,924
897	Unfunded discretionary benefits awarded	1,003
787	Unfunded final-year salary enhancement pensions - local scheme	784
137,219	Estimated actuarial value of fund liabilities	174,711
91,101	Estimated market value of scheme assets	116,687
46,118	Net pension liability	58,024

The liabilities represent the underlying commitments that the Council has in the long-run to pay retirement benefits. The net total pension liability of £58.024m 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 2021. The statutory arrangements for funding pensions in the LGPS allow the deficit to be made good by increased contributions over the working life of employees (i.e. before payments fall due), as assessed by the scheme actuary. The liability in respect of the Runnymede local scheme has been recognised as a charge to the General Fund. Also, finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions in cash expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2022 is £2,892,000.

Notes to the financial statements

33 Defined benefit pension scheme (continued)

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc discounted to present values. The figures used in compiling the accounting entries for pensions were supplied by the Surrey Fund actuary, Hymans Robertson. The actuary has based the value of the Employer's liabilities as at 31 March 2021 on his latest formal valuation of the scheme at £174.711m. The principal assumptions used by the actuary are:

	31 March 2020	31 March 2021
Mortality assumptions:		
Longevity at 65 for current pensioners		
Men	22.1 years	22.3 years
Women	24.3 years	24.7 years
Longevity at 65 for future pensioners		
Men	22.9 years	23.4 years
Women	25.7 years	26.4 years
Rate of increase in pensions	1.90%	2.85%
Rate of increase in salaries	2.80%	3.75%
Rate for discounting scheme liabilities (see below)	2.30%	2.00%

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

Sensitivity analysis

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

Change in assumptions at year ended at 31 March 2021	Approximate increase to employer liability	Approximate monetary amount £000
0.5% decrease in real discount rate	9%	15,862
0.5% increase in the salary increase rate	1%	1,507
0.5% increase in the pension increase rate	8%	14,021

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

Notes to the financial statements

34 Contingent assets and liabilities

34.1 Contingent assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly in the control of the Council. The Council has the following contingent assets as at 31 March 2021:

Planning appeal

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

The Council has also undertaken proceedings against the owners and occupiers of Padd Farm on an individual basis under the Proceeds of Crime Act (POCA) to recover additional sums. Various confiscation orders in excess of £1million have been granted and an Enforcement Receiver has been appointed who has recently completed the sale of Padd Farm for a figure in excess of the amounts owed under the POCA Orders. The Enforcement Receiver shall shortly commence finalising her accounts to be presented to the Crown Court for acceptance. The Council does not anticipate receipt of any monies recoverable under the POCA Orders until early 2022 as the Court must determine the final costs payable to the Enforcement Receiver and thereafter how much will be paid to the Home Office who in turn shall provide whatever share that is payable to the Council. All costs to date have been included in the CIES, however it is uncertain how much income the Council can expect to receive, or when it will receive it, and therefore no amount has been included in the CIES for this element.

Notes to the financial statements

34 Contingent assets and liabilities (Cont'd)

34.2 Contingent liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly in the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. The Council has the following contingent liabilities as at 31 March 2021:

Achieve Lifestyle pensions

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

35 Reconciliation of liabilities arising from financing activities

	1 April 2020	Financing	31 March
	£'000	Cash Flows	2021
		£'000	£'000
Long term Borrowing	632,292	(48,292)	584,000
Short Term Borrowing	5,282	38,347	43,629
Total liabilities from financing activities	637,574	(9,945)	627,629

Housing Revenue Account Income and Expenditure Statement

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

2019/20 £000		Note	2020/21 £000
Income			
15,843	Dwelling rents		16,238
125	Non-dwelling rents		138
668	Charges for services and facilities		841
<u>16,636</u>	Total income		<u>17,217</u>
Expenditure			
2,125	Repairs and maintenance		1,885
4,268	Supervision and management		3,872
247	Rents, rates, taxes and other charges		273
4,292	Depreciation of non-current assets		1,949
1,768	Impairment of non-current assets		1,597
<u>12,700</u>	Total expenditure		<u>9,576</u>
(3,936)	Net cost/(surplus) of HRA services as included in the whole authority comprehensive income and expenditure statement		(7,641)
265	HRA services share of corporate and democratic core costs		288
Exceptional costs:			
(11,618)	Reversal of previous impairments charged to the CIES		(5,320)
43	HRA share of other amounts included in the whole authority cost of services but not allocated to specific services		43
<u>(15,246)</u>	Net cost for HRA services		<u>(12,630)</u>
HRA share of the operating income and expenditure included in the comprehensive income and expenditure statement:			
Other operating expenditure:			
983	Payments to the Government housing capital receipts pool	40	947
(389)	Net (gains) and losses on the disposal of non-current assets		(312)
Financing and investment income and expenditure:			
3,380	Financing and investment expense		3,483
(1,286)	Income and expenditure in relation to investment properties and changes in fair value		(259)
167	Net interest on the net defined pension liability		157
97	HRA Impairments and Credit Loss adjustments	41	44
<u>(12,294)</u>	(Surplus) or deficit on provision of HRA services		<u>(8,570)</u>

Housing Revenue Account Income and Expenditure Statement

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

2019/20		2020/21	
£000		£000	£000
(12,294)	(Surplus) or deficit for year on the HRA income and expenditure account	(8,570)	
5,658	Adjustments between accounting basis and funding basis under statute	974	
(6,636)	Net (increase) or decrease before transfers to or from reserves		(7,596)
4,290	Transfer to the Major Repairs Reserve		1,943
63	Transfer to the Earmarked Reserves		163
<u>(2,283)</u>	(Surplus) or deficit in the year on the HRA		<u>(5,490)</u>
£000			£000
(22,646)	HRA balance at the beginning of the year		(24,434)
(2,283)	(Surplus) or deficit in the year on the HRA		(5,490)
495	Capital expenditure funded from balances		670
<u>(24,434)</u>	HRA Balance carried forward at the end of the year		<u>(29,254)</u>

Note to the movement on the Housing Revenue Account statement

2019/20		2020/21
£000	Note	£000
Items included in the HRA income and expenditure statement but excluded from the movement on the HRA statement:		
9,850	Impairment of non-current assets	3,723
(717)	Pension costs charged to the HRA in accordance with IAS 19	(654)
(167)	Net interest on the net defined pension liability	(157)
(4,290)	HRA Depreciation/amortisation	(1,943)
(983)	Payments to the Government housing capital receipts pool	(947)
389	Net (gains) and losses on the disposal of non-current assets	312
1,227	Changes in fair value of investment properties	210
Items not included in the HRA income and expenditure statement but included in the movement on the HRA statement:		
349	HRA share of employer's contributions to the Surrey Pension Fund	430
<u>5,658</u>	Adjustments between accounting basis and funding basis under statute	<u>974</u>

Housing Revenue Account Income and Expenditure Statement

36 Housing assets

Stock valuation - balance sheet basis

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

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

Valuations for HRA assets are:

	Council dwellings	Other land and buildings	Vehicles, plant, furniture & equipment	Investment Properties	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
At 1 April 2020	290,976	828	30	8,312	1,318	301,464
Additions	2,788		67		471	3,326
Accumulated depreciation and Impairment written out on revaluation	(3,096)					(3,096)
Revaluations	6,434	14		210		6,658
Disposals	(662)					(662)
At 31 March 2021	296,440	842	97	8,522	1,789	307,690
Accumulated depreciation and impairment						
At 1 April 2020	22		24		0	46
Depreciation charge in the year	1,943		10			1,953
Accumulated depreciation written out on revaluation	(1,499)					(1,499)
Disposals	(2)					(2)
At 31 March 2020	464	0	34	0	0	498
Net book value						
At 31 March 2021	295,976	842	63	8,522	1,789	307,192
At 31 March 2020	290,954	828	6	8,312	1,318	301,418

37 Stock valuation - vacant possession value

The vacant possession value and the balance sheet value of dwellings within the HRA show the economic cost of providing council housing at less than open market rent. The vacant possession value as at 1 April 2020 has been estimated at £859m for dwellings and £26m for other housing assets including development land.

Housing Revenue Account Income and Expenditure Statement

38 Stock numbers

The Council was responsible for managing the following dwellings during 2020/21:

	DIYSO stock	Houses & bungalows	Flats & maisonettes	Total stock
Stock at 1 April	39	1,864	978	2,881
Sales of dwellings	(1)	(2)		(3)
Demolitions, new builds & adaptations		(3)	2	(1)
Purchased properties			1	1
Stock at 31 March	38	1,859	981	2,878

In addition at 31 March 2021 the Council owned a mobile home site at Heathervale Way which has 69 mobile home plots, of which 17 are occupied by mobile homes owned by the Council.

39 Capital expenditure

The following table summarises total capital expenditure on land, houses and other property accounted for within the HRA during 2020/21, and the source of finance:

2019/20 Total Expenditure £000		Source of funding in 2020/21			
		Capital receipts £000	Revenue contributions £000	Major Repairs Reserve £000	Total Expenditure £000
2,349	Improvements to stock			2,360	2,360
707	Purchase of property	80	187		267
457	Construction of new dwellings	149	483		632
0	Grants to Registered Providers				0
3,513	Total capital expenditure on HRA assets	229	670	2,360	3,259

40 Capital receipts from HRA property

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

2019/20 Total £000		2020/21		
		Land £000	Dwellings £000	Total £000
781	Sale of council houses (right-to-buy)	0	575	575
0	Shared ownership sales and receipts	0	440	440
0	Other sales and receipts	0	0	0
781	Total capital receipts from HRA disposals	0	1,015	1,015

Government Regulations require a proportion of housing receipts to be pooled. The payment to the Government in 2020/21 totalled £947,000 which included the repayment of £621,000 of unused retained receipts (£983,388 in 2019/20).

Housing Revenue Account Income and Expenditure Statement

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

Rent arrears on all HRA housing as a proportion of gross rent income (including some small other charges collected with rents) was 1.85% as at 31 March 2021. This compares to 2.10% as at 31 March 2020.

A provision of £238,930 has been made for HRA arrears estimated to be uncollectable as at 31 March 2021 (£268,750 as at 31 March 2020). Amounts written off in the year totalled £79,225 (£23,071 in 2019/20), making a net change in uncollectable rents in the year of £49,405. This was partially offset by sums recovered by debt collection agencies during the year of £575, resulting in HRA debt provision in relation to rents of £48,830. In addition to the arrears of rent, there are £6,038 of court and debt collection costs outstanding as at 31 March 2021 (£9,451 at 31 March 2020).

Following the implementation of IFRS9, with effect from April 2018 the debt provisions in respect of HRA non-rent losses also need to be accounted for under this heading. During 2020/21 the reduced provision for these arrears relating largely to leaseholders and recharges to tenants for property repairs amounted to £4,405 (cr) (The cumulative provision previously charged against income at 31 March 2020 was £21,688). The HRA debt provision in relation to rents and the debtors bad debt provision comes to £44,425 of HRA impairments and credit loss adjustments.

Notes to the Collection Fund

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

2019/20			2020/21		
Business Rates £000	Council Tax £000	Total £000	Business Rates £000	Council Tax £000	Total £000
			Note		
Income					
-	64,428	64,428	-	67,370	67,370
56,227	-	56,227	42,583	-	42,583
730	-	730	229	-	229
<u>56,957</u>	<u>64,428</u>	<u>121,385</u>	<u>42,812</u>	<u>67,370</u>	<u>110,182</u>
Expenditure					
Contributions towards the previous year's surplus / (deficit)					
(1,562)	-	(1,562)	(4,522)	-	(4,522)
6,145	(1,328)	4,817	2,297	0	2,297
-	(208)	(208)	-	0	0
1,518	(140)	1,378	(2,245)	0	(2,245)
<u>6,101</u>	<u>(1,676)</u>	<u>4,425</u>	<u>(4,470)</u>	<u>0</u>	<u>(4,470)</u>
Precepts demands and shares:			44		
29,499	-	29,499	29,907	-	29,907
5,900	48,561	54,461	5,981	51,540	57,521
-	8,706	8,706	-	9,226	9,226
<u>23,599</u>	<u>5,499</u>	<u>29,098</u>	<u>23,925</u>	<u>5,782</u>	<u>29,707</u>
<u>58,998</u>	<u>62,766</u>	<u>121,764</u>	<u>59,813</u>	<u>66,548</u>	<u>126,361</u>
Charges to the Collection Fund:					
312	94	406	53	171	224
31	149	180	335	842	1,177
(935)	-	(935)	(624)	0	(624)
135	-	135	136	0	136
<u>(457)</u>	<u>243</u>	<u>(214)</u>	<u>(100)</u>	<u>1,013</u>	<u>913</u>
<u>64,642</u>	<u>61,333</u>	<u>125,975</u>	<u>55,243</u>	<u>67,561</u>	<u>122,804</u>
<u>(7,685)</u>	<u>3,095</u>	<u>(4,590)</u>	<u>(12,431)</u>	<u>(191)</u>	<u>(12,622)</u>
Collection Fund Balance					
10,674	(998)	9,676	2,989	2,097	5,086
(7,685)	3,095	(4,590)	(12,431)	(191)	(12,622)
<u>2,989</u>	<u>2,097</u>	<u>5,086</u>	<u>(9,442)</u>	<u>1,906</u>	<u>(7,536)</u>

Notes to the Collection Fund

42 Council tax

Council tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Surrey County Council, the Surrey Police Authority and Runnymede Borough Council for the forthcoming year and dividing this by the Council tax base.

The Council tax base is calculated before the start of the year by estimating the number of dwellings in each valuation band (adjusted for dwellings where discounts apply) and converting this into an equivalent number of band "D" dwellings. The calculation of the council tax base for 2019/20 and 2020/21 together with the resulting Council tax for each band is set out below:

Council tax base and amounts charged for 2019/20 and 2020/21						
2019/20		Band	Range of property values	Proportion	2020/21	
Band D equivalent number	Council tax £				Band D equivalent number	Council tax £
661	1,252.44	A	Up to £40,000	6/9	673	1,252.44
663	1,461.18	B	£40,000 to £52,000	7/9	673	1,461.18
4,406	1,669.92	C	£52,001 to £68,000	8/9	4,766	1,669.92
9,165	1,878.66	D	£68,001 to £88,000	1	9,334	1,878.66
7,225	2,296.14	E	£88,001 to £120,000	11/9	7,300	2,296.14
5,203	2,713.62	F	£120,001 to £160,000	13/9	5,240	2,713.62
4,634	3,131.10	G	£160,001 to £320,000	15/9	4,656	3,131.10
2,039	3,757.32	H	More than £320,000	18/9	2,057	3,757.32
47			Other properties		46	
34,043		Council tax base			34,745	
633		Less Provision for Non Collection			646	
33,410		Tax Base			34,099	

43 Business Rates (National non-domestic rates)

Business rates is organised on a national basis. The latest rating list came into force on 1 April 2017. The Government specifies a rate poundage and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The rate poundage set for 2020/21 was 51.2p (2019/20 was 50.4p). Small businesses had a lower rate poundage of 49.9p in 2020/21 (49.1p in 2019/20).

The 2010 valuation list has a rateable value of £105.3m as at 31 March 2021 (£105.4m at 31 March 2020). The 2017 list has a valuation of £139.7m as at 31 March 2021 (£140.9m at 31 March 2020)

Notes to the Collection Fund

44 Distribution of the Collection Fund Balance

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

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

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

2019/20			2020/21	
Business Rates	Council Tax		Business Rates	Council Tax
£000	£000		£000	£000
(792)	-	Central Government	(4,721)	-
3,043	1,624	Surrey County Council	(944)	1,470
-	291	Surrey Police Authority	0	271
738	182	Runnymede Borough Council	(3,777)	165
2,989	2,097		(9,442)	1,906
	5,086	Surplus (Deficit) on the collection fund as at 31 March		(7,536)

Group accounts

45 Introduction

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

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

RBC Investments (Surrey) Limited – (RBCI)

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

RBC Services (Addlestone One) Limited – (RBCS)

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

RBC Heat Company Limited – (RBCH)

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

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

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

Basis of consolidation

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

Accounting Policies

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

Group comprehensive income and expenditure statement

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

Year ended 31 March 2020			Year ended 31 March 2021			
Expend	Income	Net		Expend	Income	Net
£000	£000	£000		£000	£000	£000
Gross expenditure, gross income and net expenditure of continuing operations						
12,702	16,638	(3,936)	Housing Revenue Account	9,565	17,206	(7,641)
23,273	21,121	2,152	Housing Committee	20,098	18,305	1,793
8,996	3,020	5,976	Community Services Committee	7,502	2,954	4,548
6,481	2,606	3,875	Environmental & Sustainability Committee	6,062	2,427	3,635
275	162	113	Licensing & Regulatory Committees	274	153	121
3,663	1,801	1,862	Planning Committee	2,945	1,517	1,428
8,050	5,770	2,280	Corporate Management Committee	8,591	4,847	3,744
Exceptional costs -						
(11,618)	0	(11,618)	Reversal of previous impairments charged to the CIES	(5,971)	0	(5,971)
<u>51,822</u>	<u>51,118</u>	<u>704</u>	Cost Of Services	<u>49,066</u>	<u>47,409</u>	<u>1,657</u>
			(498)	Other operating expenditure		(807)
			(18,729)	Financing and investment income and expenditure		(3,371)
			(12,391)	Taxation and non-specific grant income		(18,386)
			<u>(30,914)</u>	(Surplus) or deficit on provision of services		<u>(20,907)</u>
			(231)	Tax expenses of subsidiaries		(8)
			<u>(31,145)</u>	Group (Surplus) or deficit on provision of services		<u>(20,915)</u>
Items that will not be reclassified to the (surplus) or deficit on provision of services:						
			(6,144)	(Surplus) or deficit on revaluation of non-current assets		(8,809)
			20,460	Impairment losses on non-current assets charged to the Revaluation Reserve		8,272
			(3,852)	Remeasurement of the net defined benefit liability or (asset)		9,607
			<u>10,464</u>	Other comprehensive income and expenditure		<u>9,070</u>
			<u>(20,681)</u>	Total comprehensive income and expenditure		<u>(11,845)</u>

Group movement in reserves statement

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

	General Fund Reserves		HRA Reserves		Capital Reserves		Authority's share of subsidiaries reserves	Total usable reserves	Unusable reserves	Total
	General Fund balance	Earmarked Reserves	Housing Revenue account	Major Repairs reserve	Capital Receipts reserve (Note a)	Capital grants unapplied reserve				
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Movement in Reserves during 2020/21										
Total comprehensive income and expenditure	12,371	0	8,570	0	0	0	(28)	20,913	(9,068)	11,845
Adjustments between Group Accounts and Council Accounts	577	0	0	0	0	0	(1,489)	(912)	912	0
Net (increase)/Decrease before Adjustments	12,948	0	8,570	0	0	0	(1,517)	20,001	(8,156)	11,845
Adjustments between accounting basis and funding basis under regulations	(9,553)	8,412	(3,750)	(417)	770	3,609	0	(929)	929	0
Increase (decrease) in the year	3,395	8,412	4,820	(417)	770	3,609	(1,517)	19,072	(7,227)	11,845
Balance at 31 March 2020	10,149	14,179	24,434	6,223	6,802	2,211	3,045	67,043	277,195	344,238
Increase (decrease) in the year	3,395	8,412	4,820	(417)	770	3,609	(1,517)	19,072	(7,227)	11,845
Balance at 31 March 2021	13,544	22,591	29,254	5,806	7,572	5,820	1,528	86,115	269,968	356,083
Movement in Reserves during 2019/20										
Total comprehensive income and expenditure	20,111	0	12,294	0	0	0	(1,261)	31,144	(10,463)	20,681
Adjustments between Group Accounts and Council Accounts	(1,274)	0	0	0	0	0	1,965	691	(691)	0
Net (increase)/Decrease before Adjustments	18,837	0	12,294	0	0	0	704	31,835	(11,154)	20,681
Adjustments between accounting basis and funding basis under regulations	(11,619)	4,589	(10,505)	1,485	1,651	601	0	(13,798)	13,798	0
Increase (decrease) in the year	7,218	4,589	1,789	1,485	1,651	601	704	18,037	2,644	20,681
Balance at 31 March 2019	2,931	9,590	22,645	4,738	5,151	1,610	2,341	49,006	274,551	323,557
Increase (decrease) in the year	7,218	4,589	1,789	1,485	1,651	601	704	18,037	2,644	20,681
Balance at 31 March 2020	10,149	14,179	24,434	6,223	6,802	2,211	3,045	67,043	277,195	344,238

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

Group balance sheet

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

31 March 2020 £000		31 March 2021 £000
443,950	Property, Plant and Equipment	468,872
522,690	Investment Property	541,736
406	Intangible Assets	702
10	Long-term Investments	10
582	Long-term Debtors	696
<u>967,638</u>	Long term Assets	<u>1,012,016</u>
49,109	Short-term Investments	54,359
102	Inventories and Work in Progress	98
2,425	Short-term Debtors and Payments in Advance	1,347
32,056	Cash and Cash Equivalents	13,793
680	Assets held for Sale	340
<u>84,372</u>	Current Assets	<u>69,937</u>
(5,282)	Short term Borrowing	(43,629)
(27,847)	Short-term Creditors	(39,370)
(1,172)	Provisions	(787)
(3)	Grants Received in Advance - Revenue	(3)
<u>(34,304)</u>	Current Liabilities	<u>(83,789)</u>
(627,292)	Long term Borrowing	(584,000)
(46,118)	Liability Related to Pensions	(58,024)
(58)	Deferred Tax Liability	(57)
<u>(673,468)</u>	Long term Liabilities	<u>(642,081)</u>
<u>344,238</u>	Net Assets	<u>356,083</u>
67,043	Usable Reserves	86,115
277,195	Unusable Reserves	269,968
<u>344,238</u>	Total Reserves	<u>356,083</u>

Group cashflow statement

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

2019/20 £000		2020/21 £000
(31,145)	Group (Surplus) or deficit on provision of services	(20,915)
(736)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(12,829)
	Adjustments for items included in the net surplus on the provision of services that are investing and financing activities:	
529	Interest Received	360
(17,565)	Interest Paid	(15,625)
132	Dividends received	183
(230)	Deferred Tax Liability	(7)
25,194	Other	(11,115)
<u>8,060</u>	Net cash flow from Operating Activities	<u>(26,204)</u>
60,909	Net cash flow from Investing Activities	43,039
(55,942)	Net cash flow from Financing activities	1,428
<u>(18,854)</u>	Net (increase) or decrease in cash and cash equivalents	<u>18,263</u>
<u>(13,202)</u>	Cash and cash equivalents at the beginning of the reporting period	<u>(32,056)</u>
<u><u>(32,056)</u></u>	Cash and cash equivalents at the end of the reporting period	<u><u>(13,793)</u></u>

Notes to the Group accounts

46 Short term debtors

31 March 2020 £000		31 March 2021 £000
1,831	Trade Receivables	1,398
692	Council Tax and Business Rates	927
491	Prepayments	1,007
1,414	Other receivable amounts	1,485
<u>4,428</u>	Gross debtors	<u>4,817</u>
	Analysis of bad debt provision	
(214)	Council tax and Business Rate payers (attributable to Runnymede only)	(285)
(1,537)	General debtors	(2,959)
(252)	Council tenants arrears	(226)
<u>2,425</u>	Total provision for impairment and expected credit losses on gross	<u>1,347</u>

47 Creditors and receipts in advance

31 March 2020 £000		31 March 2021 £000
(10,340)	Trade payables	(16,525)
(5,552)	Other payables	(11,337)
(9,821)	Council Tax and Business Rates	(10,771)
(2,134)	Receipts in advance	(737)
<u>(27,847)</u>	Gross creditors and receipts in advance	<u>(39,370)</u>

Trust funds

48 Cabrera Recreation Ground Trust

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

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

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

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

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

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

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

Revenue account		
2019/20 Actual £		2020/21 Actual £
8,339	Income from investments and contributions etc.	6,403
(16,484)	Expenses and works	(17,007)
(28,904)	Gain/(loss) in valuation of investments	28,764
<u>(37,050)</u>	Surplus (deficit) for year	<u>18,160</u>

Balance sheet as at 31 March		
As at 31 Mar 2020 £		As at 31 Mar 2021 £
166,661	Fund balance at 1 April	129,611
(37,050)	Add surplus (deficit) for Year	18,160
<u>129,611</u>	Fund balance at 31 March	<u>147,771</u>
Represented by:		
Investments at market valuation:		
98,943	Charities official investment fund - income shares	121,864
29,191	M&G Charifund	0
Net current assets:		
1,477	Cash at bank	25,907
<u>129,611</u>		<u>147,771</u>

Trust funds

49 Other trust funds held by the Council

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

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

Information on these trust funds are set out below:

Registered Charity No.	Name of Trust	Balance as at 31 March 20 £	Receipts in year £	Payments in year £	Balance as at 31 March 21 £
305021	Runnymede Pleasure Ground Trust	272,825	180,192	149,372	303,645
304999	Sir Edward Stern Trust fund	1,885	7	0	1,891
289262	Victory Park Trust fund	25	0	0	25
257032	Egham War Memorial Upkeep fund	3,878	91	0	3,970
	Totals	278,613	180,290	149,372	309,531

Runnymede Pleasure Ground Trust

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

Sir Edward Stern Trust fund

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

Victory Park Trust fund

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

Egham War Memorial Upkeep fund

The Egham War Memorial Upkeep fund is a trust set up in 1923 for the upkeep in perpetuity of the War Memorial in Egham Churchyard and in 1985 was amended to include the upkeep of other war memorials in the area of the former Civil Parish of Egham. The trustees are the Council and the Vicar of Egham. Income from investments is accumulated in the fund and may be used for expenditure which falls within the terms of the trust. The fund's monies at 31 March 2021 were £ 2,970 invested with Runnymede Borough Council and £1,000 invested with the charities official investment fund (market valuation of £2,775).

Other land

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

Annual Governance Statement 2020/21

Scope of responsibility

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

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

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

Covid 19 pandemic

For all the financial year the Council has been responding to the pandemic. This has not in any way diminished our approach to good governance. Due to the additional number of new responsibilities, such as paying over £14m of grants to businesses, our governance arrangements had to adapt as new systems and processes were introduced by government.

To comply with Government guidance for staff to work from home, the Council responded in an efficient and effective way, enabling over 200 staff to work remotely using a variety of software and hardware systems which resulted in very little disruption to day to day Council Services. Overall residents saw very little adverse impact on the service they received from the Council. The Council also enhanced its on-line security to respond to the increasing incidents of on-line frauds etc.

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 2021 and up to the date of approval of these Financial Statements.

Annual Governance Statement 2020/21

The Governance Framework

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

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

The key elements of the core principles are detailed below.

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 2020/21 and formally adopted by the Council in April 2020. This sets out how the Council operates and how decisions are made with procedures to be followed to ensure they are fit for purpose. The Constitution details the roles and functions relative to these bodies, panels and officers. The Council's committee structure with main functions is shown below.

The Corporate Management Committee set up or continued with a number of Member Working Groups between in 2020/21 to oversee significant projects or the business of the Council.

For example, the Digital Transformation Member Working Group reports to the same Committee on the implementation of ICT and solutions in the Customer Services section and how we communicate and transact with residents, businesses and visitors to the Borough – the aim being to significantly improve the services we provide. Other working groups include the HR working party. All the Member working groups have been very active in 2020/21 in implementing the objectives of the Corporate Plan. In 2020/21 all meetings of the Council have been held remotely on MS teams with audio access to the public via a dial in facility.

The Council has invested in the regeneration of the two major towns in the Borough – Addlestone and Egham. The first project is the Addlestone One investment followed by the Egham Gateway phase 1 and a new leisure center in Egham was completed and opened in February 2019. Egham Gateway phase 1 will be completed in 2021/22.

The pandemic and the government's stance of local authorities borrowing to acquire commercial property to fund regeneration strategies has meant no commercial acquisitions have taken place in 2020/21.

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.

- **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.

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- **Promoting equality and diversity** – we believe in fairness as well as creating a diverse workforce so we can draw upon a wide range of views and experiences to meet the changing needs of our customers.
- **Delivering excellent value for money** – we will strive to be as efficient and effective as possible.

Corporate Goals

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

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

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

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

Selflessness

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

Integrity

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

Objectivity

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

Accountability

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

Openness

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

Honesty

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

Leadership

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

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B Ensure openness and comprehensive stakeholder engagement

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

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

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

- Community grants and events.
- Council tax and business rates collection. Also administering the national council tax and housing benefit service locally. The Council has adopted a local council tax support scheme which it reviews annually.
- Environmental Services e.g. Engineering, parking, refuse collection, street cleaning and recycling.
- Housing – both the Council's own stock of dwellings for rent and some aspects of private sector housing including homelessness and improvement and disabled adaptation grants.
- Community Development E.g. Leisure development, green space, halls, museum, community safety, community alarms, community meals, community transport, independent retirement living, and centers for over 55s.
- Regulation e.g. planning, building control, environmental health and licensing.
- Asset management focused until March 2020 on property acquisition to fund the Councils regeneration strategy. In 2020/21 the emphasis changed to consolidation and management of the Councils portfolio from property acquisition.
- Regeneration schemes – the Egham gateway West scheme commenced in 2019/20 and will be completed in 2021/22
- During 2020/21 the three Council owned companies continued to grow at a slower rate than planned due to the extensive flooding of a number of units. That growth will continue in 2021/22 as more apartments in Addlestone One and other regeneration schemes are completed. The financial accounts of the companies are consolidated into the Council's main Statement of Accounts.

In 2012/13 the Council started a major, long term "place shaping" and revitalisation initiative. This included major projects in Addlestone and Egham which continued to be developed in 2020/21. The regeneration and place shaping plans have been further developed in 2020/21 with Egham Gateway West commencing. The likely cost of £92m is already part funded with a 40-year loan at a fixed rate of 2.88% from a private sector investment company. Clearly the Covid 19 pandemic will affect the high street and housing market. The Council is reviewing its regeneration strategies in the summer of 2021 as the UK economy moves into recovery.

In these schemes' residents, local businesses and other stakeholders have been involved in the design brief. These consultations have included numerous meetings with resident's associations and other public meetings.

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The role of the Standards and Audit Committee includes:

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

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

In 2020/21 there have been no allegations of financial irregularities involving members or officers.

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

The Constitution includes protocols on Member /Officer relations. The Monitoring Officer has confirmed that during 2020/21 twelve complaints were received in respect of alleged breaches of the Member Code of Conduct. In three cases upon examination it was found the complaint did not merit investigation. In eight cases further information was requested from the complainants which was not provided, and they could not be progressed. One case is still the subject of investigation.

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

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.

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Companies owned by the Council

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

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

- Ms. A Williams is the Managing Director who is employed by the Council as their Head of Commercial Assets and regeneration
- Mr. P McKenzie (Asst Chief executive) resigned as Finance Director in January 2021 and was replaced by Ms. E Lyons who is employed by the Council as their Commercial Property Accountant.

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

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

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

Ms. A Williams is the Managing Director for these companies and Ms. Lyons is the Finance Director. For all of the companies the Council's Asst Chief Executive provides 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 bespoke Shareholder Agreements. A detailed business and financial plan have been prepared and the Loan Facilities Agreement (LFA) that will provide the mechanism for drawing down commercial loans from the Council.

At every stage of the development of the Council's regeneration programs and projects, Members have steered the direction of activity within the framework provided by the Property Investment Strategy and lately the Council's Capital Strategy via reports to the Corporate Management Committee and all Member briefings to Council who have made key decisions. That process will continue beyond 31 March 2021 as the regeneration activity develops through a development partner to deliver the Runnymede Regeneration Programme of a number of sites over an 8-10-year period.

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

The Corporate Business Plan focuses on the outcomes for the community and is the driver behind the Council's priorities. The Council updated its Corporate Business Plan 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. The Business Plan will be updated in 2021/22 as the Council moves into recovery from the pandemic.

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

- Transport and building maintenance.
- 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 2020/21 and is set to continue in 2021/22
- Community Services providing a range of community services in partnership with Surrey Heath BC.
- Safer Runnymede provides a CCTV service for other 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 Head of Law & Governance (the Monitoring officer)
- Asst Chief Executive (Responsible Finance or Section 151 officer)

For all of 2020/21 that structure has been in place. CLT will be supported by a Senior Leadership Team of around 11 officers who cover all the Councils operations. The elected members have continued a formal Member structure of Member working groups. This new structure will involve all members in developing policy and was implemented early in 2019 and matured in 2020/21 to specifically:

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

Performance management

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 Financial Services. The Council has set up a management structure to support the following objectives:

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- 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 2020/21. One of the outcomes is to improve the Councils corporate governance arrangements together with individual management accountability.

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

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

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

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

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

It is a requirement for Members to declare any interests in the report at the beginning of the meeting. As part of the governance trail members also declare if they held any executive positions with organisations that carry out business with the Council. In 2020/21 the Council received declarations from all 41 councilors.

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

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

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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. During 2020/21 risk management included the implications of the pandemic - mainly on the way we delivered services.

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.

Previously, the Environment and Sustainability Committee agreed to enhance our emergency planning and risk management capacity by entering a three-year contract with a 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 has benefited 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 2020/21.

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

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

The Members and Officers, starting in early September each year, spent a number of weeks preparing options for the following years budget. This member / officer group completed and produced a budget strategy by December 2020. The objective was not only the future financial resilience of the Council in an environment where Central Government grant may be reduced but to improve services to residents by reducing overhead costs. The pandemic also significantly reduced the Councils income from rents and services, and increased costs. The budget surplus for 2020/21 is now a deficit budget. In 2021/22 a significant part of the Councils efforts will be the financial sustainability of the Council

Members receive specific training on the regulative functions, e.g. Planning, and on the Constitution from the Monitoring Officer. From 2016 to 2019/20 a number of training sessions have been run for newly elected Councilors on various topics including local government finance. Training and seminars are also provided on topics such as risk management, asset management. The pandemic has reduced member training to a minimum.

In February 2019, following an extensive consultation exercise, the council tax support scheme was significantly updated for implementation in 2019/20 and 2020/21.

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,

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use of resources to meet Council objectives, community safety, the Council's equalities obligations and financial probity.

Financial management and controls

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

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

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

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:

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

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

Complaints against Members and co-opted Members will be referred to the Monitoring Officer. Complaints against a member of staff who would normally handle the complaint at that stage will be referred to their line manager. Complaints against a business centre manager will be referred to the Chief Executive. There are separate arrangements in respect of allegations of

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financial impropriety, criminal activity or unlawful harassment or discrimination. A separate policy exists to deal with vexatious complaints.

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

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

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

The Council in 2020/21 had one finding of maladministration against it by the Local Government Ombudsman.

All Council meetings are open to the public, except where personal or confidential matters are to be discussed. All agendas and minutes are placed on the Council's public website and are also available by contacting the Council should electronic access not be possible. During 2020/21 almost all meeting took place remotely via MS Teams with audio access to the public.

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

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

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

The Corporate Business Plan 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 Unit/ Team Plans were in place for 2020/21, however the pandemic has caused significant changes.

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

Ensuring compliance with established policies, procedures, laws and regulations

The Corporate 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.

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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 2020/2021 will be presented to the Standards and Audit Committee in summer 2021.

Internal audit reports to the Ass Chief Executive 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

The Council has set a balanced budget for 2020/21 and a balanced medium-term financial outlook. The pandemic has caused a deficit budget for 2020/21. The budget includes contingencies for managing risk and a planned use of reserves to mainly fund the regeneration plans of the Council. However, the Covid 19 pandemic does mean the Council will re-visit all its financial plans in October 2021 as the economic outlook becomes clear. The Annual Governance Report and Annual Audit Letter are published on our website (www.runnymede.gov.uk)

Other explicit review and assurance mechanisms.

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

- reviews of plans and procedures;
- ensuring that process reviews demonstrate continuous improvement;
- implementing agreed actions from internal audit reports;
- ensuring that staff personal development programmes are relevant to service delivery;

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- monitoring Business Centre/Team Plan targets and budgets and report performance and variations.
- budget monitoring and control with monthly projected full year spend reported to the Corporate Leadership Team

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

Significant governance issues

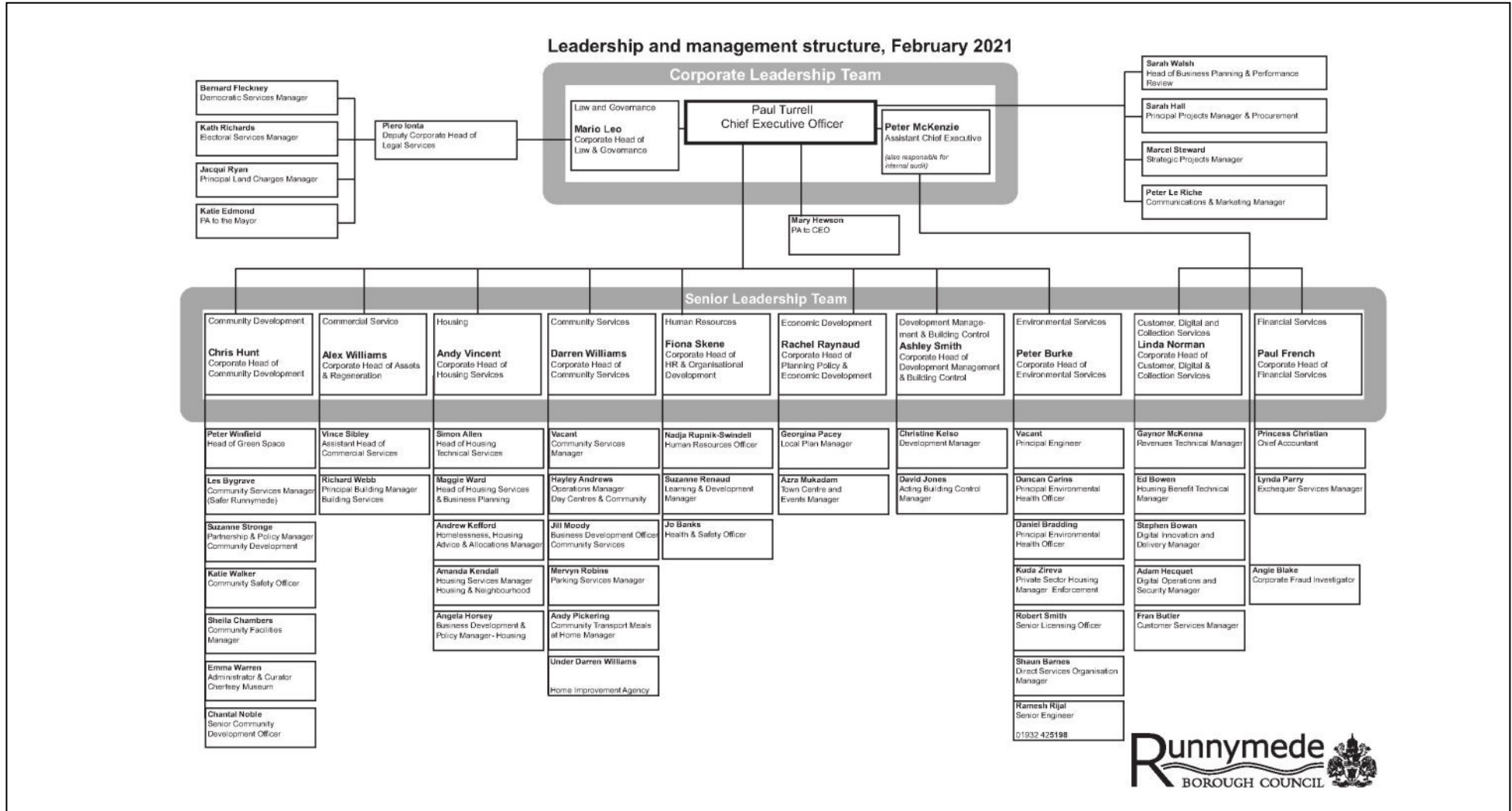
Where weaknesses in controls have been identified the Council has acted to strengthen controls in these areas. No significant weaknesses in internal control have been identified.

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

Councillor N H Prescott
Leader of the Council
30 July 2021

Mr. P Turrell
Chief Executive
30 July 2021

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action Plan

Item	Issue	Actions taken	Further actions required	Timescale
1.	<p>Partnership working</p> <p>There is a growing pressure for the Council to deliver services and policy objectives in partnership with a wide range of organisations from the public, private and voluntary sectors.</p> <p>There is a risk that local authorities may enter into partnerships without due regard to controls, financial and operational risks, and robust governance procedures.</p>	<p>The Council's Internal Control Framework deals with aspects of joint working in a comprehensive way e.g. contract standing orders set out the arrangements to follow for contractual arrangements, service level agreements are established with organisations receiving annual revenue grants.</p> <p>During 2019/2020 a number of partnerships increased in size and / or scope. This includes a partnership agreement with Surrey Heath Borough</p> <p>In 2018/19 the Council entered into a partnership with Reigate and Banstead Borough Council to provide additional fraud investigation capacity. The partnership continued in 2019/20</p>	<p>1. The Council has developed its shared service strategy formulating a number of partnerships with Spelthorne BC, Elmbridge BC, Surrey Heath BC and Surrey CC. This policy will continue where it is clear this will provide business improvement, savings or greater resilience</p> <p>2. The Council continues to work with Surrey County Council on its transformation plans in 2019/20 and beyond as the UK moves into Covid recovery</p> <p>This has resulted in some significant short term but predominantly longer-term opportunities for savings and service improvement</p>	<p>On-going</p> <p>On-going</p>
2.	<p>Business Continuity Planning</p> <p>A Business Continuity Plan is a series of arrangements to ensure that standards of service are maintained during a period of disruption. There are some gaps in the planning process which could be improved i.e. plans at a service level. The greatest risk is an incident that leaves all or a substantial part of the Civic Centre unusable for a period.</p>	<p>The role of the Risk and Resilience service provided by Applied Resilience is to help prepare the organisation to effectively respond to disruptive events that threaten delivery of services.</p>	<p>As the Councils new management structure is embedded Business Continuity Plans will be re-visited in 2020/21</p>	<p>On-going</p>
3.	<p>Commercial property Rents</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</p>	<p>Members approved a new structure that transferred responsibility for reviewing commercial rents to the Commercial Services Section.</p>	<p>Additional professional resources have been brought in to review all the Council's leases and carry out rent reviews where needed.</p>	<p>Mar 2018 and on-going in 2021/22</p>

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	likely to exceed £1m on one rent review. The internal Audit undertaken identified a number of recommended actions which have been agreed by the Standards and Audit Committee		Corporate Management Committee and Standards and Audit Committee will continue to receive update reports for decision as.	
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